



AIRPORTS COMPANY
SOUTH AFRICA



2019

**CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS**

Run Airports | **Develop** Airports | **Grow** Footprint

GROUP INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

Country of incorporation and domicile	South Africa	
Company registration number	1993/004149/30	
Directors		
Non-executive directors	D Botha	S Nogxina
	D Hlatshwayo	N Nokwe-Macamo
	M Mabela	I Phenyane
	K Matlou	Y Pillay
	B Mohale	S Simelane
	P Mokupo	N Zikalala Mvelase
Executive directors	B Maseko	
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008	
Postal address	PO Box 75480 Gardenview	
Bankers	Standard Bank Nedbank	
Secretary	Fefekazi Sefara	
Nature of business and principal activities	Airports Company South Africa is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function.	

AIRPORT CONTACT DETAILS

Use the contact information below to engage with us on airport specific inquiries

Airport	Direct web address	Telephone number
O.R. Tambo International Airport	 www.airports.co.za/airports/or-tambo-international	011 921 6262
Cape Town International Airport	 www.airports.co.za/airports/cape-town-international	021 937 1200
King Shaka International Airport	 www.airports.co.za/airports/king-shaka	032 436 6000
Port Elizabeth International Airport	 www.airports.co.za/airports/port-elizabeth	041 507 7348
East London Airport	 www.airports.co.za/airports/east-london	043 706 0306
George Airport	 www.airports.co.za/airports/george-airport	044 876 9310
Bram Fischer International Airport	 www.airports.co.za/airports/bram-fischer	051 407 2200
Kimberley Airport	 www.airports.co.za/airports/kimberley	053 830 7106
Upington International Airport	 www.airports.co.za/airports/upington-international	054 337 7900

For all queries, visit www.airports.co.za or email us at customer@airports.co.za.  For annual financial statement comments or queries, email Refentse Shinnars, Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.

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2019

REPORT OF THE BOARD AUDIT AND RISK COMMITTEE

I am pleased to present you with the report of the Airports Company South Africa Audit and Risk Committee (the committee) for the financial year ended 31 March 2019. The committee is responsible for overseeing:

- Quality and integrity of the company's integrated planning and reporting including its financial statements and sustainability issues;
- Overseeing the appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process including the approval of non-audit services;
- Effectiveness of the internal financial controls and systems of internal control and risk management; and
- Effectiveness of the governance and assurance processes within the company, including the adequately resourced internal audit function.

Statutory duties

The committee is constituted as a statutory committee of Airports Company South Africa SOC Limited in line with the Companies Act No. 71 of 2008 and Public Finance Management Act of South Africa, No. 1 of 1999 (PFMA) and is accountable in this regard to both the Board and Airports Company South Africa's shareholders. It is a committee of the Board in respect of all duties the Board assigns to it and has been delegated extensive powers to perform its functions in accordance with the Companies Act, PFMA and National Treasury Regulations. The committee fulfilled all its statutory duties as required by section 94(7) of the Companies Act and National Treasury Regulation 3.1.10 of the PFMA. The committee also acts as the audit committee for all its wholly owned subsidiaries. Prior to the establishment of the Information and Communication Technology Governance Committee by the Board, the committee provided oversight on information and technology. The committee, in this regard, considered the IT reports and the IT Governance Framework.

The committee provided significant oversight and monitoring over the following key areas:

- Volatile macroeconomic environment and management's responses thereto;
- Internal controls, risk management and compliance processes;
- Delegated levels of authority, combined assurance, business continuity; and
- Controls to prevent irregular, fruitless and wasteful expenditure.

In responding to changes in the environment in which the company operated during FY2018/19, the committee considered the strategic risks and their impact on achieving the Group's strategy and assessed the adequacy of controls and the combined assurance delivered over the identified risks. The committee monitored the effectiveness of the control environment through the review of reports from internal audit, management and the external auditor, and ensured the quality of financial reporting through the review of the financial statements submitted to the committee.

The committee noted the irregular expenditure incurred in the past and that it was due to control weaknesses in supply chain management ("SCM") and poor contract management. Considerable efforts have been expended in improving the SCM processes. The root causes are being addressed and adequate control measures are in place to prevent recurrence. The committee has taken a stance of zero tolerance for irregular expenditure.

Significant financial statement reporting issues

Assumptions and estimates or judgements are a significant part of the financial reporting process and are evaluated carefully by the committee ahead of the finalisation of the Group's financial statements. The committee reviewed in detail the main judgements and assumptions made by management, relevant sensitivity analyses performed, and the conclusions drawn from the available information and evidence, with the main areas of focus during the year set out below. Where appropriate, the committee sought input and views from the external auditor and encouraged rigorous engagement on control, accounting and disclosure matters. In addition to these main areas of focus, the committee also covered matters relating to budgeting and forecasting, funding, taxation and legal matters.

Composition and meeting

The majority of the committee members are independent non-executive directors, all of whom are adequately financially skilled. The members consist of Mr Pascal Mokupo (Chairman), Ms Dudu Hlatshwayo, Mr Yershen Pillay, Ms Nosizwe Nokwe-Macamo and Ms Ntombifuthi Zikalala Mvelase. We believe the deep and varied experience of the committee members gives perspective and insight to the committee's deliberations and decisions. Further details of the experience of the members can be found in their biographies. (Refer to the Integrated Report page 96)

The committee has met all legal and regulatory requirements from a composition and independence perspective.

The Acting Chief Executive Officer, Acting Chief Financial Officer, Chief Audit Executive, External Auditor, Group Executive: Governance and Assurance and other Group subject matter experts attended all committee meetings for the period under review. The chairman of the committee reports to the Board on key matters arising after each of these meetings.

At each meeting, management, internal audit and external audit are afforded an opportunity to have separate meetings with the committee. Also, where a need arises, the chairman encourages meetings prior to committee meetings with all relevant experts.

The committee met five times during the period under review, with attendance as per the table below. Two of the meetings were special meetings convened to discuss the committee's approach in dealing with forensic reports regarding reported allegations of wrongdoing against the former CEO, the approach to be adopted in dealing with the forensic reports which were commissioned by the previous Board and anonymous electronic mails which were sent to the Board members who were appointed with effect from 1 September 2018, and the draft 2020-2022 Corporate Plan.

Subsequent to the resignation of former directors and committee members, namely, Mr Siyakhula Simelane (former committee chairman) and Matlodi Mabela in April 2018, the number of non-executive directors remaining was insufficient to constitute the committee. This impacted for a brief period on the continued functionality of the committee. The committee was then constituted on 7 September 2018 subsequent to the appointment of new Board members.

Member	1 October 2018	4 October 2018	30 October 2018	14 November 2018	30 January 2019
Ms Dudu Hlatshwayo ⁶	Present	Present	Apology	Present	Present
Mr Matlodi Mabela ²	N/A	N/A	N/A	N/A	N/A
Mr Pascal Mokupo ³ (Chairman)	Present	Present	Present	Present	Present
Ms Nosizwe Nokwe-Macamo ⁵	Apology	Present	Present	Present	Present
Mr Yershen Pillay ⁷	Present	Present	Apology	Present	Present
Mr Siyakhula Simelane ¹	N/A	N/A	N/A	N/A	N/A
Ms Ntombifuthi Zikalala Mvelase ⁴	Present	Present	Present	Present	Present

1 Resigned on 20 April 2018

2 Resigned on 19 April 2018

3 Appointed to the committee on 7 September 2018

4 Appointed to the committee on 7 September 2018

5 Appointed to the committee on 7 September 2018

6 Appointed to the committee on 7 September 2018

7 Appointed to the committee on 7 September 2018

The committee operated under terms of reference which were reviewed by the committee and approved by the Board. The committee has carried out its duties per the Companies Act, PFMA and applicable National Treasury Regulations and its terms of reference.

In line with their set terms of reference, the committee also considered the following in the period under review:

- Quarterly Performance Reports;
- Quality and integrity of integrated reporting and disclosure;
- Tax reports;
- Effectiveness of the Group's system of internal control over financial reporting;
- Significant and material matters;
- Assessment of significant investigations and allegations reports;
- Legal status reports;
- Assessment of compliance dashboard and compliance profile;
- Planning for and effectiveness of the Group's combined assurance for the next financial year and updates on the 2018/19 combined assurance plan;
- Reports on the implementation of the business continuity management plan;
- Approved internal audit plan and monitored internal audit findings reported by internal audit and proposed remedial action by management;
- Recommended to the Board the appointment of the external auditor at the Annual General Meeting;
- Approved external audit strategy;

REPORT OF THE BOARD AUDIT AND RISK COMMITTEE (CONTINUED)

- Reviewed Governance and Control Framework, Subsidiary Governance Framework;
- Assessed regulatory updates and their impact on the Group's business;
- Considered the gap analysis on implementation of the King IV Report; and
- Reviewed Audit and Risk Committee Charter and annual work plans.

Committee performance

The Audit and Risk Committee's performance was considered as part of the Board effectiveness evaluation conducted at the end of the financial year, which was carried out using an internal self-assessment questionnaire. This evaluation did not identify any material areas of concern about the functioning of the committee.

Role of the Audit and Risk Committee Chairman

The role of the chairman of the committee requires regular meetings with the heads of internal audit, risk management, finance and external audit in order to understand the Group's operations and risks facing the business. These interactions are an essential part of the role of the chairman as they provide an additional layer of assurance to gain comfort that these control functions are aligned in terms of their understanding of the risks facing the business and mitigation thereof.

Looking ahead

In advancing the committees' efforts, focus will be centred on improving the balance sheet through optimum and efficient utilisation of assets, measures to increase revenue, adequately strengthening the SCM function and reduction of irregular expenditure.

The committee reports that it has discharged its responsibilities relating to the following:

Financial statements

The committees' primary responsibility in relation to the Group's financial reporting is to review with both management and the external auditor who is the Auditor General, the appropriateness and accuracy of the annual financial statements. In this process, amongst other matters, the committee has considered the appropriateness of accounting policies and practices and any areas of judgement, and significant issues that have been discussed with the external auditor; the clarity of disclosures and compliance with financial reporting standards and other relevant financial and governance reporting requirements.

The committee has received financial reports from Group finance at each quarterly meeting. The consolidated annual financial statements are considered and recommended for approval to the Board by the committee.

The committee has considered reports on taxation and legal matters.

One of the key roles of the committee is to review the going concern concept as presented by management and, if appropriate, make the necessary recommendation to the Board in this regard. Whilst the liquidity and solvency of the Group is closely monitored on a daily basis by management, the committee and Board expressly consider the assumptions underlying the going concern of Group as part of the annual financial statements approval.

For the year ended 31 March 2019, the committee recommended to the Board that, based on its knowledge of the Group, key processes in operation and enquiries, it is appropriate for the financial statements to be prepared on a going concern basis.

The committee has considered whether, in its opinion, the annual report and financial statements for the year ended 31 March 2019 are fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position and performance, and prospects. The committee has formed the view that the annual report and financial statements for the year ended 31 March 2019 are fair, balanced and understandable.

The committee has considered the Group's dividend policy and has recommended it for approval by the Board. The policy remained unchanged.

External Audit

The Auditor General South Africa ("AG") is the external auditor for Group. The committee considers the re-appointment of the external auditors each year before making a recommendation to the Board and shareholders in terms of the Companies Act.

The committee has considered the independence and evaluated the effectiveness of the auditor through completion of a questionnaire which, amongst other things, assessed the audit team and audit approach, auditor's understanding of the risks facing the company and the response to these in the audit plan, performance and delivery against the audit plan, professional scepticism, and communication and interaction. The committee is satisfied the quality of service provided by the external auditor is satisfactory and that there were no matters that might reasonably be thought to bear on the audit team's independence.

The committee approved the scope of the external audit plan and audit fees.

The external auditor is invited to attend committee meetings and has access to the committees' chairman.

The Board and the committee is recommending the re-election of the Auditor-General South Africa as the auditor for the Group.

There were no non-audit services provided by the external auditor.

Integrated reporting

The committee guides the integrated reporting process, which includes reporting on sustainability matters, having regard to all factors and risks, including any significant legal and tax matters and any concerns identified that may impact on the integrity of the integrated report or could have a material impact on the financial statements. The committee has considered the integrated report at its quarterly meetings.

The committee has reviewed the disclosure of sustainability issues in the quarterly and annual integrated report to ensure that the information is reliable and does not conflict with the financial information.

The committee relies on management, the external auditor, internal audit as well as the Group's compliance and ethics reporting telephone line to highlight any concerns, complaints or allegations relating to internal financial controls, the content of the financial statements and potential violations of the law.

The committee has formed the view that the information in the integrated report provides a balanced view and has recommended the annual integrated report to the Board for approval.

Corporate Plan and Business Plan

The committee has considered and reviewed Corporate Plan, which includes the budget of the Group, paying due attention to the projection of revenue, expenditure and borrowings, key performance indicators, and recommended the Corporate Plan to the Board for approval.

Integrated / Combined assurance

The committee has reviewed and approved the combined assurance plan. The committee has monitored progress against the assurance plan. The committee has reviewed the outcome of assurance activities and ensured gaps in assurance and findings are addressed.

Internal control and risk assessment

The committee reviewed the plans and outputs of the external and internal auditors. The committee has received regular reports on internal financial controls, strategic risks, legal and regulatory compliance and business continuity from internal and external auditors, and Governance and Assurance Department.

Internal audit

The committee approved the internal audit plan. The internal audit function will be subject to an independent quality review in the 2019/20 financial year. The committee has reviewed and approved the internal audit charter. The committee has:

- Reviewed significant findings in the Internal Audit's reports and management's responses thereto;
- Reviewed the co-operation and co-ordination between the internal and external audit functions and ensured co-ordination between the internal audit work plan with the external auditors' strategy to avoid unnecessary duplication of work;
- Provided an opportunity for the Chief Audit Executive at every committee meeting to meet the committee, without the presence of management, to discuss any issues arising from the internal audits carried out; and
- Ensured that the Chief Audit Executive has unrestricted access to the chairman of the committee.

REPORT OF THE BOARD AUDIT AND RISK COMMITTEE (CONTINUED)

The committee has assessed the internal audit function and is satisfied that all the statutory requirements provided in the PFMA and National Treasury Regulations have been complied with.

Risk Management

The committee has considered integrated risk management reports and progress made on implementation of the enterprise risk management plan and risk performance at its meetings. The Group is well on its way to improving the risk culture with the aim of reaching a risk intelligence status in support of the Group's vision. The committee has considered updates on the treatment plans for the identified strategic risks. The strategic risk register has been reviewed by the Board.

The committee has considered the enterprise risk management framework.

The committee is satisfied that the Company has implemented an effective enterprise risk management policy and plan which has enhanced the Company's ability to achieve its strategic objectives.

Compliance with laws and regulations

The committee has assessed the compliance status dashboard, legislative updates, the compliance profile and regulatory updates.

Corporate governance

The committee has considered the reviewed governance and control framework, subsidiary governance framework and the gap analysis on the implementation of King IV.

Conclusion

The committee is satisfied that it has complied with all its terms of reference determined by the Board incorporating statutory and other responsibilities. Having had regard to all material risks and factors that may impact on the integrity of the annual financial statements and following appropriate review, the committee recommended the Group Annual Financial Statements of Airports Company South Africa SOC Limited for the year ended 31 March 2019 for approval to the Board.



Mr P Mokupo

Chairman

10 September 2019



DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

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

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

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

The directors have reviewed the Group's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the Group's external auditors and their report is presented on page 10.

The consolidated annual financial statements set out on pages 18 to 80, which have been prepared on the going concern basis, were approved by the Board on 27 August 2019 and were signed on their behalf by:



Adv Sandile Nogxina

Chairman

10 September 2019

COMPANY SECRETARY'S CERTIFICATION

Declaration by the Company Secretary in respect of Section 88 (2) (e) of the Companies Act

I declare that the COR39 for Airports Company South Africa SOC Limited has not been updated with with the Commissioner of the Companies and Intellectual Property pursuant to the Public Investment Corporation's withdrawal of Ms Hlatshwayo's nomination from the ACSA Board on 3 September 2019.

The Company has not lodged with the Commissioner of the Companies and Intellectual Property the annual return as required of Airports Company South Africa SOC Limited in terms of the Companies Act and that such return is true, correct and up to date.

The COR39 notices for the following subsidiaries are not up to date due to the recent resignation and end of term of directors, and appointment of new directors:

- Airports and Consultancy Advisory Services SOC Ltd;
- Precinct 2A Investments SOC Ltd; and
- JIA Piazza SOC Ltd.



Fefekazi Sefara

Company Secretary
10 September 2019

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF AIRPORTS COMPANY SOUTH AFRICA SOC LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

1. I have audited the consolidated and separate financial statements of the Airports Company South Africa SOC Limited and its subsidiaries (the group) set out on pages 18 to 80, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act)

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion or conclusion on these matters.

Key audit matter	How the matter was addressed in the audit
<p>Expected credit losses on trade and other receivables</p> <p>The group adopted IFRS 9 "Financial Instruments" with effect from 01 April 2018 and this new standard supersedes the requirements of IAS 39 "Financial Instruments- Recognition and Measurement".</p> <p>IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the group's financial statements relates to the calculation of the expected credit losses (ECL) of Trade receivables.</p> <p>As at 31 March 2019 the carrying value of Trade and other receivables amounted to R916 million (2017/18: R1 077 million) (Company: R899 million; 2017/18: R 1017 million) and the expected credit losses (ECL) of trade and other receivables amounted to R283 million (2017/18: R253 million) (Company R233 million; 2017/18: R250 million).</p> <p>Refer to note 2.1 and D.1 to the consolidated financial statements for accounting policies and the relevant detailed disclosures respectively.</p> <p>The group measures the loss allowance for trade and other receivables by applying the simplified approach prescribed by IFRS 9.</p> <p>The ECL model involves the use of significant judgements which include, among others historical trends, history of collection of trade and other receivables and forward looking information which include macro-economic factors.</p> <p>The assessment and calculation of expected credit losses (ECL) require management to make significant estimations and use significant judgements. Due to the subjectivity of the estimations and judgement, I consider the impairment of trade and other receivables to be a key audit matter.</p>	<p>My audit procedures included the assessment of the appropriateness and reasonableness of the expected credit losses for trade and other receivables. These audit procedures included the following:</p> <ul style="list-style-type: none"> • assessing the design and testing the operating effectiveness of controls related to trade and other receivables; • verifying whether the expected credit loss (ECL) model developed by management is consistent with the requirements of IFRS 9; • evaluating the appropriateness and reasonableness of key assumptions and judgements such as the default rate by comparing these to historical data; • evaluating the change in accounting policy and satisfying myself that it was consistent with the requirements of the standard; • testing the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL; • testing key assumptions and judgments, such as those used to calculate the likelihood of default by comparing to historical data. • evaluating the appropriateness of forward looking factors (macroeconomic factors) used to determine expected credit losses; • assessing the appropriateness of transitional disclosures to ensure that they are consistent with the requirements of IFRS 9. <p>Based on procedures performed above, I was satisfied that the expected credit losses on trade and other receivables were reasonable, in line with my expectation and appropriately disclosed.</p>

Key audit matter	How the matter was addressed in the audit
<p>Valuation of Investment Property</p> <p>The carrying value of investment properties for the group amounted to R7 023 million (2017/18: R7 120 million) (Company R6 631 million; 2017/18: R6 793 million) and the fair value adjustment recorded in the statement of comprehensive income for the year in respect of investment properties was a loss of R134 million (2017/18: R537 million gain) (Company R200 million loss; 2017/18: R554 million gain). Significant judgement is required in determining the fair value of investment properties and for the purposes of my audit I identified the valuation of investment properties as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the fair value.</p> <p>Independent valuers are used to determine the fair values for all of the properties held in these categories annually.</p> <p>The inputs with the most significant impact on these valuations are disclosed in note B.1.</p> <p>The valuation of the investment properties involves the use of an expert who is required to make significant assumptions and use significant judgements. Due to the subjectivity of the assumptions and judgements, I consider the valuation of the investment properties to be a key audit matter.</p>	<p>I assessed the design and the operating effectiveness of internal controls relating to investment properties and I have developed an understanding of the relevant business processes relating to investment properties.</p> <p>I placed reliance on the management expert. Before I placed reliance on management's expert, I satisfied myself with their independence, objectivity and competency in line with the requirements of ISA 500.</p> <p>I performed the following procedures before reliance could be placed on management experts:</p> <ul style="list-style-type: none"> I discussed the scope of the work that managements' expert completed with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them; I have assessed the assumptions, methods and models used by the management expert and confirmed that they are consistent with the requirements of IFRS, as the fair value determination was in done in accordance with IFRS 13 and IAS 40; I confirmed the appropriateness of judgements used by the management expert where they made use of market inputs which are consistent with the requirements of IFRS 13 and valuation norms; I have also confirmed that the assumptions, methods and models used by the expert are consistent with those of management and the company's accounting policy for investment property. <p>I engaged an auditor's expert to perform a peer review on the work performed by management's expert to confirm whether the reasonability of the assumption made by management's expert and whether the approach followed is consistent with the industry norms.</p> <p>Before I placed reliance on the work of the auditor's expert, I satisfied myself with their independence, objectivity and competency in line with the requirements of ISA 620.</p> <p>The auditor's expert confirmed that the approaches used by the management expert are consistent with applicable financial reporting framework (IFRS) and industry norms.</p> <p>Based on the procedures performed I am satisfied that the revaluation of investment property is appropriate, reasonable, fairly valued and appropriately disclosed in the annual financial statements.</p>
<p>Valuation of and accounting for the associate: Aeroporto de Guarulhos Participacoes S.A.</p> <p>Note E.3 to the Consolidated Financial Statements describes the associate relationship between Airports Company South Africa (ACSA) and Aeroporto de Guarulhos Participações S.A. (GRUPAR)</p> <p>The group and Company have a 20% equity interest in GRUPAR, in the 20-year concession to modernise the Guarulhos International Airport (GRU Airport)</p> <p>The group and Company have accounted for the investment in line with IAS 28 -Investments in Associates and Joint Ventures.</p> <p>The carrying amount of the Investment in Aeroporto de Guarulhos Participações S.A was disclosed in note E.3 of the Annual Financial statements.</p> <p>The company in which the group is invested in (GRU Airport) has been making net losses in the past financial year which is an impairment indicator and therefore management applied significant judgement in determining the carrying value of investment and the recoverable amount in accordance with IAS 36.</p> <p>For the purposes of my audit I identified the valuation of investment Aeroporto de Guarulhos Participações S.A. as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the recoverable amount.</p> <p>The recoverable amount was calculated by management using inputs received from the management of GRU Airport and the discounted cash flow model was applied to determine the net present value of the investment.</p> <p>The calculated net present value was then compared to the carrying amount and management confirmed that there was no impairment loss to be recognised as the carrying amount did not exceed the recoverable amount of the investment.</p> <p>The recoverable amount calculation involves the use of complex valuation techniques and significant judgements in relation to the future profitability of the investment. Due to the complexity of the valuation technique and subjectivity of the assumptions and judgements, I consider the valuation of the investment in associate to be a key audit matter.</p>	<p>I assessed the design and the operating effectiveness of internal controls relating to the investment in the associate and I obtained an understanding of the nature of the investments made by ACSA.</p> <p>I assessed the appropriateness of the valuation model used in determining the recoverable amount. I performed the following audit procedures:</p> <ul style="list-style-type: none"> Evaluated whether the valuation method applied to compute the value in use amount was appropriate; confirmed as per the requirements of IAS 36 paragraph 30 that the value in use can be calculated using an estimate of the future cash flows the public entity expects to derive from the asset. <p>I performed the following procedures to confirm the reasonableness of the assumptions used in calculating the recoverable amount:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the discount rate used by management which was equal to the required rate of return that the Regulating Committee (the Regulator) for Airports Company South Africa and Air Traffic Navigation Services Company (ATNS) had approved in October 2017; Confirmed that there were no subsequent changes to the required rate of return provided by the regulator; Confirmed that the discount rate included an assessment of the time value of money represented by the current market risk-free rate of interest which the regulator had calculated when determining the required rate of return of ACSA; Assessed the exchange rate used by management to convert the future cash flows which were quoted at the Brazilian Real currency and confirmed that the rate is reasonable; In light of net losses being incurred by the GRU airport I considered whether management's calculation considered all the identifiable liabilities and assets that relate to the concession, whether the trend in losses indicate a better or worse position for ACSA when compared to the prior financial years; Confirmed the reasonability of the cash flow forecast in line with growth in passenger numbers against historical numbers growth rate and the expected Gross Domestic Product (GDP) growth rate of Brazil; and Conducted certain stress tests on the discount rate and the cash flow forecasts used in the valuation model. <p>Based on the procedures performed above, I am satisfied that the recoverable amount calculated by management is reasonable and is in line with my expectation.</p>

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF AIRPORTS COMPANY SOUTH AFRICA SOC LIMITED

Emphasis of matter

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

Restatement of prior year amounts

8. As disclosed in note G.16 to the financial statements, the corresponding figures for 31 March 2017 and 31 March 2018 have been restated as a result of errors discovered during the 2018-19 financial year.

Share buy-back

9. As disclosed in note G.15 to the financial statements, the public entity is in an ongoing court case with its minority shareholders regarding the buy-back of the company's shares.

Unaudited supplementary schedules

10. The supplementary information set out on pages 2 to 9 and 16 to 17 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the Board of directors

11. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), the requirements of the PFMA and Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

13. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

14. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Public Entity for the year ended 31 March 2019:

Objectives	Pages in the annual integrated report
Objective 1: Create value for our shareholders.	50
Objective 3: Increase stakeholder satisfaction through effective partnership	50
Objective 4: Improve the passenger experience through demonstrated operational excellence	50
Objective 5: Contribute to increase traffic through the airports we operate.	50
Objective 14: Improve connectivity to the regions we serve.	50

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives
- Objective 1: Create value for our shareholders
 - Objective 3: Increase stakeholder satisfaction through effective partnership
 - Objective 4: Improve the passenger experience through demonstrated operational excellence
 - Objective 5: Contribute to increase traffic through the airports we operate.
 - Objective 14: Improve connectivity to the regions we serve

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 50 to 51 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material findings on compliance with specific matters in key legislations are as follows:

Annual Financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA and section 29(1)(a) of the Companies Act.
25. Material misstatements of non-current assets, current assets and disclosure items were identified by the auditors in the submitted annual financial statements which were subsequently corrected which resulted in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

26. Some of the goods, works and services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was reported in the prior year.
27. Some of the contracts were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).
28. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board in accordance with section 18(1) of the CIDB Act.

Consequence management

29. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by section 51(1) (e) (iii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into irregular and fruitless and wasteful expenditure.

Expenditure management

30. Effective and appropriate steps were not taken to prevent irregular expenditure in the amount of R 264 million, as disclosed in note G.13, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with section 51(1) (a) (iii) of the PFMA and contravention of the 2017 preferential procurement regulation 4(1) and 4(2).
31. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure in the amount of R 63 million, as disclosed in note G.14 as required by section 51(1) (b) (ii) of the PFMA. The majority of the fruitless and wasteful expenditure was incurred on interest and penalties imposed by the South African Revenue Service (SARS) on revised tax assessments raised for prior periods.

OTHER INFORMATION

32. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF AIRPORTS COMPANY SOUTH AFRICA SOC LIMITED

34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
35. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
37. There has been slow response in implementing the commitments made in the prior year to address the internal control deficiencies in the areas of financial reporting and compliance.
38. Lack of implementation of consequence management for transgressions and poor performance.
39. The public entity developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.
40. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is easily accessible and readily available to support financial reporting and compliance with legislation.
41. Inadequate review of the financial statements submitted for audit resulted in material adjustments being made to non-current assets, current assets and disclosure notes.

OTHER REPORTS

42. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
43. There are various investigations being conducted on supply chain management non-compliance matters and irregular expenditure by both internal audit and other external parties. At the date of this report, the investigations were still ongoing.

Auditor General

Auditor-General South Africa

Pretoria
9 September 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
 - conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Airports Company South Africa and its subsidiaries ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion]

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.
5. From the matters communicated to those charged with governance, I determine those matters that were of the most significance in the audit of the consolidated and separate financial statements of the current period and are therefore key audit matters. I describe these matters in this auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated annual financial statements of Airports Company South Africa SOC Limited for the year ended 31 March 2019.

The Company was established in terms of the Airports Company Act, No.44 of 1993 as amended.

Nature of business

The principal activities of the Company are the acquisition, establishment, development, provision, maintenance, management, control and operation of airports or part of any airport or any facilities or services that are normally performed at an airport.

There have been no material changes to the nature of the Group's business from prior years.

Review of operations

Revenue for the Group amounted to R7,1 billion (March 2018: R6,8 billion), including non-aeronautical revenue of R3,3 billion (March 2018: R3,3 billion).

Profit before income tax for the Group amounted to R615 million (March 2018: R1,2 billion). The profit for the year for the Group was R227 million (March 2018: R552 million).

Dividends

The Board of Directors has approved but not yet paid an ordinary dividend of R57 million for the current financial year (March 2018: R146 million ordinary dividend).

Capital expenditure

During the current year, R1,1 billion (March 2018: R914 million) was spent on capital relating to improvements, expansions and replacements by the Group. (Refer to notes B1, B2 and G1 for more details).

Share capital

There were no changes to the authorised and issued share capital of the Company and the Group during the financial period.

Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Subsidiaries, joint ventures and associates

There were no acquisitions or disposals during the year ended 31 March 2019. Airports Company South Africa SOC Ltd is the ultimate parent company of the Group.

The Group has a 100% interest in ACSA Global Ltd, a management company incorporated in Mauritius. ACSA Global Ltd is registered in Mauritius with a financial year end of 31 March. The investment has been accounted for as a subsidiary.

ACSA Global Ltd holds a 10% interest in the Mumbai International Airport concession (MIAL). The investment has been accounted for as an associate using the equity accounting method. The investment has been accounted for as held for sale as at 31 March 2019.

Airports Company South Africa SOC Ltd holds a 100% interest in JIA Piazza Park SOC Ltd with a financial year end of 31 March. The investment has been accounted for as a subsidiary.

Airports Company South Africa SOC Ltd holds a 100% interest in Precinct 2a SOC Ltd with a financial year end of 31 March. The investment has been accounted for as a subsidiary.

The Group has a 50% interest in Airport Logistics Property Holdings (Pty) Ltd with a financial year end of 30 June, which is a joint venture between the Company and The Bidvest Group Ltd. The investment has been accounted for as a joint venture using the equity accounting method.

Airports Company South Africa SOC Ltd has a 40% interest in the La Mercy JV Property Investments (Pty) Ltd, a property holding, development and letting company with a financial year end of 31 March. The investment has been accounted for as an associate using the equity accounting method.

Airports Company South Africa SOC Ltd holds a 20% interest in Aeroporto de Guarulhos Participações S.A. Aeroporto de Guarulhos Participações S.A. is registered in Brazil with a financial year-end of 31 December. The investment has been accounted for as an associate using the equity accounting method.

Airports Company South Africa SOC Ltd holds 100% of Sakhisizwe Community Programme NPC which is a special purpose entity (SPE) created and controlled by Airports Company South Africa to administer a government grant received from the Department of Transport.

Details of the assets, liabilities, revenues and expenses of the subsidiaries, joint ventures and associates that are included in the consolidated statement of comprehensive income and the consolidated statement of financial position are set out in notes E1, E2 and E3 of the consolidated annual financial statements.

Directors and Secretary

Details of the directors and secretary of the Company are given on the inside front cover of this report.

Interests of Directors and Officers

No contracts were entered into in which directors and officers of the Company had an interest and which affect the business of the Group. The directors had no interest in any third party or company responsible for managing any of the business activities of the Group. The emoluments of directors are determined by the Board Remuneration Committee. (Directors emoluments can be found in note G11).

Information required in terms of the Public Finance Management Act

In terms of the materiality framework agreed with the shareholder and as per S55(2) (b) (i) & (ii) of the PFMA, any losses due to criminal conduct or irregular or fruitless and wasteful expenditure that individually (or in aggregate) exceed R60 million for the Group, must be disclosed separately, including any criminal or disciplinary steps taken as a consequence of such losses or irregular or fruitless and wasteful expenditure.

Cumulative fruitless and wasteful expenditure amounted to R103 million (March 2018: R39 million). The fruitless and wasteful expenditure relates mainly to non-compliance with National Treasury cost containment measures.

Cumulative irregular expenditure is R983 million (March 2018: R1 billion).

The irregular expenditure incidents relate to contravention of the supply chain management policy and the Preferential Procurement Policy Framework Act (PPPFA) and regulations.

Management has controls in place to monitor and report on this type of expenditure on a regular basis. This information is considered and presented to the Executive Committee (EXCO) and the Audit and Risk Committee for review on a quarterly basis.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

Figures in Rand thousand	Note	Group			Company		
		Mar 2019	Restated Mar 2018	Restated 1 April 2017	Mar 2019	Restated Mar 2018	Restated 1 April 2017
ASSETS							
Non-Current Assets							
Property and equipment	B.2	18 992 487	19 401 027	19 543 422	18 940 902	19 353 492	19 496 061
Investment property	B.1	7 023 109	7 120 025	6 583 947	6 631 029	6 793 962	6 240 958
Intangible assets	G.1	92 602	130 174	134 367	92 446	129 966	134 221
Investments in joint ventures	E.2	190 669	170 862	175 221	-	-	-
Investments in associates	E.3	1 073 321	1 564 315	998 527	1 188 840	1 188 840	814 820
Other non-current assets	D.6	238 402	225 307	241 551	240 448	227 953	244 197
Investments	G.4	-	-	-	718 838	704 445	819 745
		27 610 590	28 611 710	27 677 035	27 812 503	28 398 658	27 750 002
Current Assets							
Inventories		1 577	1 660	2 237	-	-	788
Current tax receivable		340 143	390 669	4 263	334 850	386 333	-
Trade and other receivables	D.1	916 722	1 077 253	1 099 469	899 199	1 017 734	1 072 583
Investments	G.4	769 369	1 826 009	1 524 993	962 936	1 983 428	1 524 993
Cash and cash equivalents	D.2	1 123 643	1 373 840	1 721 023	1 065 603	1 350 030	1 697 502
		3 151 454	4 669 431	4 351 985	3 262 588	4 737 525	4 295 866
Non-current assets held for sale	B.3	785 570	-	-	-	-	-
Total Assets		31 547 614	33 281 141	32 029 020	31 075 091	33 136 183	32 045 868
EQUITY AND LIABILITIES							
EQUITY							
Share capital – ordinary	G.5	500 000	500 000	500 000	500 000	500 000	500 000
Share premium	G.5	250 000	250 000	250 000	250 000	250 000	250 000
Treasury share reserve		(44 024)	(44 024)	(44 024)	-	-	-
Other reserves	G.6	1 676 805	1 399 862	868 298	203 411	200 108	201 141
Retained income		19 709 509	19 628 417	18 550 924	20 927 691	20 760 665	19 194 915
		22 092 290	21 734 255	20 125 198	21 881 102	21 710 773	20 146 056
LIABILITIES							
Non-Current Liabilities							
Derivative financial instruments	C.3	2 041	3 630	3 449	2 041	3 630	3 449
Retirement benefit obligation	G.3	29 904	30 649	28 475	29 904	30 649	28 475
Deferred income	G.7	54 352	60 717	62 109	54 352	59 052	62 109
Deferred tax liability	G.2	1 671 329	1 597 953	1 250 084	1 436 429	1 499 820	1 268 868
Interest-bearing borrowings	C.1	5 760 519	5 789 163	8 269 957	5 760 520	5 789 164	8 268 457
		7 518 145	7 482 112	9 614 074	7 283 246	7 382 315	9 631 358
Current Liabilities							
Derivative financial instruments	C.3	1 711	2 384	2 224	1 711	2 384	2 224
Current tax payable		462	525	254 562	-	-	254 562
Trade and other payables	D.3	907 293	853 541	782 675	903 491	851 630	765 965
Deferred income	G.7	3 935	815	2 799	3 935	3 058	3 058
Provisions	G.8	169 121	155 912	185 950	148 449	135 926	181 107
Interest-bearing borrowings	C.1	854 657	3 051 597	1 061 538	853 157	3 050 097	1 061 538
		1 937 179	4 064 774	2 289 748	1 910 743	4 043 095	2 268 454
Total Liabilities		9 455 324	11 546 886	11 903 822	9 193 989	11 425 410	11 899 812
Total Equity and Liabilities		31 547 614	33 281 141	32 029 020	31 075 091	33 136 183	32 045 868

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand thousand	Note	Group		Company	
		Mar 2019	Restated Mar 2018	Mar 2019	Restated Mar 2018
Revenue	A.1	7 125 547	6 753 294	6 961 854	6 594 272
Other income	A.2	17 714	11 177	1 879	11 126
Employee costs	A.3	(1 636 774)	(1 401 840)	(1 604 577)	(1 372 086)
Operating expenses	A.4	(2 587 678)	(2 308 657)	(2 506 786)	(2 223 887)
Impairment of trade and other receivables		(54 295)	(50 496)	(5 969)	(50 639)
Earnings before interest, tax, depreciation and amortisation		2 864 514	3 003 478	2 846 401	2 958 786
Fair value (losses)/gains on investment properties	B.1	(134 222)	537 247	(200 239)	554 173
Depreciation, amortisation and impairments	B.2&G.1	(1 422 202)	(1 247 477)	(1 416 436)	(1 241 437)
Losses from equity accounted investments	E.2&E.3	(97 782)	(476 499)	-	-
Finance income	C.2	147 907	150 330	207 363	208 260
Finance costs	C.2	(879 206)	(873 117)	(879 212)	(872 912)
Gains on remeasurement and disposal of financial instruments	C.2	135 510	133 780	135 510	133 780
Losses on property and equipment		-	(6 857)	-	(6 857)
Profit before taxation		614 519	1 220 885	693 387	1 733 793
Taxation	G.9	(387 746)	(668 463)	(378 922)	(689 223)
Profit for the year		226 773	552 422	314 465	1 044 570
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains/(losses)	G.6	2 769	(1 435)	2 769	(1 435)
Deferred tax relating to items that will not be reclassified	G.6	534	402	534	402
Total items that will not be reclassified to profit or loss		3 303	(1 033)	3 303	(1 033)
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations	G.6	359 696	681 234	-	-
Deferred tax relating to foreign currency translation differences	G.6	(86 056)	(148 638)	-	-
Total items that may be reclassified to profit or loss		273 640	532 596	-	-
Other comprehensive income/(loss) for the year net of taxation		276 943	531 563	3 303	(1 033)
Total comprehensive income for the year		503 716	1 083 985	317 768	1 043 537
Earnings per share Per share information					
Basic and Diluted earnings per share (cents)	G.10	45,90	111,82	62,89	208,91

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

Group

Figures in Rand thousand	Share capital	Share premium	Treasury share reserve	Other reserves	Retained income	Total equity
Balance at 01 April 2017 - previously stated	500 000	250 000	(44 024)	868 298	17 772 281	19 346 555
Adjustments-prior period error G.16	-	-	-	-	778 643	778 643
Balance at 01 April 2017 - restated	500 000	250 000	(44 024)	868 298	18 550 924	20 125 198
Profit for the year	-	-	-	-	552 422	552 422
Other comprehensive income:						
Actuarial losses on defined benefit post-retirement medical aid liability, net of tax	-	-	-	(1 033)	-	(1 033)
Foreign currency translation differences, net of tax	-	-	-	532 597	-	532 597
Dividends declared	-	-	-	-	(353 452)	(353 452)
Total other comprehensive income	-	-	-	531 564	(353 452)	178 112
Balance at 31 March 2018 - previously stated	500 000	250 000	(44 024)	1 399 862	18 749 894	20 855 732
Adjustments-prior period error G.16	-	-	-	-	948 830	948 830
Balance at 31 March 2018 - restated	500 000	250 000	(44 024)	1 399 862	19 698 724	21 804 562
Adjustment-Accounting policy changes. Note 3	-	-	-	-	(70 307)	(70 307)
Balance at 1 April 2018	500 000	250 000	(44 024)	1 399 862	18 628 417	21 734 255
Profit for the year	-	-	-	-	226 773	226 773
Other comprehensive income:						
Actuarial gains on defined benefit post-retirement medical aid liability, net of tax	-	-	-	3 303	-	3 303
Foreign currency translation differences, net of tax	-	-	-	273 640	-	273 640
Dividends declared	-	-	-	-	(145 681)	(145 681)
Total other comprehensive income	-	-	-	276 943	(145 681)	131 262
Balance at 31 March 2019	500 000	250 000	(44 024)	1 676 805	19 709 509	22 092 290
Note	G.5	G.5	G.10	G.6		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

Company

Figures in Rand thousand	Share capital	premium	Other reserves	Retained income	Total equity
Balance at 01 April 2017 - previously stated	500 000	250 000	201 141	18 416 272	19 367 413
Adjustments-prior period error G.16	-	-	-	778 643	778 643
Balance at 01 April 2017 - restated	500 000	250 000	201 141	19 194 915	20 146 056
Profit for the year	-	-	-	1 044 570	1 044 570
Other comprehensive income:					
Actuarial losses on defined benefit post-retirement medical aid liability, net of tax	-	-	(1 033)	-	(1 033)
Dividends declared	-	-	-	(357 718)	(357 718)
Total other comprehensive income	-	-	(1 033)	(357 718)	(358 751)
Balance at 31 March 2018 - previously stated	500 000	250 000	200 108	19 881 768	20 831 876
Adjustment-prior period error G.16	-	-	-	949 204	949 204
Balance at 31 March 2018 - restated	500 000	250 000	200 108	20 830 972	21 781 080
Adjustment-Accounting policy changes. Note 3	-	-	-	(70 307)	(70 307)
Balance at 1 April 2018	500 000	250 000	200 108	20 760 665	21 710 773
Profit for the year	-	-	-	314 465	314 465
Other comprehensive income:					
Actuarial gain on defined benefit post-retirement medical aid liability, net of tax	-	-	3 303	-	3 303
Cash flow hedge reserve on derivative financial instruments, net of tax	-	-	-	-	-
Dividends declared	-	-	-	(147 439)	(147 439)
Total other comprehensive income	-	-	3 303	(147 439)	(144 136)
Balance at 31 March 2019	500 000	250 000	203 411	20 927 691	21 881 102
Note	G.5	G.5	G.6		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand thousand	Note(s)	Group		Company	
		Mar 2019	Mar 2018	Mar 2019	Mar 2018
Cash flows from operating activities					
Cash receipts from customers		7 392 793	6 686 512	7 171 265	6 560 123
Cash paid to suppliers and employees		(4 157 737)	(3 450 317)	(3 993 425)	(3 347 708)
Cash generated from operations	D.4	3 235 056	3 236 195	3 177 840	3 212 415
Interest received		131 121	133 544	192 588	208 260
Tax paid	D.5	(431 463)	(484 988)	(431 463)	(485 162)
Net cash inflow from operating activities		2 934 714	2 884 751	2 938 965	2 935 513
Cash flows from investing activities					
Purchase of property and equipment	B.2	(1 012 490)	(850 105)	(1 002 809)	(843 698)
Sale of property and equipment		2 668	20 762	(33 761)	20 475
Purchase of investment property	B.1	(37 923)	(4 144)	(37 923)	(4 144)
Purchase of intangible assets	G.1	(6 407)	(21 091)	(6 327)	(20 926)
Loans to Group companies advanced		-	-	(11 813)	(42 191)
Decrease/(increase) in income funds	G.4	1 056 640	(301 016)	1 056 640	(301 016)
Increase in investments in associates	E.3	-	(358 875)	-	(374 020)
Net cash inflow/(outflow) from investing activities		2 488	(1 514 469)	(35 993)	(1 565 520)
Cash flows from financing activities					
Financial instruments held for trading		(2 103)	(2 289)	(2 103)	(2 289)
Interest-bearing borrowings repaid		(2 296 355)	(552 953)	(2 296 355)	(552 953)
Dividends paid		(115 604)	(353 452)	(115 604)	(353 452)
Interest paid		(773 337)	(808 771)	(773 337)	(808 771)
Net cash outflow from financing activities		(3 187 399)	(1 717 465)	(3 187 399)	(1 717 465)
Net (decrease) in cash and cash equivalents		(250 197)	(347 183)	(284 427)	(347 472)
Cash and cash equivalents at the beginning of the year		1 373 840	1 721 023	1 350 030	1 697 502
Cash and cash equivalents at the end of the year	D.2	1 123 643	1 373 840	1 065 603	1 350 030

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Accounting policies

The most significant accounting policies appear in the relevant notes in the consolidated annual financial statements. The remainder of the accounting policies not relating to a specific note are dealt with herewith. All accounting policies are consistent with the previous period, except where new standards were applied in the current year.

1.2 Statement of compliance and basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as well as the requirements of the South African Companies Act of 2008 and the Public Finance Management Act No.1 of 1999, as amended.

The financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments that are carried at fair value.

1.3 Basis of consolidation

The Group controls and consolidates an entity where the Group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including structured entities.

Determining whether the Group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the Group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights, including whether such rights are substantive.

1.4 Estimates and assumptions

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

- Accounting for investment in associate – note E.3
- Fair value of financial instruments – note F.1
- Post-retirement medical aid obligation – note G.3
- Fair value of investment property – note B.1
- Useful lives and residual values of assets – note B.2
- Contingencies - note G.15
- Property and equipment - note B.2
- Current and Deferred Tax – note G.9 and G.2

1.5 Changes in accounting policies and disclosures

The accounting policies are consistent with those adopted in the prior period and the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except where new standards were applied in the current year.

1.6 Functional and presentation currency

These financial statements are presented in South African Rand, which is the Company's functional currency. All financial information presented in Rand has been rounded to the nearest thousand unless otherwise indicated.

1.7 Comparative figures

Comparative figures are restated in the event of a change in accounting policy, prior period error or reclassification.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective for the first time in the current year

There were a number of new standards and interpretations effective and adopted in the current period; none of these have had a material impact on the Group. The relevant accounting policies have been updated in these financial statements where necessary.

The Group has initially applied IFRS 15 and IFRS 9 from 1 April 2018. A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on the Group's financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.1 Standards and interpretations effective for the first time in the current year (continued)

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables. The effects of initial application of IFRS 15 and IFRS 9 are set out below.

IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to R143 million, recognised under IAS 39, from 'other expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 31 March 2019. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 - Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time - requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e.1 April 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

2.2 Standards and interpretations not yet effective

There are a number of new standards and amendments which will only be effective after the 2019 financial year-end and early adoption is permitted. Management has not opted to early adopt any of the standards and interpretations in preparing these consolidated financial statements.

Topic	Key Requirements	Effective Date
IFRS 16 'Leases'	<p>The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 31 March 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.</p> <p>So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of the Corporate and Regional office facilities. As at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amounted to R13.6 million (see note A.4).</p> <p>In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.</p> <p>The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the Company's debt covenants (see note F.2 – Capital risk management).</p>	Annual periods beginning on or after 1 January 2019

IFRIC 23 'Uncertainty over Income Tax Treatments'	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credit and tax rates, when there is uncertainty over income tax treatments under IAS 12 It specifically considers:</p> <ul style="list-style-type: none"> · Whether tax treatments should be considered collectively · Assumptions for taxation authorities' examinations · The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credit and tax rates · The effect of changes in facts and circumstances <p>Management of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.</p>	Annual periods beginning on or after 1 January 2019
IFRS 9 Prepayment Features	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p> <p>Management of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.</p>	Annual periods beginning on or after 1 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	<p>The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).</p> <p>Management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.</p>	Annual periods beginning on or after 1 January 2019
IAS 19 Employee Benefits	<p>The amendments in Plan Amendment, Curtailment or Settlement are:</p> <ul style="list-style-type: none"> · If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. · In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. <p>Management of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.</p>	Annual periods beginning on or after 1 January 2019

Annual Improvements to IFRS Standards 2017–2019 Cycle

Topic	Key Requirements	Effective Date
IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements'	<p>The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.</p> <p>The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</p>	Annual periods beginning on or after 1 January 2017
IAS 12 'Income Taxes'	The amendments clarify that all income tax consequences of dividends (i.e. distribution of profit) should be recognised in profit or loss, regardless of how the tax arises.	Annual periods beginning on or after 1 January 2019
IAS 23 "Borrowing Costs"	The amendments clarify that if any specific borrowing remains out-standing after the related assets is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	Annual periods beginning on or after 1 January 2019

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2.3 Foreign currency

2.3.1 Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to South African Rand at closing rate. The income and expenses of foreign operations are translated at the dates of the transactions using an average rate.

Differences arising upon the translation of the foreign operation into South African Rand are recognised directly in other comprehensive income as part of the foreign currency translation reserve account.

2.3.2 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities that are retranslated at year-end at the closing rate (exchange rate at year-end). Non-monetary assets and liabilities that are measured at historical cost are not retranslated at year-end, while non-monetary assets and liabilities measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit and loss. Refer to note F.2. (price risk) for the significant exchange rates that applied throughout the period.

2.4 Impairment of non-financial assets

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets are grouped together into the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

3. CHANGE IN ACCOUNTING POLICY

IFRS 9 Financial Instruments

The Group adopted IFRS 9 - Financial Instruments for the first time in the current financial year. Details of the requirements are set out in note 2.1 - Standards and interpretations effective for the first time in the current year

Due to the transition methods chosen by the Group in applying this standard, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standard.

The effect of the transition is detailed below:

IFRS 9 - Financial Instruments

Classification of financial assets and financial liabilities

Under IAS 39, the Group and company classified trade and other receivables, investments, cash and cash equivalents, interest bearing borrowings and trade and other payables as 'loans and receivables' (measured at amortised cost less impairments) and derivative financial instruments at 'fair value through profit and loss' (measured at fair value).

Under IFRS 9, trade and other receivables, investments, cash and cash equivalents, interest bearing borrowings and trade and other payables are classified as at 'amortised cost' (measured at amortised cost less impairments) and derivative financial instruments at 'fair value through profit and loss' (measured at fair value).

Therefore there has been no impact on the measurement of financial instruments as a result of the implementation of IFRS 9.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements results in an increase in the prior year provision for impairment of R89 million through application of the simplified method in IFRS 9. Additional information about how the Group measures the allowance for impairment is described in note D.1.

The Group has determined that the application of IFRS 9's impairment requirements at 1 April 2018 results in an additional allowance for impairment of trade and other receivables of R89 million, which - net of the related deferred tax impact of R19 million - has been recognised against retained earnings, resulting in net decrease in retained earnings of R70 million.

Additional information about how the Group measures the allowance for impairment is described note D.1.

Cash and cash equivalents and income funds are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

Hedge accounting

The Group has not elected to adopt the new general hedge accounting model in IFRS 9, and therefore still uses the IAS 39 model. The Group uses interest rate swaps to hedge the cash flows of its variable rate borrowings.

Under IAS 39, for all effective cash flow hedges the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. It should be noted, however, that the Group and Company's hedging relationships did not meet the hedge accounting criteria before and after the implementation of IFRS 9 and therefore there has not been any impact on the financial statements of the hedging criteria of IFRS 9.

IFRS 15 - Revenue from contracts with customers

Due to the transition methods chosen by the Group in applying this standard, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standard. The cumulative impact on retained earnings at 1 April 2018 of initially applying IFRS 15 at is nil, but has resulted in a reclassification of recoveries of R152 million to operating expenses. Refer to note A.1 for further information about how revenue is recognised and determining timing of transfer of control.

4. SEGMENTAL INFORMATION

The Group's reported segments are based on reports reviewed by the Executive Committee (EXCO) to make strategic decisions. Five reportable segments were identified namely:

- O.R. Tambo International
- Cape Town International
- King Shaka International
- Regional Airports
- Corporate and Other¹

The Regional Airports segment comprises the smaller airports in South Africa which the Group manages, namely:

- Bram Fischer International Airport
- East London Airport
- Port Elizabeth International Airport
- George Airport
- Kimberley Airport
- Upington International Airport

¹"Other" comprises the results of the subsidiaries, joint ventures and associates outlined in the directors' report on pages 16 to 17 of these consolidated annual financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Management has considered the following factors to identify the reportable segments including the basis of the organisation:

- The size of the airports (international vs domestic)
- The nature of operations (airport operations, property, hotel operations, administration)
- The type of services (airport operations, property, hotel operations, administration)

The results of each reportable segment's operations are provided in the segmental analysis. Management assesses the performance of the operating segments as a measure of earnings before interest, taxation, depreciation and amortisation expense (EBITDA),

The Group calculates EBITDA as follows:

- Profit/ (loss) before tax-
- Add/ Finance costs
- Less Finance income.
- Add Depreciation, amortisation and impairment.
- Add losses from equity accounted investments
- Add/subtract Fair value losses/gains on investment properties.

Items not allocated to segments

Current and deferred tax liabilities, derivative financial instruments and interest-bearing liabilities have not been allocated to operating segments as these are managed centrally.

Similarly, finance income and costs are not allocated to operating segments as they are driven largely by the Corporate segment, which manages the cash requirements of the Company. Corporate overhead expenses are not allocated to the reportable segments.

	O.R. Tambo International		Cape Town International		King Shaka International	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Revenue from external customers						
- Aeronautical	2 343 287	2 219 549	876 419	819 771	366 813	333 388
- Non-aeronautical	1 986 099	1 972 167	681 795	685 692	282 691	284 329
Total revenue	4 329 386	4 191 716	1 558 214	1 505 463	649 504	617 717
EBITDA	3 030 072	2 987 216	932 803	949 845	183 763	212 996
- Fair value gains/ (losses) on investment properties	(53 996)	263 573	(278 217)	249 146	110 360	1 969
Depreciation, amortisation and impairments	(662 587)	(465 231)	(231 535)	(558 474)	(285 868)	(269 191)
- Losses from equity accounted investments	-	-	-	-	-	-
Segment profit/(loss) before tax	2 329 930	2 800 740	430 876	648 218	10 025	(52 949)
Reportable total assets*	40 331 337	44 317 141	10 302 596	14 548 238	3 937 626	8 676 221
Reportable total liabilities	(272 393)	265 358	(144 608)	186 241	(105 720)	92 806

*Negative balances occur mainly as a result of a bank sweeping account, from which the airports bank balances transfer each business day. No revenue has been derived from transactions with other operating segments within the Company.

Major customer

Included in revenue is an amount of R857 million from one significant customer (2018: R1 billion). There are no other customers who represent more than 10% of revenue for both 2019 and 2018.

Regional Airports		Corporate and Other		Elimination		Total	
Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
222 572	211 158	-	-	-	-	3 809 091	3 583 866
182 518	175 995	246 416	116 052	(63 062)	(64 807)	3 316 456	3 169 428
405 090	387 153	246 416	116 052	(63 062)	(64 807)	7 125 547	6 753 294
89 658	118 727	(1 370 023)	(1 261 315)	(1 758)	(3 991)	2 864 514	3 003 478
21 614	39 485	18 555	22 400	47 462	(39 326)	(134 222)	537 247
(191 454)	(197 784)	(50 759)	243 203	-	-	(1 422 202)	(1 247 477)
-	-	(97 782)	(476 499)	-	-	(97 782)	(476 499)
(78 229)	(37 914)	(2 123 884)	(2 013 389)	45 802	(43 276)	614 519	1 220 885
2 563 931	5 162 531	(25 320 053)	(39 161 399)	(607 966)	(652 260)	31 207 470	32 890 472
(39 185)	52 357	(623 854)	523 934	21 157	(19 061)	(1 164 605)	1 101 635

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

A. MANAGING EBITDA

A.1 Revenue

Accounting policy

The Group and Company earn revenue from aeronautical and non-aeronautical goods and services:

Aeronautical revenue

Aeronautical revenue relates to the following services and is recognised in accordance with IFRS 15:

Type of Revenue	Determination
Landing fees	Using regulated tariffs for aircraft landings based on maximum take-off weight for each landing by an airline.
Passenger service charges	Using regulated tariffs for each departing passenger at an airport of departure.
Aircraft parking	On regulated tariffs for each aircraft parked by an airline for more than four hours, based on the maximum take-off weight per 24-hour period.

The Company accounts for contracts with customers for each revenue stream when all the following criteria have been met:

- the contract has been approved by the parties to the contract - the contracts are implied based on aviation business practises;
- each party's rights in relation to the goods or services to be transferred can be identified - the Company has the right to restrict access to the facilities it provides to customers should they not pay as stipulated by agreed terms for the services it provides;
- the payment terms for the goods or services to be transferred can be identified (see below);
- the contract has commercial substance - the contracts affect the Company's cashflows and risk as transactions are entered into to earn a profit;
- and it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected - the Company considers the customer's ability and intention to pay the amount of consideration based on prior business dealings with the customer .

The Company satisfies its performance obligations in relation to its revenue streams at a point in time, as follows:

- Landing Fees - upon landing of an aircraft at the Company's airports
- Passenger service fees - upon departure by a passenger from the Company's airports
- Aircraft parking - upon parking by an aircraft at the Company's airports

Payment terms

Revenue is due within 30 days of satisfaction of a performance obligation

There are no warranties, returns and any related obligations in relation to the Company's revenue streams. Revenue is measured at the transaction price allocated to that performance obligation.

Non-aeronautical revenue

Non-aeronautical revenue relates to lease income and other revenue.

Revenue from leasing activities is recognised in accordance with IAS 17 on a straight line basis over the lease term. Other revenue is recognised in accordance with IFRS 15 as detailed above.

Type of Revenue	Determination	Examples
Advertising	Based on the higher of a minimum guaranteed rental and/or a percentage of turnover.	Rental of advertising space to concessionaires.
Retail	Based on the higher of a minimum guaranteed rental and/or a percentage of turnover.	Rental of retail space to concessionaires.
Parking	Based on time-based tariffs.	Providing short and long-term parking facilities.
Car hire	Rental is based on the higher of a minimum guaranteed rental and/or a percentage of turnover.	Concession fees and the rental of space and kiosks to car hire companies.
Property rental	Based on medium and long-term rental agreements with tenants.	Rentals of office space, air lounges, aviation fuel depots, warehousing, logistics facilities, hotels and filling stations.
Other	Recognised based on type of permit as well as the access that the permit grants or services provided	Permits and airport management services e.g. Vehicle access, cellphone permit, fire arm access, camera access, consulting services, groundhandling services, etc.

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Revenue from contracts with customers				
Aeronautical				
Landing fees	1 323 549	1 254 558	1 323 549	1 254 558
Passenger service charges	2 432 338	2 282 560	2 432 338	2 282 560
Aircraft parking	53 206	46 748	53 206	46 748
	3 809 093	3 583 866	3 809 093	3 583 866
Non-aeronautical				
Hotel operations	155 504	150 075	-	-
Other ¹	96 530	95 937	80 928	81 649
	252 034	246 012	80 928	81 649
Total revenue from contracts with customers	4 061 127	3 829 878	3 890 021	3 665 515
Other revenue				
Non-aeronautical				
Advertising	181 972	189 759	181 972	189 759
Retail	1 178 999	1 185 357	1 178 574	1 184 961
Parking	593 401	551 836	593 401	551 836
Car hire	354 060	306 141	354 060	306 141
Property rental	755 988	690 323	763 826	696 060
Total other revenue	3 064 420	2 923 416	3 071 833	2 928 757
Total Revenue	7 125 547	6 753 294	6 961 854	6 594 272
Aeronautical	3 809 093	3 583 866	3 809 093	3 583 866
Non-Aeronautical	3 316 454	3 169 428	3 152 761	3 010 406
	7 125 547	6 753 294	6 961 854	6 594 272

¹ Other includes permits and airports management services.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

A.1 Revenue (continued)

Impact of initial application of IFRS 15

The Company has elected to apply IFRS 15 retrospectively with the cumulative effect recognised at 1 April 2018 in retained earnings. The Company has not elected to early adopt IFRS 16.

All contracts from customers were completed in the prior year and as at the date of initial application of IFRS 15 there were no uncompleted contracts. Therefore the cumulative effect of initially applying IFRS 15 is zero.

There has, however, been a reclassification of recoveries from revenue to operating expenses due to the initial application of IFRS 15, as follows:

Figures in Rand thousand	March 2018			
	Group	Company	Group	Company
	Revenue		Operating expense	
Restated amount	6 753 294	6 594 272	2 286 222	2 201 596
Previously reported	6 906 047	6 738 070	2 438 975	2 345 394
Reclassification of recoveries to operating expenses	(152 753)	(143 798)	(152 753)	(143 798)

At the reporting date, the Group had contracts with tenants for the following future minimum cash lease payments in respect of advertising, retail and property leases:

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Contractual future cash lease payments (unrecognised)	8 137 431	7 521 527	7 510 541	7 032 867
Within one year	1 230 190	1 171 610	1 115 292	1 062 182
Between one to two years	1 291 700	1 171 610	1 241 320	1 062 182
Between two to five years	2 889 823	2 752 212	2 477 807	2 359 816
After five years	2 725 718	2 426 095	2 676 122	2 548 687
Contingent Rents recognised as income in the period				
Variable rental Consideration	109 007	359 073	109 007	359 073

A.2 Other income

Other income is any income that accrued to the Group from activities that are not part of the normal operations and is recognised as earned.

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Foreign currency gains	15 764	-	-	-
Other ³	1 950	11 177	1 879	11 126
	17 714	11 177	1 879	11 126

³ Other includes training income and rates refunds.

A.3 Employee costs

Accounting policy

Employee costs are recognised as an operating expense in the period during which services are rendered by the employees.

Type of benefit	Policy
Defined contribution plans	Obligations for contributions to defined contribution pension plans and medical aid schemes are recognised as an employee benefit expense in profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
Defined benefit plans	<p>The Group operates a number of defined benefit retirement and medical aid plans. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries.</p> <p>Net interest income/ (expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability).</p> <p>Other expenses related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in employee costs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. Past service cost is recognised as an expense at the earlier of plan amendment curtailment, and recognition of related restructuring or termination benefits.</p>
Short-term benefits	<p>Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.</p> <p>A liability is recognised for the amount expected to be paid under short-term cash bonus or incentive scheme plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.</p>

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Basic	1 297 265	1 106 551	1 268 380	1 079 892
Performance bonus	139 454	116 078	139 454	116 078
Medical aid - Company Contributions	87 251	79 134	85 954	77 940
Pension benefits	112 804	100 077	110 789	98 176
	1 636 774	1 401 840	1 604 577	1 372 086

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

A.4 Operating expenses

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Repairs and maintenance	430 933	377 226	426 825	373 014
Security	453 704	295 163	451 991	292 037
Electricity and water	178 662	172 810	175 987	171 887
Auditors remuneration	18 638	16 900	18 041	16 006
Operating lease expense*	35 412	40 200	35 136	39 916
Information systems expenses	253 706	294 717	253 706	292 829
Rates and taxes	336 264	309 086	323 469	297 433
Cleaning	162 480	141 626	160 975	140 275
Marketing	109 433	74 803	105 136	71 468
Managerial, technical and other fees	111 476	149 558	106 022	146 373
Travel - local	58 263	35 438	57 783	34 947
Travel - overseas	11 017	6 477	10 792	6 452
Insurance	39 565	20 820	39 385	20 668
Administration	99 219	129 047	71 886	103 967
Training	44 044	17 830	43 707	17 358
Consumables	30 394	24 293	29 982	23 649
Socio-economic and enterprise development	-	24	-	24
Telephone and fax	12 919	17 716	12 854	17 629
Recruitment expenses	16 621	18 139	16 621	18 139
Legal expenses	40 490	51 903	40 490	51 903
Other expenses	75 495	61 240	57 296	43 816
Bank charges	11 824	9 776	11 677	9 554
Service standards monitoring	18 020	10 457	18 020	10 457
Membership fees	5 244	16 783	5 244	16 783
Loss on sale of assets	33 855	7 592	33 761	7 303
Foreign currency losses	-	9 033	-	-
	2 587 678	2 308 657	2 506 786	2 223 887

*Accounting policy

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

The Company leases properties for its Corporate and Regional head offices.

At the reporting date, the Group has outstanding commitments under non-cancellable operating leases for future minimum lease payments. The commitments comprise a number of separate operating leases in relation to properties, none of which is individually significant to the Group or Company.

At the reporting date, the Group has contracted with tenants for the following future minimum cash lease payments in respect of advertising, retail and property leases:

Figures in Rand thousand	Group and Company	
	Mar 2019	Mar 2018
Contractual future cash lease payments (unrecognised)	69 164	13 588
Within one year	34 844	11 551
One to two years	21 922	1 982
Two to five years	12 398	55

B. ASSETS**B.1 Investment property****Accounting policy**

Investment property comprises a number of commercial properties that are leased to third parties. Investment property is carried at fair value, determined annually using discounted cash flow projections performed by an accredited independent valuer. Changes in fair values are recorded in profit or loss.

Significant judgement, estimate and source of estimation uncertainty

Fair values are determined using the income capitalisation technique, which uses transactions observable in the market at the reporting date. The Group and Company use their judgement to select a variety of methods and makes assumptions relating to market yields, escalation rates and key valuation inputs that are mainly based on market conditions existing at each reporting date.

Refer to Note G.16 for details of the restatement

Reconciliation of Investment property**Group**

Figures in Rand thousand	Mar 2019	Mar 2018	Mar 2017
Restated balance at beginning of year	7 120 025	6 583 947	5 960 288
Balance at beginning of year previously reported	-	6 603 637	4 963 908
Restatement	-	(19 690)	996 380
Improvements/additions	37 923	4 144	70 427
Write-offs	(617)	(531)	(4 125)
Change in fair value			
Recognised in profit for the year	(134 222)	537 247	543 777
-Originally stated	-	-	483 286
-Prior period error	-	(4 782)	60 491
Reclassification from property and equipment	-	-	13 580
Balance at end of year	7 023 109	7 120 025	6 583 947

Company

Figures in Rand thousand	Mar 2019	Mar 2018	Mar 2017
Restated balance at beginning of year	6 793 962	6 240 958	5 597 819
Balance at beginning of year previously reported	-	6 260 647	4 601 439
Restatement	-	(19 690)	996 380
Improvements/additions	37 923	4 144	70 427
Write-offs	(617)	(531)	(4 125)
Change in fair value			
Recognised in profit for the year	(200 239)	554 173	563 257
-Originally stated	-	-	502 765
-Prior period error	-	(4 782)	60 492
Reclassification from property and equipment	-	-	13 580
Balance at end of year	6 631 029	6 793 962	6 240 958

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

B.1 Investment property (continued)

The amount of rental income from investment properties recognised in profit for the period was as follows:

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Rental payments received	755 988	690 323	763 826	696 060
Included in Revenue (note A.1)	755 988	690 323	763 826	696 060

Operating expenses directly incurred in relation to investment properties amounted to R8 million (2018: R8 million) in the current financial year.

Fair Values

The following main inputs have been used in determining the fair values of investment properties:

Figures in Rand thousand	Group and Company	
	Mar 2019	Mar 2018
Market yield of comparable properties (%)	8.5-12	8-10
Average escalation of lease rentals (%)	7-8	7-9
Average duration of lease (years)	3-5	3-5

Fair value hierarchy

The fair values of these investment properties are determined using valuation techniques which uses inputs that are directly or indirectly observable. They are therefore classified as Level 2 on the fair value hierarchy.

B.2 Property and equipment

Accounting policy

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal are recognised within profit or loss. The costs of day-to-day maintenance are recognised in profit and loss. Depreciation is recognised on a straight-line basis to reduce the assets to their residual values over their estimated useful lives. Land is not depreciated.

A summary of the estimated useful lives of different asset groups is as follows:

Category	Useful Lives
Office Furniture and Fittings	1 - 25 years
Computer Equipment	3 - 25 years
Equipment	1 - 50 years
Motor Vehicles	1 - 30 years
Pavements	7 - 60 years
Buildings	2 - 50 years

Impairment

The carrying amounts of property and equipment, and intangible assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to determine recoverable amounts for individual assets, assets are grouped together into the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Derecognition

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Refer to Note G.16 for further details on restatements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

B.2 Property and equipment (continued)

Group

Figures in Rand thousand	Cost	Mar 2019 Accumulated depreciation	Carrying value	Cost
Land	826 747	-	826 747	826 065
Buildings	12 878 714	(4 367 229)	8 511 485	12 789 659
Equipment	5 501 872	(2 960 141)	2 541 731	5 437 232
Motor vehicles	497 096	(255 292)	241 804	494 149
Pavements	8 535 306	(3 865 120)	4 670 186	8 556 645
Work in progress	1 716 339	-	1 716 339	1 247 098
Office furniture and fittings	144 994	(83 112)	61 882	136 455
Computer equipment	716 787	(294 474)	422 313	492 504
Total	30 817 855	(11 825 368)	18 992 487	29 979 807

Company

Figures in Rand thousand	Cost	Mar 2019 Accumulated depreciation	Carrying value	Cost
Land	826 747	-	826 747	826 065
Buildings	12 847 000	(4 357 211)	8 489 789	12 764 436
Equipment	5 488 326	(2 956 077)	2 532 249	5 424 256
Motor vehicles	497 096	(255 292)	241 804	494 149
Pavements	8 535 306	(3 865 120)	4 670 186	8 556 645
Work in progress	1 716 188	-	1 716 188	1 246 947
Office furniture and fittings	112 355	(68 928)	43 427	103 534
Computer equipment	714 986	(294 474)	420 512	490 731
Total	30 738 004	(11 797 102)	18 940 902	29 906 763

Mar 2018 Accumulated depreciation	Carrying value	Cost	Mar 2017 Accumulated depreciation	Carrying value
-	826 065	825 879	-	825 879
(3 985 053)	8 804 606	12 661 381	(3 941 235)	8 720 146
(2 586 185)	2 851 047	5 442 491	(2 146 425)	3 296 066
(214 395)	279 754	424 724	(188 659)	236 065
(3 496 304)	5 060 341	8 323 203	(3 368 501)	4 954 702
-	1 247 098	1 187 295	-	1 187 295
(69 104)	67 351	95 361	(45 552)	49 809
(227 739)	264 765	416 589	(143 129)	273 460
(10 578 780)	19 401 027	29 376 923	(9 833 501)	19 543 422

Mar 2018 Accumulated depreciation	Carrying value	Cost	Mar 2017 Accumulated depreciation	Carrying value
-	826 065	825 879	-	825 879
(3 975 659)	8 788 777	12 644 584	(3 936 766)	8 707 818
(2 582 839)	2 841 417	5 394 374	(2 133 008)	3 261 366
(214 395)	279 754	424 724	(188 659)	236 065
(3 496 304)	5 060 341	8 323 203	(3 368 501)	4 954 702
-	1 246 947	1 187 144	-	1 187 144
(56 335)	47 199	93 099	(43 472)	49 627
(227 739)	262 992	416 589	(143 129)	273 460
(10 553 271)	19 353 492	29 309 596	(9 813 535)	19 496 061

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

B.2 Property and equipment (continued) Group

Figures in Rand thousand	Land	Buildings	Equipment
Opening balance at 1 April 2017 - Restated	825 879	8 720 146	3 619 336
Opening balance - previously reported	825 879	7 921 813	3 619 336
Restatement	-	798 333	-
Split of equipment class	-	-	(346 438)
Additions	-	5 254	161
Disposal	-	(2 498)	(8 841)
Transfers	709	88 909	102 900
Transfers to other assets classes	-	-	-
Depreciation	-	(329 729)	(356 339)
Opening balance at 1 April 2018 - Restated	826 065	8 804 606	2 851 047
Opening balance at 1 April 2018 - previously reported	826 588	8 482 081	3 010 779
Restatement	(523)	322 525	(159 733)
Additions	-	54 971	38 273
Disposals	-	(7 187)	(3 404)
Transfers	682	59 317	37 874
Depreciation	-	(400 060)	(382 050)
Impairment	-	(163)	(10)
Closing balance at 31 March 2019	826 747	8 511 485	2 541 731

Office furniture and fitting	Motor vehicles	Computer equipment	Pavements	Work in progress	Total
-	236 065	-	4 954 702	1 187 285	19 543 422
-	236 065	-	4 954 702	1 187 285	18 745 090
-	-	-	-	-	798 333
72 783	-	273 460	-	-	-
520	-	2 526	-	841 644	850 105
(398)	(2 978)	(764)	(731)	(12 144)	(28 354)
11 229	76 408	46 794	238 736	(565 405)	280
-	-	-	-	(25 074)	(25 074)
(15 894)	(36 100)	(65 781)	(376 884)	-	(1 180 727)
67 351	279 754	264 765	5 060 341	1 247 098	19 401 027
68 240	273 395	256 430	4 815 824	1 426 315	19 159 652
(889)	6 359	8 336	244 517	(179 217)	238 374
13 410	420	936	3 718	900 762	1 012 490
(1 896)	(211)	(4 663)	(19 163)	-	(36 524)
5 193	2 918	240 718	78 002	(431 521)	(6 817)
(22 177)	(41 077)	(79 444)	(452 713)	-	(1 377 521)
-	-	-	-	-	(173)
61 882	241 804	422 313	4 670 186	1 716 339	18 992 487

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

B.2 Property and equipment (continued) Company

Figures in Rand thousand	Land	Buildings	Equipment
Opening balance at 1 April 2017 - Restated	825 879	8 707 818	3 584 454
Opening balance - previously reported	825 879	7 909 485	3 584 454
Restatement	-	798 333	-
Split of equipment class	-	-	(321 407)
Additions	-	-	-
Disposals	-	(1 653)	(9 267)
Transfers	709	88 910	102 900
Transfers to other asset classes	-	-	-
Depreciation	-	(328 822)	(355 530)
Opening balance at 1 April 2018	826 065	8 788 777	2 841 417
Opening balance - previously reported	826 588	8 466 252	3 001 150
Restatement	(523)	322 525	(159 733)
Additions	-	48 020	37 825
Disposals	-	(7 187)	(3 404)
Transfers	682	59 317	37 874
Depreciation	-	(398 975)	(381 453)
Impairment	-	(163)	(10)
Closing balance at 31 March 2019	826 747	8 489 789	2532249

Split of Work in Progress

Buildings
Equipment
Furniture & Fittings
IT Equipment
Motor Vehicles
Pavements

Office furniture and fitting	Motor vehicles	Computer equipment	Pavements	Work in progress	Total
-	236 065	-	4 954 702	1 187 144	19 496 061
-	236 065	-	4 954 702	1 187 144	18 697 729
-	-	-	-	-	798 333
50 001	-	271 406	-	-	-
-	-	2 054	-	841 644	843 698
(398)	(2 978)	(607)	(731)	(12 144)	(27 778)
10 948	76 408	46 794	238 736	(565 405)	-
-	-	-	-	(25 074)	(25 074)
(12 463)	(36 100)	(64 991)	(376 883)	-	(1 174 789)
47 199	279 754	262 992	5 060 341	1 246 947	19 353 492
48 088	273 395	254 656	4 815 824	1 426 164	19 115 117
(889)	6 359	8 336	244 517	(179 217)	238 374
11 816	420	248	3 718	900 762	1 002 809
(1 896)	(211)	(4 663)	(19 163)	-	(36 524)
5 193	2 918	240 718	78 002	(431 521)	(6 817)
(18 885)	(41 077)	(78 783)	(452 713)	-	(1 371 886)
-	-	-	-	-	(173)
43 427	241 804	420 512	4 670 186	1 716 188	18 940 902
			2019	2018	2017
			530 677	385 578	367 086
			242 009	175 839	167 406
			1 765	1 282	1 221
			422 433	306 932	292 211
			46 105	33 499	31 892
			473 199	343 817	327 328
			1 716 188	1 246 947	1 187 144

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

B.3. Non-current assets held for sale

On 22 January 2019, the Group received an offer of INR9.25 billion (approximately R1.75 billion) for the acquisition of its 10.0% stake in MIAL from Adani Properties Private Limited.

The Group accepted the offer and has complied with all the provisions of the shareholders agreement.

The stake in MIAL was previously treated as an investment in associate and equity accounted in terms of IAS 28. In the current financial year, it has been classified as a non-current asset held for sale due to the circumstances described above, and has been accounted for in terms of IFRS 5.

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The following amounts have been recognised in the financial statements in the current year in relation to this investment:

Assets and liabilities

For a detailed description of the assets, liabilities, income and expenses of the asset held for sale, refer to note E.3 - Investments in associates.

Figures in Rand thousand	Group and Company	
	Mar 2019	Mar 2018
Non-current assets held for sale		
Assets held for sale	785 570	-
Equity accounted profit	18 876	-
Amounts recognised in other reserves - translation gains	96 113	-
	114 989	-

C. DEBT AND CASH MANAGEMENT

C1. Interest-bearing borrowings

Please refer to note F for the accounting policy.

Group

Figures in Rand thousand	Mar 2019		Mar 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Unsecured				
Long-term bonds	4 735 855	4 523 121	6 662 955	7 100 538
Infrastructure finance	89 674	94 960	108 875	107 235
Southern Sun Hotel Interests (Pty) Ltd	1 500	1 500	1 500	1 500
L'Agence Francaise de Developpement (AFD)	425 650	449 859	510 612	548 449
L'Agence Francaise de Developpement (AFD1)	1 362 497	1 444 327	1 556 818	1 716 818
	6 615 176	6 513 767	8 840 760	9 474 540

C.1 Interest-bearing borrowings (continued)**Company**

Figures in Rand thousand	Mar 2019		Mar 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Unsecured				
Long-term bonds	4 735 855	4 523 121	6 662 955	7 100 538
Infrastructure finance	89 674	94 960	108 875	107 235
L'Agence Francaise de Developpement (AFD)	425 650	449 859	510 613	548 449
L'Agence Francaise de Developpement (AFD1)	1 362 498	1 444 327	1 556 818	1 716 818
	6 613 677	6 512 267	8 839 261	9 473 040

Group

Carrying values in Rand thousand		Interest rate	Maturity date	Mar 2019 Carrying Value	Mar 2018 Carrying Value
Long-term bonds	Nominal amount				
AIR01	R 0	8,63%	Mar-19	-	2 005 115
AIR02	R 1,712 billion	11,68%	Apr-23	1 818 239	1 821 401
AIRL01	R 851 million	Inflation + 3,64%	Apr-28	1 592 003	1 510 825
AIR04U	R 500 million	11,59%	Oct-29	524 836	524 836
AIR04	R 544 million	9,25%	May-24	560 959	560 959
AIR05	R 232 million	10,00%	May-30	239 819	239 819
				4 735 856	6 662 955
Long-term loans					
Southern Sun Hotel Interests (Pty) Ltd	R 1,5 million	2%	NA	1 500	1 500
L'Agence Francaise de Developpement (AFD)	R 985,49 million	10,35%	Nov-23	425 650	510 612
L'Agence Francaise de Developpement (AFD1)	R 1,95 billion	10,55%	Jan-26	1 362 497	1 556 818
Infrastructure Finance Corporation Limited (INCA)	R 250 million	Jibar-linked	Nov-23	89 674	108 875
				1 879 321	2 177 805
				6 615 177	8 840 760

The table below analyses the Group's interest-bearing borrowings in terms of their maturities.

Figures in Rand thousand	Carrying amount	Contractual cash flows	6 months or fewer	Between 6 – 12 months	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
2019	6 615 176	10 447 462	429 814	423 343	825 668	3 925 717	4 842 920
2018	8 840 760	9 414 624	529 168	2 520 928	854 253	2 360 531	3 149 744

The cash to meet these maturities will be obtained from operating activities and reserves.

Repayments of R2,3 billion (2018: R553 million) were made in the current financial year and R71 million (2018: R62 million) was the non-cash adjustment which arose due to the effects of amortisation.

C.3 Derivative financial instruments and hedging information

Accounting policy

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

The following information relates to derivative financial instruments included in the consolidated annual financial statements:

Group and Company	Mar 2019		Mar 2018	
	Assets	Liabilities	Assets	Liabilities
Figures in Rand thousand				
Interest rate swaps - cash flow hedges	-	3 752	-	6 014
Current	-	1 711	-	2 384
Non-current	-	2 041	-	3 630
	-	3 752	-	6 014

Interest rate swaps - cash flow hedge

The notional principal amounts of the outstanding derivative contracts were as follows (figures in Rand thousand):

The notional principal amounts of the outstanding derivative contracts were as follows (figures in Rand thousand):

Interest rate swaps	Receive	Pay	Notional amount		Fair value	
			Mar 2019	Mar 2018	Mar 2019	Mar 2018
30 November 2023	3month JIBAR + 1.90%	10,98 %	250 000	250 000	3 752	(6 014)
Total derivatives					3 752	(6 014)

The table below analyses the Group and Company's derivative financial instruments in terms of their maturities. The amounts disclosed are the contractual undiscounted cash flows:

Figures in Rand thousand	Carrying amount	Contractual cash flows	6 months or fewer	Between 6 – 12 months	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
Mar 2019	3 752	3 752	852	859	1 013	1 028	-
Mar 2018	6 014	6 014	1 128	1 256	1 592	1 979	59

Repayments of R2,1(2018: 2,3) million were made in the current financial year and R1,4(2018: R1) million was the non-cash adjustment which arose due to the fair value adjustments in the current financial year.

The derivative financial instruments are allocated as follows:

Figures in Rand thousand	Mar 2019	Mar 2018
Current	1 711	2 384
Non-current	2 041	3 630
	3 752	6 014

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

D. MANAGING WORKING CAPITAL

D.1 Trade and other receivables

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Trade receivables	921 094	1 070 060	854 808	1 008 101
Impairment of trade receivables	(283 676)	(253 527)	(233 741)	(253 527)
Loan to joint venture/associate	51 617	62 503	51 617	62 503
Loans and receivables	689 035	968 034	672 684	908 975
Prepayment	22 918	21 056	22 840	20 903
Insurance receivable*	108 724	103 144	108 724	103 144
Lease receivables	71 630	38 546	71 630	38 546
Other receivables	24 415	35 471	23 321	35 164
	916 722	1 077 253	899 199	1 017 734

* Includes a contingency policy underwritten by Guardrisk. The amount receivable represents the balance of the special experience account. The special experience account is payable on demand.

The average credit period is 31 days (2018: 31 days). Trade receivables are carried at cost which normally approximates their fair value due to the short-term maturity thereof. An adjustment for impairment of receivables has been made for estimated irrecoverable amounts.

Loans to joint ventures and associates bear no interest and have no fixed repayment terms.

The maximum exposure to credit risk for trade receivables at the reporting date before the impairment provision, guarantees and deposits held by type of customer was:

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Aeronautical	558 216	666 653	558 216	666 653
Commercial	218 488	327 053	218 488	327 053
Other	164 171	87 272	97 885	44 947
	940 875	1 080 978	874 589	1 038 653

Figures in Rand thousand	Group		Company	
	Trade and other receivables	Allowance for impairment	Trade and other receivables	Allowance for impairment
Mar 2019				
Not past due	599 599	-	533 313	-
Past due 0 -30 days	70 669	(13 069)	70 669	-
Past due 31 -60 days	45 344	(45 344)	45 344	(8 478)
Past due 61 days and above	225 263	(225 263)	225 263	(225 263)
Total trade and other receivables	940 875	(283 676)	874 589	(233 741)
Mar 2018				
Not past due	699 476	-	657 151	-
Past due 0 -30 days	47 327	-	47 327	-
Past due 31 -60 days	158 354	(77 706)	158 354	(74 806)
Past due 61 days and above	175 821	(175 821)	175 821	(175 821)
Total trade and other receivables	1 080 978	(253 527)	1 038 653	(250 627)

D.1 Trade and other receivables (continued)

Impairment

Any subsequent reversals of impairment, or recoveries of amounts previously impaired (including debt that had been written off), are reflected within impairment of trade receivables credit impairment charges in profit or loss.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Any subsequent reversals of impairment, or recoveries of amounts previously impaired (including debt that had been written off), are reflected within impairment of trade receivables credit impairment charges in profit or loss.

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Balance at 01 April	253 527	114 186	250 627	111 115
Adjustment due to IFRS 9 application	-	88 997	-	88 997
Increase in allowance	54 295	50 344	5 968	50 515
Bad debts written-off	(24 146)	-	(22 854)	-
Balance at 31 March	283 676	253 527	233 741	250 627

Credit quality of financial instruments

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about the customer. Before accepting any new customer, the Group and Company use an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. 68% of the trade receivables that are neither past due nor impaired were recovered within one month after the reporting date. Of the trade receivables balance, for both the Group and Company, at the end of the year, R104 million (March 2018: R155 million) is due from one significant client. As at 31 March 2019, the Group and Company had no significant concentration of credit risk (March 2018: Nil).

The allowance account in respect of trade receivables is used to record impairment losses unless the Group and Company is satisfied that no recovery of the amounts owing is possible. At that point the amounts considered irrecoverable are written off against the allowance account.

Recognition of expected credit losses

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the Simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for forward looking factors that are specific to the debtors, in relation to economic conditions in which the debtors operate in and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group has determined that trade and lease receivables are not credit impaired.

There have not been any significant modifications to trade and lease receivables on the contractual cashflows.

None of the trade and lease receivables are held as collateral or have any other credit enhancements

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D.2 Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Cash on hand	607	660	405	509
Bank balances	804 726	855 614	746 888	831 955
Money markets	318 310	517 566	318 310	517 566
	1 123 643	1 373 840	1 065 603	1 350 030

The Group and Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note F.2. Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly-liquid investments with original maturities of three months or fewer, and bank overdrafts and is available for use by the Group and Company.

D.3 Trade and other payables

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Trade payables	591 039	588 349	598 149	598 596
VAT	50 044	42 024	48 686	39 642
13th Cheque accrual	14 596	13 143	14 596	13 143
Leave payable	72 119	64 951	72 115	63 431
Deposits received	133 821	118 138	125 400	110 853
Lease payable	2 024	2 904	-	1 954
Other payables*	43 650	24 032	44 545	24 011
	907 293	853 341	903 491	851 630

The Group and Company's exposure to liquidity risk related to trade and other payables is disclosed in note F2.

* Other payables includes overtime accruals.

The table below analyses the Group and Company's trade and other payables in terms of their maturities. The amounts disclosed are the contractual undiscounted cash outflows:

Group							
Figures in Rand thousand	Carrying amount	Contractual cash flows	6 months or fewer	Between 6 – 12 months	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
Mar 2019	905 836	905 836	905 836	-	-	-	-
Mar 2018	854 127	854 127	854 127	-	-	-	-
Mar 2017	779 072	779 072	779 072	-	-	-	-

Company							
Figures in Rand thousand	Carrying amount	Contractual cash flows	6 months or fewer	Between 6 – 12 months	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
Mar 2019	902 877	902 877	902 877	-	-	-	-
Mar 2018	851 632	851 632	851 632	-	-	-	-
Mar 2017	761 330	761 330	761 330	-	-	-	-

D.4 Cash generated from operations

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Profit before taxation	614 519	1 220 885	693 387	1 733 793
Adjustments for:				
Depreciation and amortisation	1 422 202	1 247 477	1 416 436	1 241 437
Impairment of trade receivables	54 295	50 496	5 969	50 639
Loss on sale of assets	33 855	7 592	33 761	7 303
Fair value loss/(gain) on investment property	134 222	(537 247)	222 016	(554 173)
Loss from equity accounted investments	97 782	476 499	-	-
Finance income	(147 919)	(150 330)	(207 363)	(208 260)
Finance costs	879 370	873 117	879 212	872 912
Foreign exchange differences	(16 496)	8 600	(675)	408
Movements in retirement benefit obligation	2 022	3 607	2 023	3 207
Movements in provisions	13 209	(30 038)	12 524	(45 181)
Deferred income	(3 245)	(3 376)	(3 823)	(3 057)
Movement in non current assets	(13 095)	16 244	(12 495)	16 244
Gain on property and equipment	-	6 857	-	6 857
Unrealised gains and losses	(1 176)	83 820	66 590	114 598
Gains/(losses) on remeasurement of financial instruments	(135 510)	(133 780)	(135 510)	(133 780)
	2 934 035	3 140 423	2 950 275	3 102 947
Changes in working capital:				
Inventories	83	577	-	788
Trade and other receivables	249 531	22 216	207 532	54 849
Trade and other payables	51 407	72 979	20 033	53 830
	3 235 056	3 236 195	3 177 840	3 212 415

D.5 Tax paid

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Balance at beginning of the year	(390 145)	250 299	(386 333)	254 562
Current tax for the year recognised in profit or loss	291 341	(476 289)	272 159	(476 560)
Provision adjustment reversal	7 022	131 147	17 561	123 170
Balance at end of the year	(339 681)	(390 145)	(334 850)	386 333)
	(431 463)	(484 988)	(431 463)	(485 162)

D.6 Other non-current assets

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Lease receivable non-current portion	222 100	208 674	222 100	208 674
Investments#	16 302	16 633	18 348	19 279
	238 402	225 307	240 448	227 953

#Investments relate to the acquisition made by the Company of 100 % shareholding in a cell captive with Guardrisk Life Ltd in September 2003 to fund its obligation arising from 2002, whereby the Company agreed to increase the minimum pension payout to employees. Guardrisk performs a half-yearly review per individual covered to establish the present value of the Company's obligation on the prescribed valuation basis (as approved by Guardrisk Life Statutory Actuaries) in order to assess the Company's commitment as per the assets and expressed liabilities and ensure sufficient life funds are transferred to the non-distributable reserves.

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FOR THE YEAR ENDED 31 MARCH 2019

E. INVESTMENTS

E.1 Subsidiaries

Accounting policy

Subsidiaries are all entities (including structured entities) over which the Company has control.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intra-Group transactions, balances and unrealised gains/(losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

The Company's investments in subsidiaries are carried at cost, net of accumulated impairment losses.

The Company treats transactions with non-controlling interests that do not result in a loss of control, as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Details of the Company's subsidiaries at 31 March 2019 are indicated below. All subsidiaries are incorporated in South Africa except for Airports Company South Africa Global Ltd which is incorporated in Mauritius.

Subsidiaries	Principal activity	Interest held	
		Mar 2019	Mar 2018
OSI Airport Systems (Pty) Ltd	Dormant	51 %	51 %
Precinct 2A (Pty) Ltd	Property owning	100 %	100 %
JIA Piazza Park (Pty) Ltd	Hotel operations	100 %	100 %
Airports Company South Africa Global Ltd	Management company	100 %	100 %
Special purpose entities#			
Lexshell 342 Investment Holdings (Pty) Ltd*	Employee share option plan	- %	- %
Airports Management Share Incentive Scheme Company (Pty) Ltd*	Employee share option plan	- %	- %
Sakhisizwe Community Programme (NPC)*	Non-profit company (Education)	- %	- %

#The Company's accounts include the consolidation of the Airport Management Share Incentive Scheme Company Proprietary Limited and Lexshell 342 Investment Holdings Proprietary Limited. Although the Airport Management Share Incentive Scheme Company Proprietary Limited is wholly owned by the Airports Company Management Share Incentive Scheme Trust and Lexshell 342 Investment Holdings Proprietary Limited is wholly owned by the ACSA Kagano Trust, in terms of IFRS 10: "The Group consolidates these entities as it is exposed to significant risks that are associated with loans extended to the entities to acquire shares of the Company." Sakhisizwe Community Programme NPC is a Special Purpose Entities created and controlled by the company from a government grant received from the Department of Transport.

E.2. Joint venture

Accounting policy

The Group holds a 50% interest in Airports Logistics Property Holdings (Pty) Ltd. It has been classified as a joint venture due to the decisions about the relevant activities requiring unanimous consent of the parties sharing control.

Associates and joint ventures are initially measured at cost for Group and Company purposes. Subsequently they are accounted for using the equity method for Group purposes at an amount that reflects the Group's share of the net assets of the associate or joint venture (including goodwill), except when the investment is classified as held for sale in accordance with IFRS 5 (refer to note B.3). Equity accounting is applied from the date on which the entity becomes an associate or joint venture up to the date on which the Group ceases to have significant influence or joint control. Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the Group has an obligation or has made payments on behalf of the associate or joint ventures.

Unrealised profits from transactions are eliminated in determining the Group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains (but only to the extent that there is no evidence of impairment). Where there is an indicator of impairment the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying amount.

Impairment losses are recognised in profit or loss in the period in which they arise. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined, net of equity accounted losses, if no impairment loss had been recognised.

For a disposal of an associate or joint venture, being where the Group loses significant influence over an associate or loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment is recognised as a gain or loss in profit or loss. On disposal of an associate or joint venture that is a foreign operation, the relevant amount in the Foreign Currency Translation Reserve (FCTR) is reclassified to non-trading and capital related items at the time at which the profit or loss on disposal is recognised. Any gains or losses in other OCI reserves that relate to the associate or joint venture are reclassified to profit or loss at time of the disposal.

Distributions (dividends) received from the entities reduce the carrying amount of the investment. If the entity incurs losses, the Group will only recognise these losses until the carrying amount of the investment reaches zero, unless the Group has incurred obligations or made payments on behalf of the entity.

The Company subsequently measures its investment in joint venture at cost less accumulated impairment losses.

The following represents the Group's share of assets, liabilities, revenue and expenses of the joint venture:

Figures in Rand thousand	Airport Logistics Property Holdings (Pty) Ltd
Opening balance at 1 April 2017	175 221
Share of losses	(4 359)
Opening balance at 1 April 2018	170 862
Share of profits	19 807
Closing balance at 31 March 2019	190 669

Figures in Rand thousand	Group	
	Mar 2019	Mar 2018
Summarised statement of financial position		
Revenue	17 762	14 747
(Loss)/ profit for the period	19 807	8 718
Total comprehensive income	19 807	8 718

Figures in Rand thousand	Group	
	Mar 2019	Mar 2018
Summarised statement of financial position		
Non-current assets	471 000	454 500
Current assets	20 607	33 343
Non-current liabilities	(120 092)	(145 615)
Current liabilities	(2 811)	(503)
Total net assets	368 704	341 725

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FOR THE YEAR ENDED 31 MARCH 2019

E.3 Investments in associates

Accounting policy

The Group accounts for its investments in associates using the equity method of accounting (refer to the investment in joint ventures accounting policy for more detail).

The Company accounts for its investment in associates at cost less any impairment losses.

Significant judgement, estimates and sources of estimation uncertainty

Associates are entities that the Group and Company believe that they have the ability (and power) to participate in the financial and operating policy decisions of the entities, which gives the Group and Company significant influence over them. The following associates exist in the Group and Company:

Investment in Mumbai International Airport Private Limited

The Group and Company have a 10% equity interest, through ACSA Global Limited, in the 30-year concession (with an option for a further 30 years) to modernise the Chhatrapati Shivaji International Airport in Mumbai. Airports Company South Africa is an integral investor in the project, as well as being the designated airport operator.

Aeroporto de Guarulhos Participações S.A.

The Group and Company have a 20% equity interest, in the 20-year concession to modernise the Guarulhos International Airport. Airports Company South Africa is an integral investor in the project, as well as being the designated airport operator for a five-year period.

La Mercy Joint Venture Company (Proprietary) Limited (Dube Trade Port)

Airports Company South Africa and the Dube Trade Port Company Limited ("LMJVC") has 40% and 60% interest in La Mercy Joint Venture Company (Proprietary) Limited respectively. This joint venture arrangement objective is to commercially enable land holdings in excess of 848 hectares. The vast majority of the land is zoned undetermined and the objective is to rezone and service the properties to unlock development opportunities.

Investments in Associate: Company

Name of company	% ownership interest		Carrying amount 2019		Country of incorporation
	Mar 2019	Mar 2018	Group	Company	
Carrying amounts in Rand thousand					
Direct associates					
La Mercy JV Property Investments (Pty) Ltd	40 %	40 %	225 563	38 173	South Africa
Aeroporto de Guarulhos Participações S.A	20 %	20 %	847 758	1 150 667	Brazil
			1 073 321	1 188 840	
Indirect associates					
Mumbai International Airport Private Limited	10 %	10 %	-	-	India

The investment in Mumbai International Airport Private Limited has been classified as held for sale in the current financial year. Refer to note B.3.

Guarantees issued

Equity guarantee - an Airport Operator guarantee has been issued by ACSA Global Ltd to Mumbai International Airport Private Ltd for an amount of INR 3 billion, R623,1 million for March 2019 (2018: R543 million). This guarantee is limited to ACSA Global's performance fee of USD 1.2 million for both years.

E.3 Investments in associates (continued)**Reconciliation of movement in investments in associates - Group**

Figures in Rand thousand	La Mercy JV Property Investments (Pty) Ltd	Mumbai International Airport Private Ltd	Aeroporto de Guarulhos Participações S.A	Total
Investment at 31 March 2017	224 683	754 199	19 645	998 527
Acquisitions	-	-	374 020	374 020
Share of profit/(loss)	1 585	10 319	(480 841)	(468 936)
Share of OCI	-	(93 937)	754 642	660 705
Investment at 31 March 2018	226 268	670 581	667 466	1 564 315
Share of profit/(loss)	(705)	18 876	(135 760)	(117 589)
Share of OCI	-	96 113	316 052	412 165
Assets held for sale	-	(785 570)	-	(785 570)
Investment at 31 March 2019	225 563	-	847 758	1 073 321

Summarised financial information of associates for March 2019

Figures in Rand thousand	La Mercy JV Property Investments (Pty) Ltd	Mumbai International Airport Private Ltd	Aeroporto de Guarulhos Participações S.A	Total
Summarised statement of comprehensive income				
Revenue	6 082	7 557 114	7 300 229	14 863 425
Profit/(Loss) for the period	3 763	188 758	(678 802)	(486 281)
Total comprehensive loss	3 763	188 758	(678 802)	(486 281)
Summarised statement of financial position				
Non-current assets	285 045	31 480 080	56 598 858	88 363 983
Current assets	280 965	1 760 606	3 148 254	5 189 825
Non-current liabilities	(526)	(20 948 165)	(56 872 345)	(77 821 036)
Current liabilities	(1 578)	(4 436 820)	(7 450 202)	(11 888 600)
Total net assets	563 906	7 855 701	(4 575 435)	3 844 172

Summarised financial information of associates for March 2018

Figures in Rand thousand	La Mercy JV Property Investments (Pty) Ltd	Mumbai International Airport Private Ltd	Aeroporto de Guarulhos Participações S.A	Total
Summarised statement of comprehensive income				
Revenue	5 722	4 353 898	7 124 899	11 484 519
Profit/(Loss) for the period	5 137	103 191	(2 404 204)	(2 295 876)
Total comprehensive loss	5 137	103 191	(2 404 204)	(2 295 876)
Summarised statement of financial position				
Non-current assets	289 449	26 207 920	55 947 829	82 445 195
Current assets	278 973	3 538 559	1 305 659	5 123 191
Non-current liabilities	(2 038)	(3 677 466)	(56 764 674)	(60 444 178)
Current liabilities	(713)	(19 363 189)	(3 964 973)	(23 328 875)
Total net assets	565 671	6 705 824	(3 476 159)	3 795 336

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E.4 Commitments

Capital commitments

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Contracted for				
· Within one year	213 485	145 312	213 485	145 312
· One to two years*	949 105	291 409	949 105	291 409
· Two to five years	402 176	103 033	402 176	103 033
Not yet contracted for				
	1 564 766	539 754	1 564 766	539 754

*The 2018 amount (one to two years) has been restated, due to operational expenditure items of R2.2 million included in error.

F. FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENT RISK MANAGEMENT

F.1.1.A Accounting classifications and fair values

Accounting Policy

Classification of financial instruments

Financial liabilities held at amortised cost comprise trade and other payables, interest bearing borrowings.

Financial assets held at amortised cost comprise trade and other receivables, investments and cash and cash equivalents.

Financial liabilities held at fair value comprise of derivatives.

Initial Recognition and measurement

The Group and Company initially record both financial assets and financial liabilities at fair value. Where transaction costs are incurred, they are recognised as part of the initial cost of the financial instrument, unless the financial assets or liabilities are classified as at fair value through profit or loss, in which case the transactional costs are recognised in profit or loss.

Subsequent measurement

The Group's and Company's financial assets and liabilities (with the exception of derivative financial instruments) are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is normally determined based on a realistic assessment of future cash flows discounted using the original effective interest rate compared with contractual amounts. For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

For the purpose of impairment assessment of intercompany loans, cash and investments, they are considered to have a low credit risk. The loss allowance is measured at 12 months expected credit losses. In determining the expected credit losses, management has taken into account the historical default practises, the financial position of the counterparties as well collateral held against the loans and has determined that there is no probability of default. The expected credit loss is therefore immaterial and no impairment has been recognised in the current year.

Derecognition of financial liabilities

The Group's and Company's financial liabilities are derecognised from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancels or expires.

Derecognition of financial assets

The Group's and Company's financial assets are derecognised from the statement of financial position when, and only when:

- the contractual rights from the cash flows expire; or
- there are transfers that qualify for derecognition

Fair Values

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1	Derived from quoted prices (unadjusted) in active markets for identical
Level 2	Derived from inputs other than quoted prices included within Level 1
Level 3	Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between levels 1, 2 or 3 in the hierarchy in the current financial year (2018: derivative financial instruments of R6.3 million were transferred from level 1 to a level 2). The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Mar 2019

Figures in Rand thousand	Note	Carrying amount			Fair value			
		Amortised cost	Fair value - derivatives	Other financial liabilities	Total	Level 1	Level 2	Total
Financial assets not measured at fair value								
- Trade and other receivables ¹	D.1	822 174	-	-	822 174	*	*	*
- Income funds	G.4	769 369	-	-	769 369	*	*	*
- Cash and cash equivalents	D.2	1 123 643	-	-	1 123 643	*	*	*
Financial liabilities measured at fair value								
- Derivative financial instruments	C.3	-	3 752	-	3 752	-	3 752	3 752
Financial liabilities not measured at fair value								
- Interest-bearing borrowings	C.1	6 615 176	-	-	6 615 176	4 092 326	2 421 441	6 513 767
- Trade and other payables ²	D.3	855 225	-	-	855 225	*	*	*

* The Group has not disclosed fair values for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of their fair values.

¹ Prepayments (R22 million) and lease receivables (R72 million) that are not financial assets are not included.

² VAT liabilities (R50 million) and lease payables (R2million) that are not financial liabilities are not included.

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The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. All fair value measurements are recurring.

F1.1A Accounting classifications and fair values

Mar 2018

Figures in Rand thousand	Note	Carrying amount			Fair value			
		Amortised cost	Fair value – derivatives	Other financial liabilities	Total	Level 1	Level 2	Total
Financial assets not measured at fair value								
- Trade and other receivables ¹	D.1	1 017 651	-	-	1 017 651	*	*	*
- Income funds	G.4	1 826 009	-	-	1 826 009	*	*	*
- Cash and cash equivalents	D.2	1 373 840	-	-	1 373 840	*	*	*
Financial liabilities measured at fair value								
- Derivative financial instruments	C.3	-	6 014	-	6 014	0	6 014	6 014
Financial liabilities not measured at fair value								
- Interest-bearing borrowings	C.1	8 840 760	-	-	8 840 760	6 531 153	2 943 387	9 474 540
- Trade and other payables ²	D.3	808 613	-	-	808 613	*	*	*

* The Group has not disclosed fair values for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of their fair values.

¹ Prepayments (R21 million) and lease receivables (R38 million) that are not financial assets are not included.

² VAT (R42 million) and lease payables (R3 million) that are not financial liabilities are not included.

F1.1B Measurement of fair values

The fair value of financial instruments may require some judgment or may be derived from readily available sources. The degree of judgment involved is reflected in the fair value measurements section below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

Financial assets at amortised cost

The fair value of the Group and Company's financial assets carried at amortised cost, which includes trade and other receivables, investments and cash and cash equivalents approximate their fair values.

Financial liabilities at amortised cost

The fair value of the Group and Company's financial liabilities at amortised cost which includes, interest bearing borrowing and trade and other receivables approximates their fair value. Refer to the table below for the determination of the fair values:

Financial liabilities at fair value through profit or loss

The Group and Company's financial liabilities carried at fair value consist of its derivatives, comprising an interest rate swap.

The fair value is calculated as the present value of the estimated future cash flows based on observable yield curve, using a valuation technique which uses inputs that are directly or indirectly observable. Derivatives are therefore classified as Level 2 on the fair value hierarchy.

Valuation techniques and significant unobservable inputs

Type	Valuation technique
Financial instruments measured at fair value	
- Derivative financial instruments	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk free adjusted discount rate.
Financial instruments measured at amortised cost	
- Interest bearing borrowings - Trade and other receivables - Trade and other payables - Cash and cash equivalents - Investments	Discounted cash flows (unlisted instruments): The valuation model considers the present value of expected payment, discounted using a risk free adjusted discount rate. Market comparison technique (listed instruments): The fair values are based on bank values.

F.2 Financial risk management

The Group's comprehensive risk management process involves identifying, understanding and managing the risks associated with each of the Group's business units. Risk awareness, control and compliance are embedded in the Group's day-to-day activities. The Group Risk Management unit independently monitors, manages and reports risk as mandated by the Board of directors through the Audit and Risk Committee, and the economic regulations committee. The Executive Committee and business units are ultimately responsible for managing risks that arise.

Sound financial risk management framework is in place at the Group, based on a best-practice enterprise risk management framework, built on rigorous governance structures.

Credit risk

Credit risk is the risk of loss to the Group as a result of the failure by a customer or counterparty to meet its contractual obligations. This is mitigated by the guarantees held for the exposure at a given period. Credit risks can also arise from cash and cash equivalents and investments. These risks are effectively managed in terms of the Board-approved financial risk management framework that specifies the investment and counterparty policies. For credit risk management related to trade receivables, refer to note D.1.

Investments and cash and cash equivalents

In complying with the Treasury Regulations, Airports Company South Africa's Financial Risk Management Framework limits the Group to investments in "A" short-term rated instrument or "AAA" rated instruments and counterparts.

For banks and financial institutions, only independently rated parties with a minimum rating of A- are accepted with respect to cash and cash equivalents.

Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates and commodity prices.

Interest rate risk

The Group's interest rate risk arises from its borrowings. The Group's policy is to maintain a mix of fixed to floating rate debt within the Board-approved parameters.

As at 31 March 2019, the Group's fixed to floating rate profile after hedging, on net debt was 75% (2018: 82%) fixed. At the reporting date, the interest profile of the Group's interest-bearing financial instruments was:

Figures in Rand thousand	Fixed-rate instruments		Variable-rate instruments		Total	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Carrying amount						
Interest bearing borrowings	4 933 500	7 221 060	1 681 677	1 619 700	6 615 177	8 840 760
	74 %	82 %	26 %	18 %		

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

F.2 Financial risk management (continued)

Tariff risk

Aeronautical revenues contributing 53% (March 2018: 52%) of the Group's revenue is regulated by an independent economic regulator using a price cap methodology. The regulated tariff is linked to the CPI index. A change in CPI has a positive or a negative impact on the revenue earned by the Group. However, the Group is allowed to adjust the difference between actual and forecast CPI in future tariffs. The tariff is determined for a five-year period every three years with a two-year overlap. The Board has approved a regulatory strategy which seeks to proactively influence the regulatory approach in line with best practice. In this regard, the Group proactively manages the economic regulatory risk while balancing the interests of both the Group and the customers.

Price risk

The Group is exposed to price risk on various investments which is based on quoted prices.

A 5% change in the quote price of the investments as at 31 March 2019 would have had the effect of changing profit for the period by R38 million (Mar 2018: R91 million).

Foreign exchange risk

The Group has two foreign investments that give rise to limited exposure to foreign currency risk, arising primarily with respect to the Brazilian Real and Indian Rupee. All foreign debt instruments are issued in Rand and the Group also uses foreign exchange contracts to hedge material expenditure once the project or purchase cash flows are certain.

The Group's exposure to foreign currency risks was as follows, based on notional amounts:

Figures in thousands of Dollars	Mar 2019 USD	Mar 2018 USD
Trade receivables	620	1 216
Cash and cash equivalents	1 841	62
Gross balance sheet exposure	2 461	1 278

	Average rate		Reporting spot rate	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
The following significant exchange rates applied during the year:				
USD	13,720	12,982	14,508	11,831
INR	0,184	0,201	0,208	0,182
BRS	3,735	4,035	3,606	3,579

Sensitivity analysis

A 10% weakening of the Rand against the following currencies at 31 March 2019 would have increased/(decreased) equity, and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for March 2018.

Figures in thousands of Dollars	Equity		Profit or loss	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
USD	(46 111)	454	(2 810)	(784)
INR	(60 728)	(67 154)	(1 210)	(938)
BRS	(13 576)	(57 343)	(54 981)	48
	(120 415)	(124 043)	(59 001)	(1 674)

A 10% strengthening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Liquidity risk

The objective of the Financial Risk Management Framework is to ensure continuity of funding and flexibility, ensuring debt maturities are spread over a range of dates to manage refinancing risks. The Group is not exposed to excessive refinancing risk in any one year.

The objective of the Financial Risk Management Framework is to ensure continuity of funding and flexibility, ensuring debt maturities are spread over a range of dates to manage refinancing risks. The Group is not exposed to excessive refinancing risk in any one year.

F.2 Financial risk management (continued)

As at 31 March 2019, the Group had facilities of R1.5 billion (31 March 2018: R1.5 billion), of which zero has been utilised for both periods respectively.

Figures in thousands of Dollars	Mar 2019 Facility Amount	Mar 2018 Facility Amount
Total facilities	1 500 000	1 500 000

Unused facilities represent undrawn lines of credit where the bank has an agreement with the Group entity to make available an amount (up to the maximum specified) in loans on demand from the Group. The Group is under no obligation to actually take out a loan at any particular time. Committed facilities are those lines of credit where the Group and the bank have clearly defined terms and conditions which bind the bank to lend the Group up to the amounts stated in the agreement.

Please refer to the following notes for details on the Group and Company's financial liabilities in terms of their maturities:

Unsecured borrowings – note C.1

Trade and other payables – note D.3

Derivative financial instruments – note C.3

Capital risk management

The Group's capital management strategy is designed to ensure that the Group is adequately capitalised in a manner consistent with the Group's risk profile, economic regulatory requirements and maintaining an investment rating level.

The Group monitors capital adequacy through the gearing ratio, as represented by net interest-bearing debt to total capital. Net debt is calculated as total interest-bearing borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents plus short-term investments. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position, plus net debt.

The Group's maximum gearing ratio is up to 60% (2018: up to 60%). The gearing ratio is determined by the Treasury department and approved by Airports Company South Africa's Board. The objective is to minimise the weighted average cost of debt. The gearing ratios as at 31 March 2019 and 2018 were as follows:

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Total borrowings	6 615 176	8 840 760	6 613 677	8 839 261
Less: cash and cash equivalents and income funds	(1 893 012)	(3 199 849)	(1 834 972)	(3 176 039)
Net debt	4 722 164	5 640 911	4 778 705	5 663 222
Total equity	22 092 290	21 734 255	21 881 102	20 760 665
Total capital	26 814 454	27 375 166	26 659 807	26 423 887
Gearing ratio (net debt divided by total capital)	17%	20%	17%	21%

None of the entities in the Group are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G. OTHER

G.1 Intangible assets

Accounting policy

Intangible assets comprises of computer software and are measured initially at cost and subsequently at cost less accumulated amortisation and impairment losses.

Amortisation is provided for computer software on a straight- line basis to its residual value over a period of two to sixteen years.

Refer to note G.16 for details of the prior period errors.

Group

Figures in Rand thousand	Mar 2019			Mar 2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	452 705	(360 103)	92 602	446 511	(316 337)	130 174

Company

Figures in Rand thousand	Mar 2019			Mar 2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	452 441	(359 995)	92 446	446 114	(316 148)	129 966

Reconciliation of intangible assets - Group - 2019

	Opening balance	Adjustments - Prior period error	Opening balance - Restated	Additions	Reclassification	Amortisation	Total
Computer software	89 240	40 934	130 174	6 407	-	(43 979)	92 602

Reconciliation of intangible assets - Group - 2018

	Opening balance - Restated	Additions	Reclassification	Amortisation	Total
Computer software	-	134 367	62 026	(66 219)	130 174

Reconciliation of intangible assets - Company - 2019

	Opening balance	Adjustments - Prior period error	Opening balance - Restated	Additions	Reclassification	Amortisation	Total
Computer software	89 032	40 934	129 966	6 327	-	(43 847)	92 446

Reconciliation of intangible assets - Company - 2018

	Opening balance - Previously reported	Opening balance - Restated	Additions	Reclassification	Amortisation	Total
Computer software	-	134 221	61 863	-	(66 118)	129 966

G.2 Deferred tax

Accounting policy

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and/ or payable in future accounting periods. They generally arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the accounts. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or an earlier transaction. In respect of deferred tax assets, the Group and Company only recognises a deferred tax asset when the availability of future profits necessary to support the deferred tax asset is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would flow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Figures in Rand thousand	Group			Company		
	Mar 2019	Mar 2018	Mar 2017	Mar 2019	Mar 2018	Mar 2017
Deferred tax liability						
Property and equipment	240 965	289 067	131 023	242 507	272 711	131 023
Investment property	1 268 378	1 273 487	1 138 508	1 212 568	1 257 133	1 138 508
Intangible assets	16 038	21 549	20 187	16 038	21 549	20 187
Lease receivables	81 678	69 222	65 035	82 245	69 222	65 035
Investments in associates	77 950	56 516	-	-	-	-
Impairment of trade and other receivables	(59 493)	(52 632)	(7 778)	(49 086)	(52 632)	(7 778)
Other assets	144 374	37 784	(26 758)	30 984	28 878	(7 974)
Prepayments	5 316	2 175	932	5 303	2 175	932
Provisions	(56 646)	(51 884)	(71 065)	(56 899)	(51 884)	(71 065)
Derivative financial instruments	(37 943)	(37 458)	-	(37 943)	(37 458)	-
Deferred income	(9 288)	(9 873)	-	(9 288)	(9 874)	-
	1 671 329	1 597 953	1 250 084	1 436 429	1 499 820	1 268 868

The deferred tax liability relates to income tax in the same jurisdiction, and the law allows net settlement. Refer to note G.16 for details of the prior period errors.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.2 Deferred tax (continued)

Reconciliation of deferred tax liability

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
At beginning of year	1 369 719	1 346 013	1 271 586	1 147 244
Prior period over provision:				
Prior period error	228 234	763 755	246 924	763 755
Movements during the year:				
- recognised in profit for the year	73 376	(708 322)	(63 391)	(469 731)
- prior period error	-	58 954	-	58 954
- recognised directly in other comprehensive income	-	137 553	-	(401)
	1 671 329	1 597 953	1 436 946	1 499 820
Deferred tax liabilities expected to be recovered after more than 12 months	1 720 682	1 655 054	1 436 429	1 547 867
Deferred tax liabilities expected to be recovered within the next 12 months	(49 353)	(57 101)	(49 619)	(48 047)
	1 671 329	1 597 953	1 436 429	1 499 820

G.3 Retirement benefits

Group and Company

Figures in Rand thousand	Mar 2019	Mar 2018
Post-retirement medical benefit – plan asset	(4 730)	(5 027)
Post-retirement medical benefit – plan liability	18 876	19 491
A. Net Post-retirement medical benefit liability – defined benefit plan	14 146	14 464
B. Life fund – plan liability – defined benefit plan	15 758	16 185
Total employee benefit liabilities	29 904	30 649

A. Post-retirement medical benefit

The Company makes contributions to a defined benefit plan that provides medical benefits to employees upon retirement. The employees eligible for the post retirement benefit are those who were in employment at 1 August 2007. The plan entitles retired employees to receive a reimbursement of certain medical costs.

G.3 Retirement benefits (continued)**Movement in net defined benefit liability:****Group and Company**

Figures in Rand thousand	Present value of plan liability		Fair value of plan asset		Net liability	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Balance at 1 April 2018 Included in other comprehensive income:	19 491	16 018	(5 027)	(4 189)	14 464	11 829
- Actuarial (gains)/ losses arising from:	(3 220)	2 236	880	(340)	(2 340)	1 896
- Financial assumptions	(1 015)	2 130	379	(250)	(636)	1 880
- Demographic assumptions	(2 205)	106	501	(90)	(1 704)	16
Included in profit or loss:	3 399	1 911	(463)	(403)	2 936	1 508
- Current service cost	424	341	-	-	424	341
- Interest cost	2 975	1 570	-	-	2 975	1 570
- Return on plan assets	-	-	(463)	(403)	(463)	(403)
<i>Other:</i>						
Benefits paid	(794)	(674)	643	550	(151)	(124)
Contributions by employer	-	-	(763)	(645)	(763)	(645)
Balance at 31 March	18 876	19 491	(4 730)	(5 027)	14 146	14 464

Plan asset

An insured annuity policy was purchased from Sanlam Life, in the Company's name, to fund the contribution subsidies paid to current pensioners. The policies will pay a level amount each month to the relevant medical schemes on behalf of the Company, for as long as the pensioners and/or the pensioners' spouses are still alive.

The insured annuity policy can only be used to fund medical aid contributions, and is not available as an asset to the Company's creditors. The full fair value of R4,7 million (2018: R5 million) per the reconciliation above relates to that annuity policy.

The Company has also set aside an amount of R13,9 million (2018: R13.4 million) as a funding vehicle. As this amount is not protected against its creditors, it has not been included as a plan asset but rather as cash and cash equivalents in note D.2.

The Company does not expect to pay contributions to this plan in 2020.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.3 Retirement benefits (continued)

Net expense recognised in profit or loss

Group and Company

Figures in Rand thousand	Mar 2019	Mar 2018
Current service cost	424	341
Interest cost	2 975	1 570
Return on plan asset	(463)	(403)
	2 936	1 508

Cumulative expenses recognised in other comprehensive income

Balance at 1 April 2018	(21 435)	(23 331)
Actuarial gains recognised during the year	(2 340)	1 896
Balance at 31 March 2019	(23 775)	(21 435)

Principal assumptions at the reporting date:

Discount rates used	10,41 %	9,10 %
Healthcare cost inflation	8,37 %	7,50 %
Average retirement age (years)	60	60

The assumptions used by actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The "gap" between the assumptions has remained unchanged at 2.4% p.a. over the valuation period.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised. A one percentage point change in assumed healthcare cost trend would have the following effects:

Group and Company

Figures in Rand thousand	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Effect on liability	(21 407)	(17 518)	(16 814)	11 971

B. Life Fund

Group and Company

Figures in Rand thousand	Mar 2019	Mar 2018
Balance at 1 April 2018	16 185	16 645
Actuarial (gains)/losses recognised in other comprehensive income during the year	(427)	(460)
Balance at 31 March 2019	15 758	16 185

The Company acquired a 100 % shareholding in a cell captive with Guardrisk Life Ltd in September 2003 to fund its obligation arising from 2002, whereby the Company agreed to increase the minimum pension pay-out to employees. Guardrisk performs a half yearly review per individual covered to establish the present value of the Company's obligation on the prescribed valuation basis (as approved by Guardrisk Life Statutory Actuaries) in order to assess the Company's commitment as per the assets and expressed liabilities and ensure sufficient life funds are transferred to the non-distributable reserves.

Exposure to Risks

Market Risk:

The risk that the market value of the assets will decrease due to the value being held by Sanlam being less than estimated or due to unexpected movements in market/ membership factors

Risk of future changes in legislation:

The risk that changes to legislation may increase the liability for the Entity

G.3 Retirement benefits (continued)**Inflation Risk:**

The risk that future CPI inflation, and healthcare cost inflation are higher than expected and uncontrolled

G.4 Investments

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Investments short-term Income funds	769 369	1 826 009	769 369	1 826 009
Intercompany loans	-	-	193 567	157 419
	769 369	1 826 009	962 936	1 983 428

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Investments long-term Intercompany loans	-	-	718 838	704 445
	-	-	718 838	704 445

Refer to note F1 for Accounting Policy.

Refer to note G11 for detailed intercompany loan balances

G.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

There were no changes to the number of shares outstanding (in issue) at 31 March 2019 and 31 March 2018.

Authorised – Group and Company

1 000 000 000 Ordinary shares of R1 par value each

Issued – Group and Company

Figures in Rand thousand	Mar 2019	Mar 2018
Ordinary	500 000	500 000
Share premium	250 000	250 000
	750 000	750 000

Unissued – Group and Company

500 000 000 Ordinary shares of R1 par value each

The unissued ordinary shares are under the general authority of the Board of Directors.

Shareholder	Shareholding (%)
South African Government	74,6
Public Investment Corporation	20
Empowerment investors	4,2
Staff share incentive scheme	1,2

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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G.6 Other Reserves

Group

Figures in Rand thousand	Total	Fair value	Foreign currency translation reserve	Actuarial reserve
Balance at 1 April 2017	868 298	70 608	813 296	(15 606)
Actuarial gains, net of tax	(1 033)	-	-	(1 033)
Foreign currency translation differences, net of tax	532 597	-	532 597	-
Balance at 01 April 2018	1 399 862	70 608	1 345 893	(16 639)
Actuarial gain, net of tax	3 303	-	-	3 303
Loss on remeasurement of financial instruments	-	-	-	-
Foreign currency translation differences, net of tax	273 640	-	273 640	-
Balance at 31 March 2019	1 676 805	70 608	1 619 533	(13 336)

Company

Figures in Rand thousand	Total	Fair value	Actuarial reserve
Balance at 1 April 2017	201 141	216 747	(15 606)
Actuarial losses, net of tax	(1 033)	-	(1 033)
Balance at 01 April 2018	200 108	216 747	(16 639)
Actuarial gain, net of tax	3 303	-	3 303
Balance at 31 March 2019	203 411	216 747	(13 336)

Nature and purpose of reserves

Fair value reserve

The fair value reserve relates to the revaluation of property and equipment immediately before its reclassification as investment property.

Foreign currency translation

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Actuarial reserve

The actuarial value reserve relates to decreases or increases in plan assets and plan liabilities due to changes in actuarial assumptions.

G.7 Deferred income

Deferred income consists of the following balances::

Group		
Figures in Rand thousand	Mar 2019	Mar 2018
Dube Trade Port rentals	24 195	25 572
Gautrain development	7 702	8 390
Cape Town Construction	24 344	25 501
Other	2 046	2 069
	58 287	61 532

Company		
Figures in Rand thousand	Mar 2019	Mar 2018
Dube Trade Port rentals	24 195	25 572
Gautrain development	7 702	8 390
Cape Town Construction	24 344	25 501
Other	2 046	2 647
	58 287	62 110

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Government grants of the Group and Company are the following:

- A grant of R35.1 million was received in the 2010 financial year. This grant was used for the construction of the road within the Cape Town International Airport precinct.
- Gautrain Development relates to a grant received by the Group in the 2009 financial year from the Gautrain operator relating to assets belonging to the Group located at the O.R. Tambo International Airport's central terminal building that are being used by the Gautrain operator.

Other Government grants comprise of the following:

- Government grant for community upliftment. A grant of R7.5 million was received from NDOT and transferred to Sakhisizwe so that the funds could be ring-fenced. Sakhisizwe is a non-profit organisation who manages the grant which is mostly used to give bursaries to children from underprivileged backgrounds.

Other Deferred Income comprises the following: Dube Trade Port Rentals

- Dube Trade Port Rentals. Rentals received in advance by the Company from Dube Trade Port for a portion of land leased to Dube Trade Port.

The Deferred Income is allocated as follows:	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Current	3 935	815	3 935	3 058
Non-current	54 352	60 717	54 352	59 052
	58 287	61 532	58 287	62 110

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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G.8 Provisions

Accounting policy

Provisions are recognised when the Group and Company have a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Currently the Group and Company provide for staff incentive bonuses. The provision for bonuses is payable within three months of finalisation of the audited consolidated annual financial statements. As such it is not present valued as the effect of the time value of money is not expected to be material.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Levies on infrastructure projects, where these levies do not meet the probability criteria defined within IFRS, are not provided for, but disclosed as contingent liabilities.

Reconciliation of provisions – Group

Figures in Rand thousand	Staff incentive bonus	Environmental rehabilitation	Other provision	Total
Opening balance at 1 April 2017	157 440	21 019	7 491	185 950
Additions	111 618	-	19 101	130 719
Utilised during the year	(163 455)	(1 727)	(3 147)	(168 329)
Effect of passage of time	-	1 098	-	1 098
Effect of change in estimates	6 474	-	-	6 474
Closing balance at 31 March 2018	112 077	20 390	23 445	155 912
Additions	120 819	-	4 025	124 844
Utilised during the year	(133 419)	(1 711)	(4 345)	(139 475)
Effect of passage of time	-	4 990	-	4 990
Effect of change in estimates	21 343	-	1 507	22 850
Closing balance at 31 March 2019	120 819	23 670	24 633	169 121

Reconciliation of provisions – Company

Figures in Rand thousand	Staff incentive bonus	Environmental rehabilitation	Other provision	Total
Opening balance at 1 April 2017	156 062	21 019	4 026	181 107
Additions	109 604	-	4 933	114 537
Utilised during the year	(162 537)	(1 727)	(3 026)	(167 290)
effect of passage of time	-	1 098	-	1 098
unused amounts reversed during the period	6 474	-	-	6 474
Closing balance at 31 March 2018	109 603	20 390	5 933	135 926
Additions	117 723	-	3 963	121 686
Utilised during the year	(130 946)	(1 711)	(4 345)	(137 002)
Effect of passage of time	-	4 990	1 507	6 497
Effect of changes in Estimate	21 343	-	-	21 343
Closing balance at 31 March 2019	117 723	23 670	7 058	148 449

G.8 Provisions (continued)

The staff incentive bonus represents the liability at year-end provided for the planned employee incentive bonus payment.

The environmental provision is in terms of a Record of Decision issued by the Minister of Environmental Affairs and Tourism in 2008 to rehabilitate the property at the farm La Mercy no.15124 in Durban at King Shaka International Airport, as follows:

- Rehabilitation and maintenance of the wetlands in terms of a long-term phased plan;
- Implementation of a waste water management plan, including the decommissioning of a package plant used during construction of the Airport

G.9 Taxation

Accounting policy

The Group's foreign subsidiary ACSA Global, is tax resident in South Africa, therefore ACSA Global and other Companies within the Group will pay taxes according to the rates applicable in South Africa. Most taxes are recorded in the statement of comprehensive income and relate to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income and expenses are recognised in a different period for tax and accounting purposes (deferred tax).

The Group and Company recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions respectively, in the period in which such determination is made.

There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate.

There are no income tax implications on dividends paid by the company to its shareholders

This is because all Airports Company South Africa shareholders are exempt "beneficial owners" of the company shares in terms of section 64F of the Income Tax Act.

Major components of the tax expense

Figures in Rand thousand	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Current				
Current year	291 341	482 785	272 159	482 507
Prior period over provision	(106 350)	(5 947)	(87 660)	(5 947)
Total current tax	184 991	476 838	184 499	476 560
Deferred				
Current year	(25 879)	(76 872)	(33 811)	(55 834)
Under provision - prior year	228 234	268 497	228 234	268 497
Total deferred tax	202 355	191 625	194 423	212 663
Total	387 346	668 463	378 922	689 223

Reconciliation of the tax rate expense

Reconciliation between applicable tax rate and average effective tax rate.

Figures in %	Group		Company	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Applicable tax rate	28,00 %	28,00 %	28,00 %	28,00 %
Non-deductible expenses	15,00 %	5,00 %	7,00 %	(3,00)%
Over provision current tax	(17,00)%	(0,49)%	(13,00)%	(0,34)%
Under/(over) provision deferred tax	37,00 %	22,00 %	33,00 %	15,00 %
	- %			
Effective tax rate	63,00 %	54,51 %	55,00 %	39,66 %

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.10 Earnings per share & Dividend per share (Group only)

Basic earnings per share

Airports Company South Africa has voluntarily disclosed the basic earnings per share in the interests of its shareholders as a measure to demonstrate the value added to shareholders.

Accounting policy

Basic earnings per share

Earnings per share (EPS) is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders. For the purpose of calculating EPS, treasury shares are deducted from the number of ordinary shares in issue.

Reconciliation of Weighted Average Number of Shares (WANOS)

Figures in thousand	Mar 2019	Mar 2018
Number of share in issue: Company	500 000	500 000
Treasury shares issued to entities within the Group	(5 962)	(5 962)
Weighted average number of shares	494 038	494 038

Diluted earnings per share equals basic earnings per share as there are no dilutive options.

Impact of prior period errors and application of new standards on basic and diluted earnings (Refer to note G.16)

Figures in Rand thousand	Mar 2019	Mar 2018
Total Profit for the year attributable to shareholders		
Total impact of application of new standards	226 773	842 511
Impact of IFRS 9	-	-
Impact of IFRS 15	-	-
Decrease in revenue	-	152 753
Decrease in operating expenses	-	152 753
	-	(290 089)
Impact of prior period errors	-	(25 926)
Restatement of finance costs	-	25 927
Restatement of finance income	-	(209 544)
Restatement of taxation	-	(7 614)
Restatement of other income	-	(72 932)
Restatement of other operating expenses		
Total Profit for the year attributable to shareholders after restatements	226 773	552 422
Weighted average number of ordinary shares in issue	494 038	494 038
Decrease in basic earnings per share due to impact of prior period errors	-	(58,72)
Decrease in basic earnings per share due to impact of new standards	-	-
Restated basic earnings per share	45,90	111,82

G.10 Earnings per share & Dividend per share (Group only) (continued)**Earnings per share**

Figures in Rand thousand	Mar 2019	Mar 2018
Total profit for the year attributable to shareholders	226 773	552 422
Weighted average number of ordinary shares in issue	494 038	494 038
Basic earnings per share (cents per share)	45,90	111,82

Dividends per share

Dividends per share is calculated by using the total dividends declared for the year divided by the weighted average number of outstanding ordinary shares issued.

Dividend per share

Figures in thousand	Mar 2019	Mar 2018
Final dividend declared	145 681	353 452
Weighted average number of ordinary shares in issue	494 038	494 038
Dividend per share (cents per share)	29,49	71,54

G.11 Related parties

Airports Company South Africa SOC Ltd is one of the 21 Schedule 2 major public entities in terms of the Public Finance Management Act (Act 1 of 1999 as amended) and therefore falls within the national sphere of government. As a consequence, Airports Company South Africa SOC Ltd has a significant number of related parties that are public entities. In addition, the Company has a related party relationship with its subsidiaries, associates and with its directors and executive officers (key management). Unless specifically disclosed, these transactions are concluded on an arm's length basis and the Group and Company is able to transact with any entity.

Key management personnel has been defined as Airports Company South Africa Board of directors and prescribed officers effective for 2019 and 2018. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Group. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependents of the person or the person's domestic partner.

Related party transactions

Figures in Rand thousand	Services rendered		Services received		Amounts due from		Amounts due to	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
National departments	42 708	42 639	102 418	16 133	-	3 971	304	8
Constitutional institutions	-	-	-	242	-	-	-	-
Major public entities	831 635	1 368 519	185 226	319 410	1 746	386 271	6 373	1 484
National government business	21 569	-	531 932	12 943	53	-	727	1 654,00
Other national public entities*	-	24 981	31 579	213 124	-	6 334	1 967	56
Subsidiaries, associates, special purpose entities and joint ventures	86 382	76 738	61 304	60 856	964 022	963 339	895	17 342

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.11 Related parties (continued)

Related party transactions relating to subsidiaries, special purpose entities, joint ventures and associates were as follows:

Subsidiaries

Figures in Rand thousand	Services rendered		Services received		Amounts due from		Amounts due to	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
JIA Piazza Park (Pty) Ltd	59 470	58 936	59 470	58 936	-	-	-	-
Precinct 2A (Pty) Ltd	1 835	1 920	1 835	1 920	760 740	720 076	-	-
ACSA Global (Pty) Ltd	-	-	-	-	81 360	72 598	-	-

Special purpose entities

Figures in Rand thousand	Services rendered		Services received		Amounts due from		Amounts due to	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Airports Company South Africa Kagano Trust	-	-	-	-	18 246	18 246	-	-
Lexshell 342 Investment Holdings (Pty) Ltd	7 072	1 344	-	-	21 960	20 845	-	5 163
Airports Company Share Incentive Scheme Trust (Pty) Ltd	13 627	2 921	-	-	30 098	30 098	-	-
Sakhisizwe Community Programme	-	-	-	-	-	-	895	12 179
Airports Company Management Share Incentive Trust	-	-	-	-	-	-	-	-

Associates

Figures in Rand thousand	Services rendered		Services received		Amounts due from		Amounts due to	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Guarulhos International Airport Private Limited	-	-	-	-	3 701	25 255	-	-

Joint Ventures

Figures in Rand thousand	Services rendered		Services received		Amounts due from		Amounts due to	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Airport Logistics Property Holdings (Pty) Ltd	4 759	11 891	-	-	47 916	76 220	-	-

Total subsidiaries, associates, special purpose entities and joint ventures	86 382	76 738	61 304	60 856	933 965	963 339	895	17 342
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G.11 Related parties (continued)**Key management personnel****Executive Directors**

	Salary		Pension Fund Contributions		Other benefits*		Total	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
B Maseko	3 150	3 631	287	331	2 021	2 438	5 458	6 400

*Other benefits comprises of cash bonuses and long service awards.

Non-executive Directors

Figures in Rand thousand	Appointment Date	Resignation Date	Directors' fees	
			Mar 2019	Mar 2018
D Botha	1 July 2013	31 July 2019	533	603
D Hlatshwayo	1 June 2018		404	-
M Lamola	1 December 2012	5 July 2017	-	184
B Luthuli	1 December 2012	17 September 2017	-	188
M Mabela	1 March 2015	19 April 2018	-	678
C Mabude	1 December 2012	17 September 2017	-	117
S Macozoma	1 March 2012	30 November 2016	-	17
K Matlou	1 March 2015		427	454
B Mohale	1 September 2018	1 July 2019	287	-
P Mokupo	1 September 2018		428	-
R Morar	1 January 2012	28 March 2018	-	798
M Moroka	1 December 2012	15 September 2017	-	181
N Nokwe-Macamo	1 September 2018		260	-
S Nogxina	1 November 2018		279	-
Y Pillay	1 September 2018		338	-
I Phenyane	1 September 2018		342	-
S Simelane	1 March 2015	20 April 2018	-	841
N Zikalala Mvelase	1 September 2018		422	-
			3 720	4 061

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.11 Related parties (continued)

Prescribed officers

Figures in Rand thousand	Salary		Pension Fund Contributions		Other benefits*		Total	
	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018	Mar 2019	Mar 2018
PM du Plessis	2 603	2 151	234	195	1 084	1 440	3 921	3 786
G Gopal	2 511	2 127	234	201	1 147	1 409	3 892	3 737
D Kunz ³	2 003	1 882	185	172	1 762	797	3 950	2 851
B Matshego	2 566	2 081	234	191	1 012	1 226	3 812	3 498
B Mbomvu ¹	2 520	2 150	234	200	1 433	1 485	4 187	3 835
M Mncwabe ²	1 935	-	177	-	577	-	2 689	-
S Ngwenya	2 272	2 034	200	179	886	-	3 358	2 213
R Shinnars	2 581	2 064	234	187	1 037	1 336	3 852	3 587
C Shilowa	2 653	2 161	234	190	915	1 194	3 802	3 545
F Sithebe	2 961	1 919	267	175	767	702	3 995	2 796
F Tshikhudo	1 632	-	147	-	605	-	2 384	-
A Vermeulen	2 728	2 540	248	231	1 221	1 495	4 197	4 266
	28 965	21 109	2 628	1 921	12 446	11 084	44 039	34 114

1 Mbomvu acting CEO since 1 December 2018

2 Appointed 1 July 2018

3 D Kunz acting CFO since 5 January 2017

G.12 Events after the reporting period

No matter which is material to the financial affairs at the Company has occurred between 31 March 2019 and the approval date of the financial statements.

G.13 Irregular expenditure Group and Company

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impractical to determine in which case reasons therefore will be provided in the notes.

Irregular expenditure defined in section 1 of the Public Finance Management Act (PFMA) 1999 as "expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including-

- this Act; or
- the State Tender Board Act 1968 (Act No. 86 of 1968) or any regulations made in terms of that Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

Figures in Rand thousand	Mar 2019	Mar 2018
Opening balance	1 142 265	602 539
Less: irregular expenditure adjustment	(231 034)	143 606
Add: irregular expenditure – current year	264 006	400 161
Less: amounts condoned in the current year	(192 450)	(4 042)
Irregular expenditure awaiting condonation/ write off	982 787	1 142 264
Current year	264 006	396 119
Prior years	718 780	746 145
Total	982 787	1 142 264

G.13 Irregular expenditure Group and Company

Current year and prior year:

The irregular expenditure identified in the prior year relates to various incidents reported. These incidents relate to contravention of the Supply Chain management policy and the Preferential Procurement Policy Framework Act (PPPFA) and Regulations.

Figures in Rand thousand	Mar 2019	Mar 2018
Non-Compliance with CIDB requirements	37 489	4 169
Non-Compliance with PPPFA Act	216 478	395 992
Non-Compliance with National Treasury requirements	10 039	-
Total	264 006	400 161

G.14 Fruitless and wasteful expenditure

Section 1 of the PFMA defines fruitless and wasteful expenditure as “expenditure which was made in vain and would have been avoided had reasonable care been exercised”.

Group and Company

Figures in thousand	Mar 2019	Mar 2018
Opening balance	39 380	36 861
Add: fruitless and wasteful expenditure – adjustment	-	-
Add: fruitless and wasteful expenditure – current year	63 237	2 519
Less: amounts recovered / written - off	-	-
Fruitless and wasteful expenditure not yet closed (awaiting appropriate action)	102 617	39 380
Current year	63 237	2 519
Prior years	39 380	36 861
Add: fruitless and wasteful expenditure – adjustment	-	-
Total	102 617	39 380

Details of Fruitless and wasteful expenditure

Current Year

The fruitless and wasteful expenditure identified in the current year relates to the following incidents reported. The fruitless and wasteful expenditure relates mainly to non-compliance with National Treasury cost containment measures:

- (1) interest on revised tax liability resulting from SARS audits
- (2) penalties on revised tax liability resulting from SARS audits.

Prior year:

The fruitless and wasteful expenditure identified in the prior year relates to the following incidents reported. The fruitless and wasteful expenditure relates mainly to non-compliance with National Treasury cost containment measures.

- 1) Interest and penalties on provisional payment; and
- 2) Financial misconduct.

G.15 Contingencies

Contingent Liabilities

Accounting Policy

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

Nedbank has provided guarantees of R27.0 million to Airports Company South Africa SOC Limited.

The Company has signed levy agreements in respect of infrastructure projects relating to the City of Cape Town for R13 million. The obligation to pay these levies are contingent upon the City choosing to invoke their right in terms of the agreement.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.15 Contingencies (continued)

Share buy-back

On or about 1 August 2017 the Johannesburg High Court granted African Harvest Strategic Investments (Pty) Ltd and Up-Front Investments 65 (Pty) Ltd a court order whereby a Referee was to be appointed to value its shareholding in Airports Company South Africa SOC Limited following which Airports Company South Africa was to buy back the shareholding at the value to be determined by the Referee. Such Referee concluded its valuation on 26 February 2018. African Harvest Strategic Investments (Pty) Ltd and Upfront Investments 65 (Pty) Ltd have subsequently brought an application to make the valuation an Order of Court. Airports Company South Africa SOC Limited opposed this application on the basis of it being fundamentally flawed, irrational and detrimental to other shareholders. The matter is ongoing and is to appear before the commercial court in October 2019.

Contingencies relating to interests in joint ventures

There are no contingencies relating to interests in joint ventures.

G.16 Prior period errors

Investment property

There was a calculation error for one of the properties which resulted in the overstatement of the gain on fair value.

Property and equipment

In the prior year, inaccurate data was erroneously migrated into the asset register. The error has been corrected retrospectively.

Intangibles

In the prior year, inaccurate data was erroneously migrated into the asset register. The error has been corrected retrospectively.

Investment in subsidiaries

Intergroup loans were incorrectly classified as investment in subsidiaries. They have been reclassified as investments.

Interest bearing borrowings

The current portion of interest bearing borrowings was corrected to reflect the then pending settlement of the AIR01 bond.

Other Income

Internal training income and expenses had not been eliminated in the prior year, resulting in an overstatement of both line items.

Taxes

Taxation expense, current and deferred tax assets and liabilities have been restated for the tax effect of the restatements above. A summary of the changes to the prior year is as follows:

Effect on Statement of Financial Position

Figures in Rand thousand	Group		Company	
	Mar 2018	Mar 2017	Mar 2018	Mar 2017
Investment property				
Previously stated	7 144 496	6 603 637	6 818 433	6 260 648
Restatement	(24 471)	(19 691)	(24 471)	(19 691)
Restated amount	7 120 025	6 583 946	6 793 962	6 240 957
Trade and other payables				
Previously stated	854 127	782 674	851 632	764 931
Restatement	(586)	1	-2	1 034
Restated amount	853 541	782 675	851 630	765 965

G.16 Prior period errors (continued)

Figures in Rand thousand	Group		Company	
	Mar 2018	Mar 2017	Mar 2018	Mar 2017
Intangible assets				
Previously stated	89 240	-	89 032	-
Restatement	40 934	-	40 934	-
Restated amount	130 174	-	129 966	-
Deferred tax				
Previously stated	1 369 719	-	1 271 586	-
Restatement	228 234	-	228 234	-
Restated amount	1 597 953	-	1 499 820	-
Retained earnings				
Previously stated	18 261 340	17 772 281	19 393 212	18 416 272
Restatements	1 437 384	778 643	1 437 760	778 643
Restated amount	19 698 724	18 550 924	20 830 972	19 194 915
Investment in subsidiaries				
Previously stated	-	-	860 903	814 820
Restatement	-	-	(860 903)	(814 820)
Restated amount	-	-	-	-
Effect on Non Current Liabilities				
Interest bearing borrowings				
Previously stated	7 789 163	8 268 457	7 789 164	8 268 457
Restatement	(2 000 000)	-	(2 000 000)	-
Restated amount	5 789 163	8 268 457	5 789 164	8 268 457
Effect on Current Liabilities				
Interest bearing borrowings				
Previously stated	1 051 597	1 063 038	1 050 097	1 061 538
Restatement	2 000 000	-	2 000 000	-
Restated amount	3 051 597	1 063 038	3 050 097	1 061 538
Property, Plant and Equipment				
Previously stated	18 361 320	18 724 723	18 313 785	18 677 362
Restatement	1 039 706	798 333	1 039 706	798 333
Restated amount	19 401 026	19 523 056	19 353 491	19 475 695
Investments				
Previously stated	1 826 009	1 524 993	1 826 009	1 524 993
Restatement	-	-	157 419	-
Restated amount	1 826 009	1 524 993	1 983 428	1 524 993

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

G.16 Prior period errors (continued)

Effect on Statement of Comprehensive Income

Figures in Rand thousand	Group		Company	
	Mar 2018	Mar 2017	Mar 2018	Mar 2017
Finance cost				
Previously stated	(847 191)	-	(846 986)	-
Restatement	(25 926)	-	(25 926)	-
Restated amount	(873 117)	-	(872 912)	-
Finance income				
Previously stated	124 403	-	182 333	-
Restatement	25 927	-	25 927	-
Restated amount	150 330	-	208 260	-
Taxation				
Previously stated	(458 919)	-	(479 679)	-
Restatement	(209 544)	-	(209 544)	-
Restated amount	(668 463)	-	(689 223)	-
Other income				
Previously stated	18 792	-	18 741	-
Restatement	(7 614)	-	(7 614)	-
Restated amount	11 178	-	11 127	-
Other Operating Expenses				
Previously stated	2 438 975	-	2 345 394	-
Restatement	(130 318)	-	(121 507)	-
Restated amount	2 308 657	-	2 223 887	-

2019

**CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS**



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AIRPORTS COMPANY
SOUTH AFRICA

2019

[INTEGRATED REPORT]

Run Airports | Develop Airports | Grow Footprint

Abbreviation	Definition	Abbreviation	Definition	Abbreviation	Definition
ACI	Airports Council International	EIA	Environmental impact assessment	MIAL	Mumbai International Airport Private Limited
ACSA	Airports Company South Africa SOC Ltd	EMS	Environmental management system	NDP	National Development Plan
AGM	Annual general meeting	ESAT	Employee satisfaction survey	NEHAWU	National Education, Health and Allied Workers Union
AMSIS	Airport Management Share Incentive Scheme	ESD	Enterprise supplier development	NUMSA	National Union of Metalworkers of South Africa
APEX	Airport excellence in safety	GDP	Gross domestic product	ORTIA	O.R. Tambo International Airport
ASQ	Airport Service Quality	GIAS	Group Internal Audit Services	PFMA	Public Finance Management Act, No. 1 of 1999
B-BBEE	Broad-based black economic empowerment	GRU	Guarulhos International Airport	PIC	Public Investment Corporation
CAE	Chief Audit Executive	GruPar	Guarulhos Participações S.A	PLZ	Port Elizabeth International Airport
CEO	Chief Executive Officer	ICAO	International Civil Aviation Organisation	(Pty) Ltd	Proprietary Limited
CFO	Chief Financial Officer	IFRS	International Financial Reporting Standards	ROE	Return on equity
CIO	Chief Information Officer	IIA	Institute of Internal Auditors	ROCE	Return on capital employed
Companies Act	Companies Act, No. 71 of 2008	IIRC	International Integrated Reporting Council	SANS	South African National Standards
COO	Chief Operating Officer	ISO	International Standards Organisation	SCM	Supply chain management
CPI	Consumer price index	IT	Information technology	SDG	Sustainable Development Goals
CSI	Corporate social investment	King IV	King Code of Governance for South Africa 2016™	SED	Socio-economic development
CTIA	Cape Town International Airport	KPI	Key performance indicator	SMEs	Small and medium-sized enterprises
DFI	Development Finance Institution	KSIA	King Shaka International Airport	SOC	State-owned company
DoT	Department of Transport	LTI	Long-term incentive	SPE	Special purpose entity
EAP	Economically active population	MOI	Memorandum of incorporation	STI	Short-term incentive
EBITDA	Earnings before interest, tax, depreciation and amortisation	MOU	Memorandum of understanding		

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NAVIGATION ICONS

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	Grow footprint		Consolidated annual financial statements
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PAGE Key material matters in depth

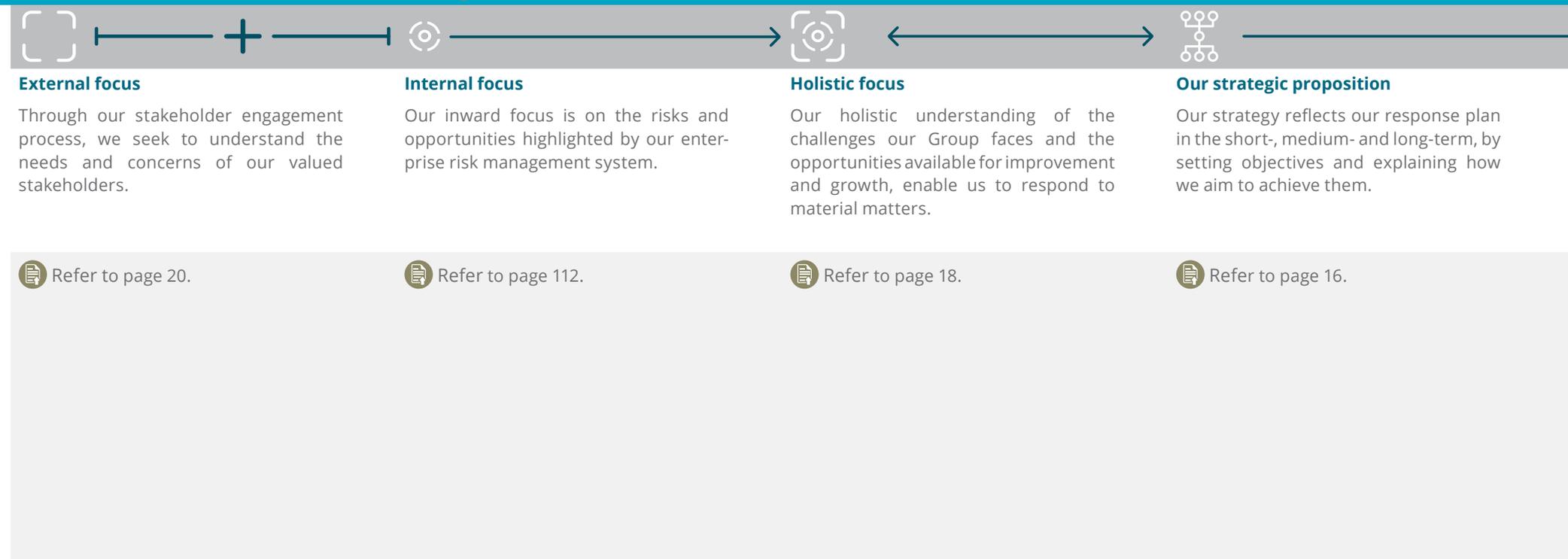
37	Material matter: Transformation
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HOW WE INTEGRATE

Airports Company South Africa SOC Ltd (the Group) owns and manages nine South African airports. We also participate in equity investments abroad as well as provide technical advisory and consultancy services to other airports globally. Our majority shareholder with a 74.6% stake, is the South African Government. In line with the government’s developmental objectives, we aim to create sustainable value over the short-, medium- and long-term which will positively impact not only our business, but our people, the society in which we operate, and our environment. This is achieved by managing Airports Company South Africa in an integrated manner.

The diagram below illustrates how our business processes interact to produce our integrated strategy and approach to reporting.

Appropriate governance controls and oversight are in place throughout the Group to ensure effective control, and a strong sense of ethics and legitimacy, which is reflected in good performance. Refer to page 90 



Our commitment to stakeholders:

To build purposeful and responsive relationships with our stakeholders so as to achieve agreed outcomes that support sustainable value creation. Through our business review process, we gain an understanding of changing global trends and how these impact our operating environment.



Value creation model

We ensure that our value creation model utilises resources and relationships (our capitals) optimally and is structured to enable strategy execution and value creation.

Refer to page 22.

Performance against strategy

To reflect on the extent to which we have succeeded in delivering against our strategy, we provide performance feedback in the following sections of our report:

- Message from the Board Chairman on page 28.
- Message from the acting CEO on page 30.
- Performance review on page 48.
- Message from the acting CFO on page 52.
- Performance per strategic pillar on page 60.
- Business enablement on page 81.

In these chapters, we also provide an outlook for expected future performance.

Remuneration

We remunerate our people based on performance. This promotes successful execution of our strategy.

Refer to page 118.

Our pledge to our customers

- To embed a culture of service excellence
- To build an efficient customer-focused business, while contributing to socio-economic development

ABOUT OUR INTEGRATED REPORT

OUR REPORTING PHILOSOPHY

We seek to provide investors and other stakeholders with the relevant material information they may require about our performance, strategy and future prospects. We strive to improve the quality and disclosure of our reporting by aligning with relevant frameworks and best practice.

OUR REPORTING SUITE

A digital version of this integrated annual report and the documents listed below can be found at www.airports.co.za. 

This integrated annual report

Purpose and framework	Scope and boundary	Assurance
<p>Airports Company South Africa's FY2018/19 integrated annual report (IAR) is a report to all our stakeholders. It sets out our short-, medium- and long-term views on value creation.</p> <p>The report was built on the following frameworks and standards:</p> <ul style="list-style-type: none"> • IIRC's International Integrated Reporting <IR> Framework • IFRS • Companies Act • PFMA • King IV Report • ISO/SANS 31000 	<p>The IAR contains material information on the Group's performance for the financial year 1 April 2018 to 31 March 2019 (the financial year under review).</p> <p>Our method for determining materiality is defined and explained on page 18. </p> <p>We disclose all relevant internal and external factors that substantially influence our business, where applicable.</p> <p>There were no restatements to comparatives, unless otherwise stated.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> • Management and governance oversight. • The strategic objectives and key performance indicators were internally and externally assured, and were audited both internally and by the Auditor-General of South Africa as per the Public Audit Act of South Africa, No. 25 of 2004. • The National Treasury's Framework for Managing Programme Performance Information confirms that performance information is useful if indicators and targets are well defined, verifiable, attainable, specific, measurable, time-bound and relevant. We consider these elements in finalising the information presented in this IAR. The external audit opinion on the consolidated annual financial statements for FY2018/19 includes a summary of the work performed.

Consolidated annual financial statements

Purpose and framework	Scope and boundary	Assurance
<p>This report focuses on the current and prior year's financial results contain the following:</p> <ul style="list-style-type: none"> • Audit and Risk Committee Report • Directors' responsibilities and approval • Company Secretary's certificate • Auditor-General Report • Directors' report • Consolidated annual financial statements <p>The report was developed using the following frameworks and standards:</p> <ul style="list-style-type: none"> • IFRS • Companies Act • PFMA • King IV Report 	<p>The annual financial statements contain consolidated financial results for the Group for the financial year ending 31 March 2019.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> • Internal controls • Management and governance oversight • Exco • Internal audit • Board subcommittees • Board • External audit opinion

Our integrated reporting process has been elevated over the last six years through the inclusion of quarterly CEO reports presented to the Board of directors. This management approach embeds the process of managing, measuring and reporting on our business, our people and society, as well as the context of environmental concerns, in line with our Sustainability Framework.

Supplementary information

Results presentation

Provides our stakeholders with a high-level summary of the following:

- Operational performance
- Financial performance
- Short-, medium- and long-term strategy

Board and executive curricula vitae

A comprehensive overview of the skills and competencies of our Board and Executive Committee members. (Refer to pages 96 and 108 respectively) 

FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report, or oral statements that may be made by officers or directors, prescribed officers or employees acting on the Group's behalf, constitute or are based on various or certain assumptions which may change or be subject to revision. These statements involve risk and uncertainty, as they relate to events or circumstances that may or may not occur. Factors which could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to:

- Global and domestic economic conditions
- The nature of the aviation sector and specifically the performance of airline operators
- Changes in passenger profiles and choices
- Retail offerings at our airports
- Interest rates
- Credit and associated risks of borrowing and funding
- Rating agencies' statements and determinations
- Gross and operating margins
- Capital management
- Competitive and economic regulatory factors

Airports Company South Africa does not undertake to update or otherwise revise any of these forward-looking statements publicly, whether in reflecting on new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the Group's external auditor.

BOARD APPROVAL

The Board acknowledges responsibility for overseeing the integrity and completeness of this IAR and exercises this responsibility with the support of various sub-committees. The Board approved the reporting frameworks and materiality determination process applied in the report. The Board confirms that, after applying its collective mind to the preparation and presentation of the IAR and reviewing the content herein, it considers this report to be accurate, reliable and complete in presenting information and material matters. The Board concludes that this report is presented as per the <IR> Framework and approved the FY2018/19 IAR on 27 August 2019.



Adv Sandile Nogxina
Board Chairman



Bongiwe Mbomvu
Acting CEO



Lindani Mukhudwani
Acting CFO

FEEDBACK

If you wish to contribute to the improvement of our IAR through comments, suggestions or queries on the information, data and/or presentation thereof, email Refentse Shinnars, Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.



All these reports can be found at www.airports.co.za

→ GROUP OVERVIEW



OUR MANDATE

Airports Company South Africa's mandate is derived from the Airports Company Act, No. 44 of 1993, as amended. Our main objectives, in line with requirements of our shareholders, are to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function.

SHAREHOLDING

Airports Company South Africa is registered as a Schedule 2 public entity in terms of the PFMA and operates as a state-owned company within the legal framework outlined in the Companies Act, No 71 of 2008.



- **South African Government** is our primary shareholder.
- **Public Investment Corporation (PIC):** The PIC shareholding is held through ADR International Airports SA (Pty) Ltd, a wholly owned subsidiary of PIC.
- **Empowerment investors:**
 - 1.2% G10 Investments (Pty) Ltd
 - 1.4% African Harvest Strategic Investments
 - 0.4% Pybus Thirty Four Investment (Pty) Ltd
 - 0.8% Telle Investments (Pty) Ltd
 - 0.4% Upfront Investments 64 (Pty) Ltd
- **Staff share incentive scheme:** Dormant as the scheme is being dissolved.

OUR GEOGRAPHICAL FOOTPRINT

Airports Company South Africa maintains the following equity investment or technical advisory and consultancy services internationally:



Airport concessions

- **BRAZIL**
Guarulhos International Airport in São Paulo is an equity investment.
- **INDIA**
Chhatrapati Shivaji International Airport in Mumbai is an equity investment.

Airport technical, advisory and consultancy services

- **GHANA**
We perform technical advisory and consultancy services at Kotoka International Airport in Accra.
- **LIBERIA**
We provide consultancy services and are preparing the new terminal building and associated infrastructure for operations, on behalf of the Liberian Airports Authority.
- **ZAMBIA**
We provide consultancy services for operational readiness and managed a transfer for the new terminal building at Kenneth Kaunda International Airport in Lusaka.
- **RWANDA**
As part of the technical team in partnership with Aurecon, we provide technical services to the Bugesera Airports Company at Bugesera International Airport in Kigali.

SOUTH AFRICA

At Oribi Airport, in Pietermaritzburg, we provide services inclusive of development of aerodrome manuals and identification of commercial and operational areas of improvement.



- Legend**
- International Airport
 - ▼ Regional Airport

OUR SOUTH AFRICA STATISTICS

Aircraft landings

	FY2018/19 259 169
	FY2017/18 264 434
	FY2016/17 280 707

Departing passengers

	FY2018/19 21 118 264
	FY2017/18 20 836 846
	FY2016/17 20 011 965



Location	Total annual departing passengers	Annual passenger throughput capacity for departing passengers	Aircraft landings	Permanent employees	On-time performance ¹ %	ASQ ²	ASQ category average ³
1 O.R. Tambo International Airport	10 686 913	14 000 000	109 758	1 253	82,46%	3,97	4,27
2 Cape Town International Airport	5 437 295	7 000 000	49 338	571	84,81%	4,07	4,22
3 King Shaka International Airport	3 007 573	3 750 000	25 571	447	84,30%	4,18	4,22
4 Port Elizabeth International Airport	848 298	1 000 000	22 655	128	85,49%	4,02	4,20
5 Bram Fischer International Airport	178 386	300 000	9 440	75	79,91%	4,06	4,20
6 Upington International Airport	30 637	50 000	3 579	33	87,60%	4,37	4,20
7 East London Airport	425 402	600 000	12 427	77	82,67%	3,81	4,20
8 George Airport	422 978	450 000	21 509	73	82,72%	4,07	4,20
9 Kimberley Airport	80 782	100 000	4 892	51	86,86%	4,54	4,20
 Corporate and Regional office	-	-	-	402	-	-	-
Total	21 118 264	27 250 000	259 169	3 110	84,09%	3,97	-

NOTE:

1 On-time performance is the percentage of aircraft departures within 15 minutes of their slot time.
 2 Airport Service Quality (ASQ) is a programme operated by the Airports Council International (ACI). It is a globally established benchmarking programme measuring passengers' satisfaction on a scale of 1 (poor) to 5 (excellent).
 3 Average ASQ score for airports within same category.

OUR LEGAL STRUCTURE

Airports Company South Africa derives value from aeronautical and non-aeronautical operations, including local and international investments. This is structured as follows:

Name	100%-owned subsidiaries ¹				Special purpose entities ²		
	ACSA Global Ltd	Airports Consultancy and Advisory Services SOC Ltd	JIA Piazza Park SOC Ltd	Precinct 2a SOC Ltd	Lexshell 342 Investment Holdings (Pty) Ltd	Airport Management Share Incentive Scheme (Pty) Ltd	Sakhisizwe Community Programme
Purpose of existence	The investment holding company through which Airports Company South Africa holds its 10% interest in the Mumbai International Airport Private Limited (refer to investments in associates on page 11). 	The provision of airport consultancy and advisory services to airports in South Africa and internationally. This subsidiary will be leveraged to provide services for future prospects.	The holding company through which we operate the InterContinental Hotel at O.R. Tambo International Airport.	A company through which we own approximately 250 hectares of land adjacent to O.R. Tambo International Airport. The strategy is to redevelop property for aeronautical and non-aeronautical purposes to grow revenue.	An employee share option entity, wholly owned by the Airports Company South Africa Kagano Trust. ³	Employee share incentive scheme that holds investments (specifically Group ordinary shares). ⁴	Sakhisizwe is a special purpose entity that seeks to transform the aviation industry by providing study bursaries to financially and academically deserving students from previously disadvantaged backgrounds.
Year of inception	2006	2016	1998	1998	1999	1999	1996
Airports Company South Africa shareholding	100%	100%	100%	100%	SPE	SPE	SPE
Other shareholders and their respective shareholdings	N/A	N/A	N/A	N/A	Airports Company South Africa Kagano Trust ³	Airports Company Management Share Incentive Scheme Trust	N/A
Equity injections	R100	Nil	R100	R100	Nil	Nil	Nil
Net asset value at 2019/03/31	R602 million	Nil	R30 million	R90 million	(R2 million)	R17 million	R696 000

¹ Subsidiaries are all entities (including special purpose entities (SPEs) over which the Group has the power to govern the financial and operating policies, generally with a shareholding of more than half of the voting rights.

² An SPE is a ring-fenced subsidiary of the Group that isolates financial risk to the holding company.

³ The Airports Company South Africa Kagano Trust was formed under the Trust Property Control Act to administer the staff share scheme (until they were paid out in 2013), and to be a holding company with its two subsidiaries, Lexshell 342 and Lexshell 343. Lexshell 343, currently dormant, was specifically formed to hold Group share options should Airports Company South Africa list on the JSE. We intend repurchasing our ordinary shares from Lexshell 342 and possibly winding up the Kagano Trust, Lexshell 342 and Lexshell 343. The Kagano Trust is dormant and has no beneficiaries.

Investments in joint ventures ⁵		Investments in associates ⁶		
	Airport Logistics Property Holdings (Pty) Ltd	La Mercy JV Property Investments	Mumbai International Airport Private Limited	Guarulhos International Airport Private Limited
	A property holding company with the Bidvest group that owns three distribution warehouses at O.R. Tambo International Airport and Cape Town International Airport.	A land development and property investment company in collaboration with Dube Trade Port Corporation. Our strategy is to build an investment property portfolio at King Shaka International Airport – Dube Trade Port - through land-lease agreements.	Private Limited – A company through which we hold a 30-year concession (with the option to renew for another 30 years) to develop, operate and maintain the Mumbai Airport. We have received an offer for our 10% shareholding from a third-party buyer and are currently going through the pre-emptive process with the existing majority shareholder, GVK.	Private Limited – A company in which we hold a 20-year concession to develop, operate and maintain the Guarulhos International Airport in São Paulo. We also provided technical advisory and consultancy services for the first five years of the concession. The Technical Services Agreement terminated in 2017, due to effluxion of time.
	2003	2009	2006	2012
	50%	40%	10%	10.2%
	Bidvest Holdings Ltd (50%)	Dube Trade Port Corporation (60%)	GVK (50.5%), Bidvest (13.5%), Airports Authority of India (26%)	A joint venture between Investimentos e Participações em Infraestrutura S.A (Invepar) (80%) and Airports Company South Africa (20%), which together hold 51% of Guarulhos Participações S.A (GRUPar). The other 49% is held by state-owned airport authority Infraero.
	Nil	R38 million	R347 million	R1.2 billion
	R62 million	R183 million	R8 billion	(R5 billion)

⁴ Airport Management Share Incentive Scheme (AMSIS) exists only as a special purpose vehicle for the Management Trust and holds ordinary shares in Airports Company South Africa as an investment on behalf of its holding company, the Management Trust. The Management Trust is dormant and has no beneficiaries, as all beneficiary shares were bought back during 2009. We intend repurchasing our ordinary shares from AMSIS and thereafter possibly winding up the Management Trust and AMSIS.

⁵ Joint ventures are entities over which the Group has joint control over the economic activity through a contractual planning arrangement. The Group recognises its interests in the joint venture using equity accounting.

⁶ Associates are all entities over which Airports Company South Africa has significant influence but not control, generally with a shareholding of between 20% and 50% of the voting rights. Investments in associations are accounted for using the equity method of accounting and are initially recognised at cost.



AREAS OF RECOGNITION AND ACKNOWLEDGEMENT

Airports Company South Africa is consistently recognised as a leading global airports operator, and we have garnered the following recognition for our achievements in FY2018/19:

Area of recognition	Benchmarking authority	Achievements
World's Top 100 airports	Skytrax World Airport Awards are based on a customer satisfaction survey across over 500 airports globally	Three of our airports recognised in the top 35 airports in the world.
Carbon and environmental management	Airport Carbon Accreditation: This is the only institutionally endorsed, global carbon management certification programme for airports.	Five of our airports out of 246 airports globally were recognised for their actions to manage and reduce CO2 emissions, as part of the global airport industry's response to the challenge of Climate Change. All nine airports have also achieved ISO 14001 Environmental Management System Certification (ISO 14001:2004) in accordance with the 2015 version of the standard.
Reporting	Chartered Secretaries Southern Africa	Integrated Reporting Awards: Best SOC.
Airport excellence	Air Cargo Week: World Air Cargo Awards	Flagship airport wins African Airport of the Year.
Airport excellence	Civil Aviation Awards	The Group and two airports won various awards for excellence in operations and sustainability.
On-time performance	OAG Aviation: The world's largest network of air travel data	Airport awarded top punctuality ranking in small airport category.
Employee satisfaction	Top Employers Institute	Airports Company South Africa recognised as a certified "Top Employer" in the Public Sector category.
Security	South African Civil Aviation Authority: Launched the inaugural Civil Aviation Industry Awards in 2018	Airport wins Aviation Security Award.

Area of acknowledgement

In FY2018/19 Airports Company South Africa faced diverse challenges. Our financial performance was weakened by traffic volumes not increasing as projected, as a result of attrition of previously dominant airlines and time taken to replace that capacity. A knock-on effect of this shift in our customer market was that non-aeronautical revenue – which is directly related to traffic volumes through airports – did not increase as we had planned. Finally, we were unable to reconstitute our retail and car hire tenant base on account of ongoing litigation.



Placement

- O.R. Tambo International Airport ranked 33rd (2018: 32nd)
- Cape Town International Airport ranked 22nd (2018: 21st) overall and was named the best airport in Africa for the fourth consecutive year.
- King Shaka International Airport ranked 29th (2018: 26th) overall and was named best regional airport in Africa for the second year in a row. It also won the award for best airport staff in Africa.
- George Airport, King Shaka International Airport and Port Elizabeth International Airport received accreditation level 1.
- Cape Town International Airport and O.R. Tambo International Airport received accreditation level 2.

Our FY2017/18 Integrated Report won the best State-Owned Company category at the Integrated Reporting Awards.

O.R Tambo International Airport won the award for the fourth consecutive year at the 2019 Air Cargo Africa conference and exhibition.

- Aviation Company of the Year – Airports Company South Africa
- Aviation Sustainability and Environment – Cape Town International Airport

King Shaka International Airport ranked 10th in category.

Airports Company South Africa recognised as a “Top Employer” for the eighth consecutive year.

King Shaka International Airport won the award for its Security Awareness Campaign, an initiative that aimed to improve awareness of policies and procedures that promote and support airport security.

We currently have outdated retail fittings and extended leases which do not provide optimal turnover and rental revenue for our airports, pending the outcome of litigation which will enable us to drive our transformation objectives as well as define our go-to-market strategy for commercial opportunities. While we have taken every necessary step to engage with stakeholders and delineate our approach to transformation in our supplier base, which is in line with sector charters and the regulations, we remain committed to pursuing what we believe to be a morally correct adjudication which will set a precedent for all state-owned companies doing business with the private sector.

→ **HOW OUR STRATEGY CREATES VALUE**





“

As a state-owned company, Airports Company South Africa is mandated to advance South Africa’s national agenda of economic growth and development while delivering a sustainably profitable business. We strive to fulfil this mandate by conducting our business in an ethical manner that enables inclusive growth and creates sustainable value for all our stakeholders.”



STRATEGY



Our mission

To develop and manage world-class airport businesses for the benefit of all stakeholders.



Our vision

To be a world-leading airport business.



Vision 2025

To be the most sought-after partner in the world for the provision of sustainable airport management solutions by the year 2025.



Our values

Airports Company South Africa's values are defined by the acronym PRIDE: Passion, Results, Integrity, Diversity and Excellence.

Airports Company South Africa has a three-pillar strategy:

-  Run airports,
-  Develop airports and
-  Grow footprint.

These pillars are supported and enabled by our Sustainability Framework. Each of these elements is aligned to our mission, vision and objectives. Our strategy is implemented and its performance measured against a set of strategic objectives and associated KPIs.

Sustainability Framework

Our Sustainability Framework consists of three elements (our business, our environment and our people and society) which guide the fulfilment of our mandate and ensure that our decisions and actions are in concert with our journey towards Vision 2025.



Our business

At Airports Company South Africa, we strive to enhance our reputation, improve the passenger experience, increase stakeholder satisfaction, contribute to airport traffic and to diversify our business.



Our environment

We are determined to minimise our environmental impact and we strive to have carbon-neutral operations.



Our people and society

Aligned with the South African government's National Development Plan objectives as a state-owned company, Airports Company South Africa is committed to contributing to black economic empowerment and supporting the growth of black business; providing improved access to airports for all South Africans; improving airport connectivity to the regions we serve; and creating a positive environment for anyone working in or moving through airports.



Long-term horizons

Airports Company South Africa's strategy is intended to meet objectives of creating value over the short-, -medium and long-term, and is thus broken up into three horizons:

- **Horizon 1: By 2020**, we aim to extend and defend our business.
- **Horizon 2: By 2025**, we aim to build associated emerging businesses and drive medium-term growth.
- **Horizon 3: Beyond 2025**, we seek to create viable business options to ensure its our success in the long-term future.

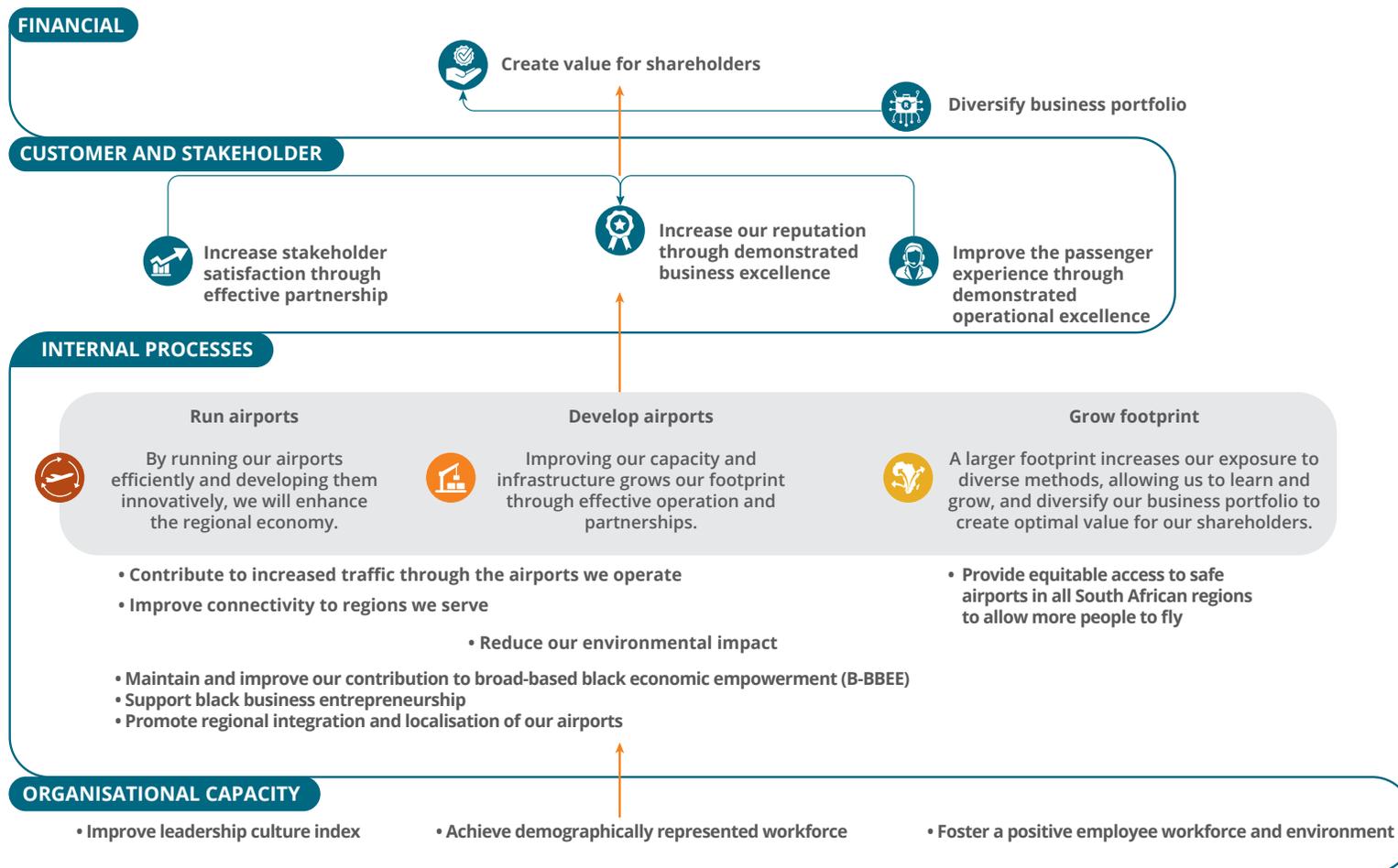
Strategic outcomes

The effective implementation of Airports Company South Africa's strategy is intended to bring about business, social and environmental outcomes.

Although our strategic objectives from 2020 onwards have been reduced to a list of five, this merely simplifies and streamlines our strategy and in no way diminishes business, social or environmental outcomes.

Strategy map

Our strategy map depicts our strategic objectives and KPI's in the context of our balanced scorecard (Financial; Customer and stakeholder; Internal Processes and Organisational Capacity) and our strategic pillars (Run airports, Develop airports, Grow footprint). The strategy map directs our activities in generating long-term value for the Company: see more on page 24.



MATERIALITY PROCESS

We consider matters to be material if they have the potential to substantially affect our ability to implement our strategy as a state-owned company and fulfil our commitment to creating and sustaining value for our stakeholders over the short-, medium- and long-term.

How we determine materiality

Our material matters, which include risks and opportunities, are derived through an integrated assessment process conducted by our executives and approved by the Board within the context of our overarching governance framework and operating model. This process is depicted below, followed by a more detailed discussion on each stage of the process.



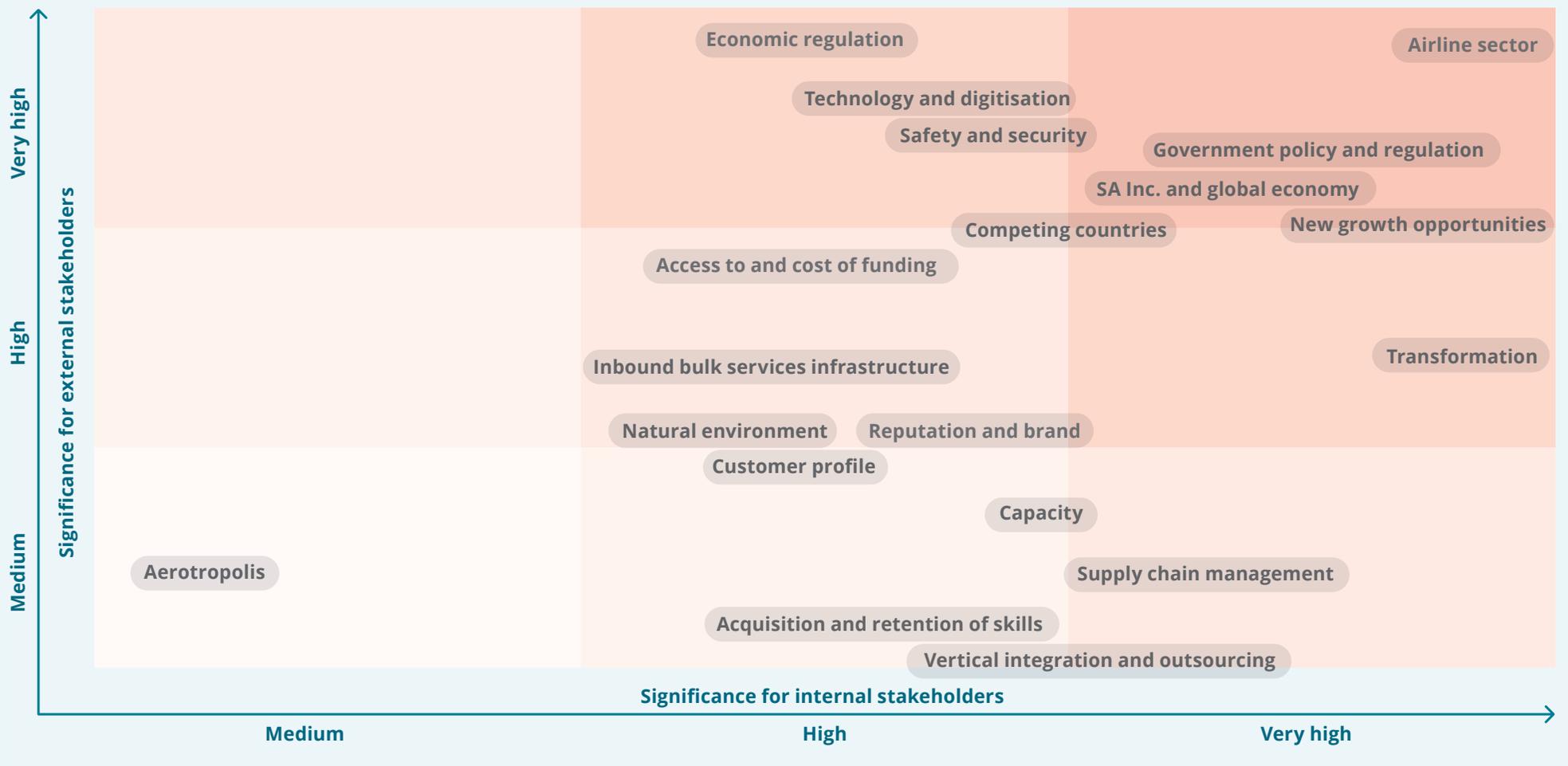
How our response to material matters creates value

Our strategy is informed by our material matters. Throughout this report, we demonstrate how our strategic objectives generate sustainable value for our Group, our stakeholders and the broader society in which we operate.

Materiality prioritisation process

Material matters are prioritised according to the magnitude of the effect on the Group’s strategy, governance, performance and prospects. We place emphasis on these material matters, with a focus on our strategic response, importance to stakeholders, the risks and opportunities, and the outcomes and trade-offs. The below matrix ranks material matters in terms of the level of significance, determined by their likelihood and magnitude, in relation to internal and external stakeholders.

This year, we have strengthened the report’s connectivity by integrating our prioritised material matter disclosures within the respective performance review sections.



Business environment

Our business environment is impacted by several key factors which will be explored in more detail throughout this report. The aviation sector and increasing demand for air travel, which is driven by global GDP growth, air service agreements and air fare prices, have an effect on our business. Economic regulation affects our ability to plan for the future, achieve our strategic objectives and create value for stakeholders. Our economic environment and economic trends impact on our ability to provide certain aeronautical transport services and to contribute positively to the South African economy. The social environment in which we operate demands that we align our value creation model with inclusive growth within South Africa. Finally, technology also shapes our ability to adopt innovative solutions for the purpose of constantly improving our safety, security, operational efficiency and customer service. Refer to pages 28 and 30 

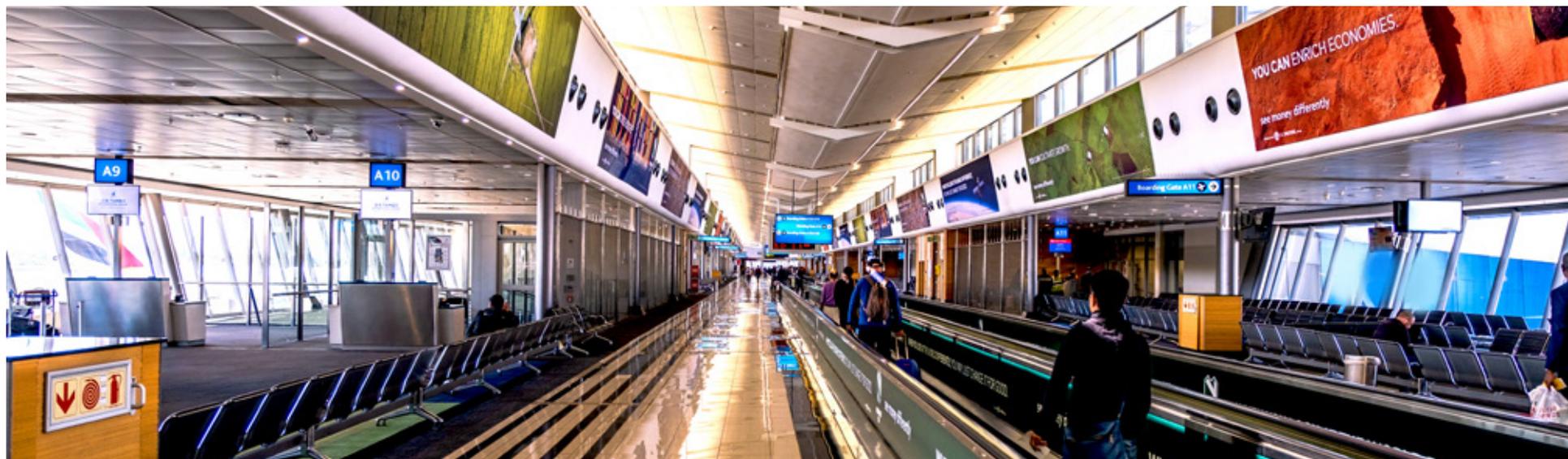
Integrated risk management process

Our enterprise risk management process is designed to allow the Group to both explore potential opportunities for gain while monitoring, measuring and minimising potential adverse impacts. Through an integrated risk management approach through the Board and Audit and Risk Committee, Airports Company South Africa's oversight of risk governance ensures that risk is appropriately balanced and mitigated. Refer to page 110 

Stakeholder management

The Group's stakeholder management activities help us to build mutually beneficial relationships between Airports Company South Africa and our stakeholders in order to create sustainable value. Our stakeholder management strategy is delivered through formal mechanisms for communication and engagement. Refer to page 115 

Our stakeholders, the material expectations and concerns, and their role in our value creation process is outlined in the adjacent table.

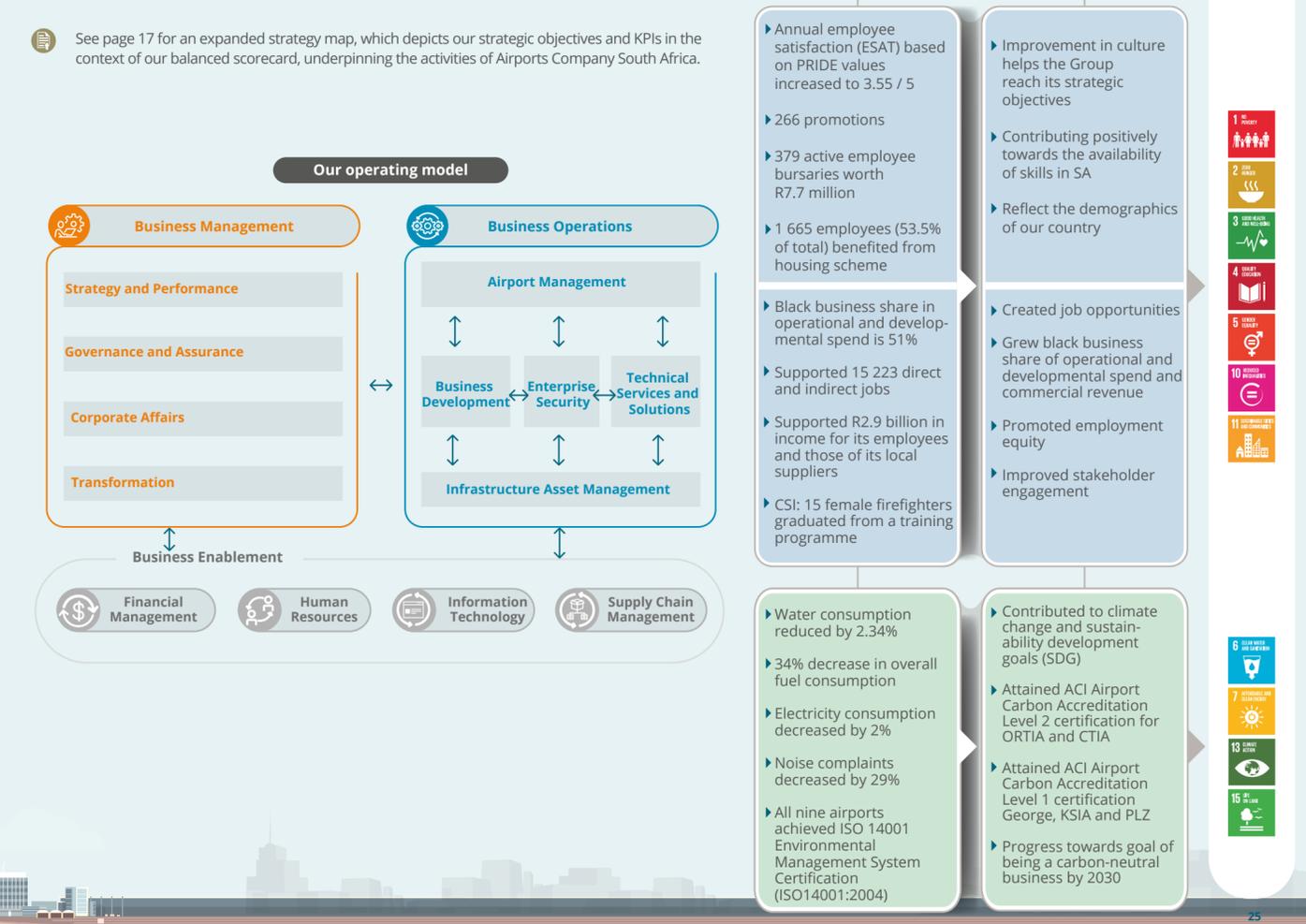
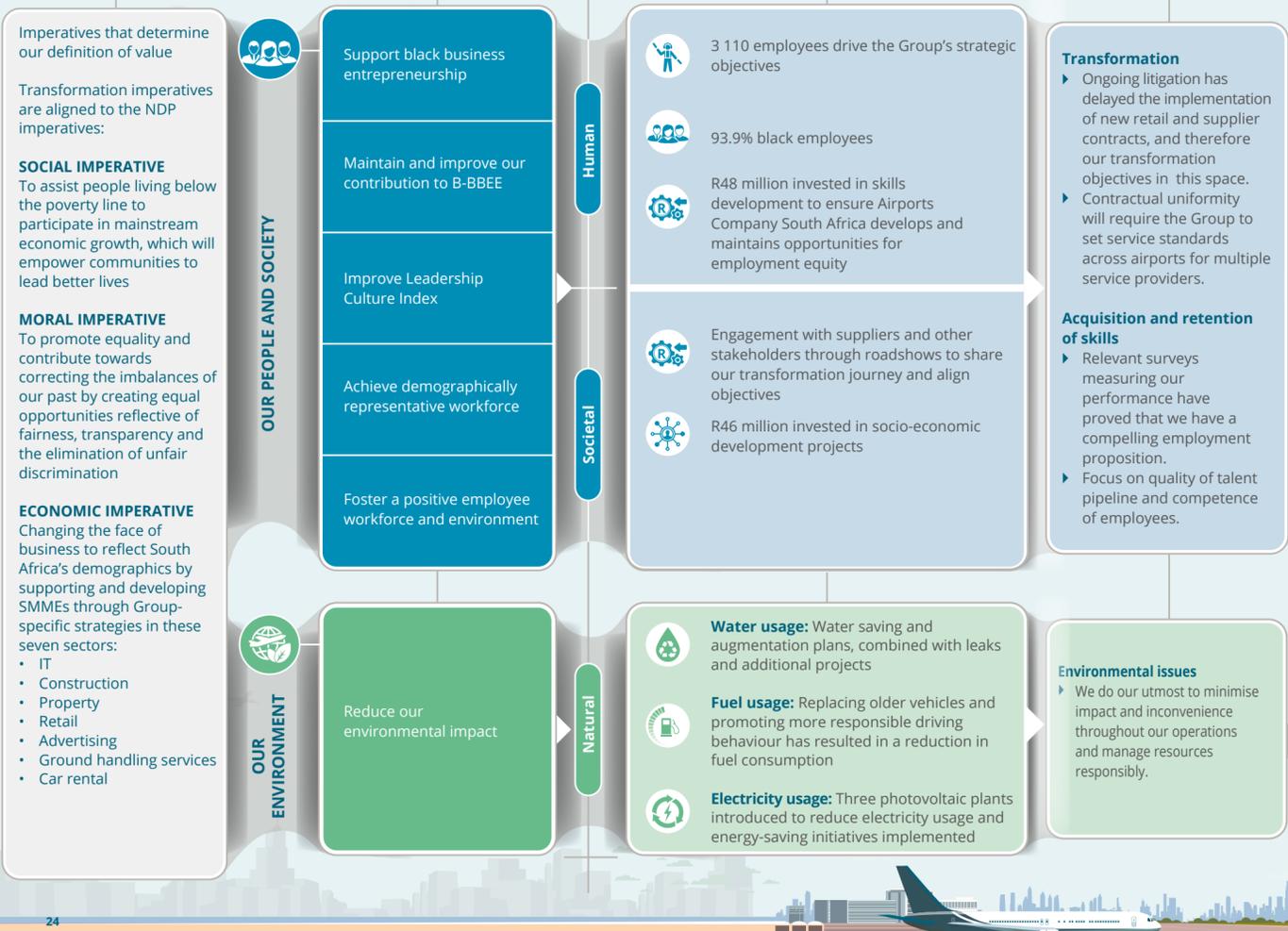
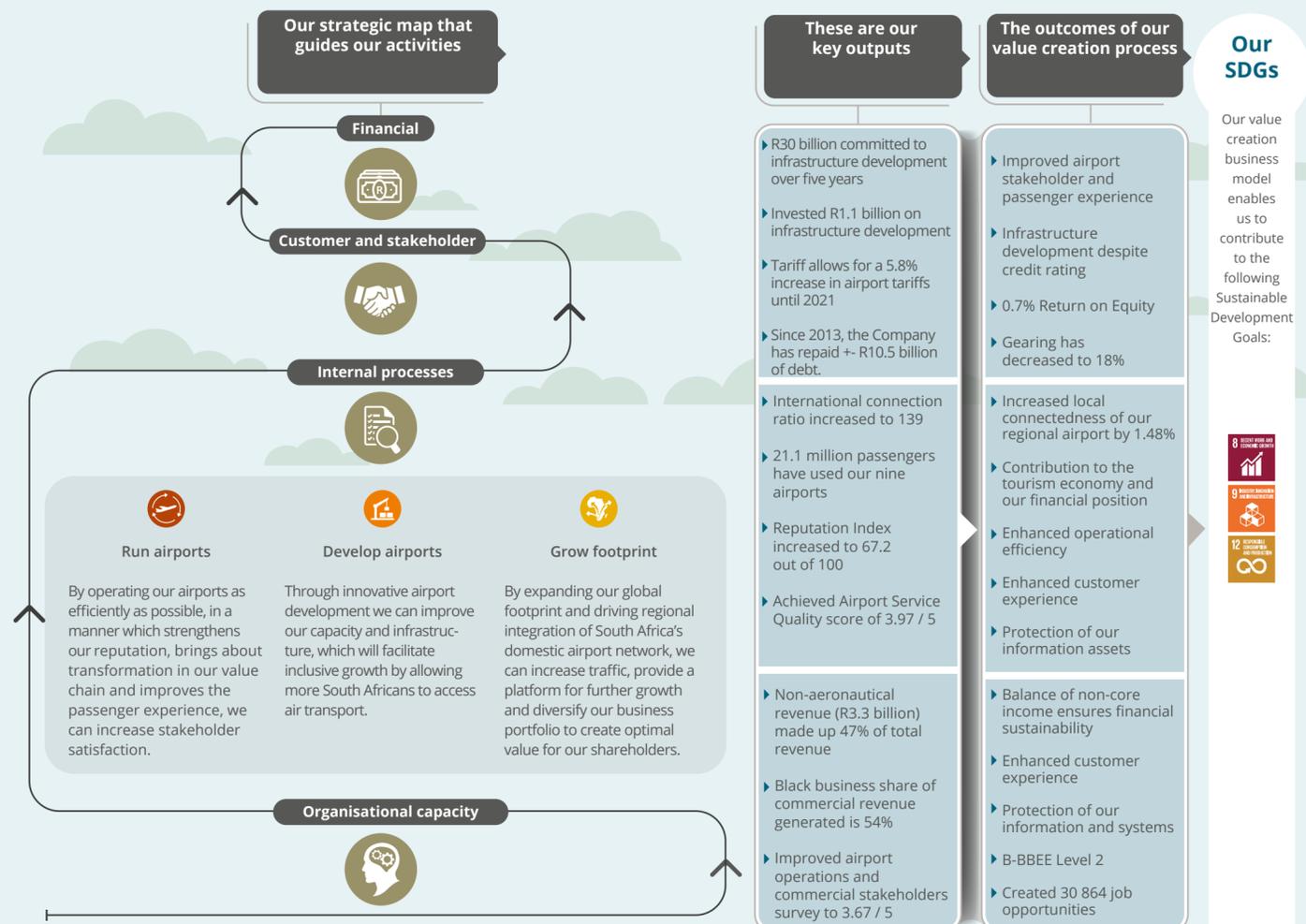
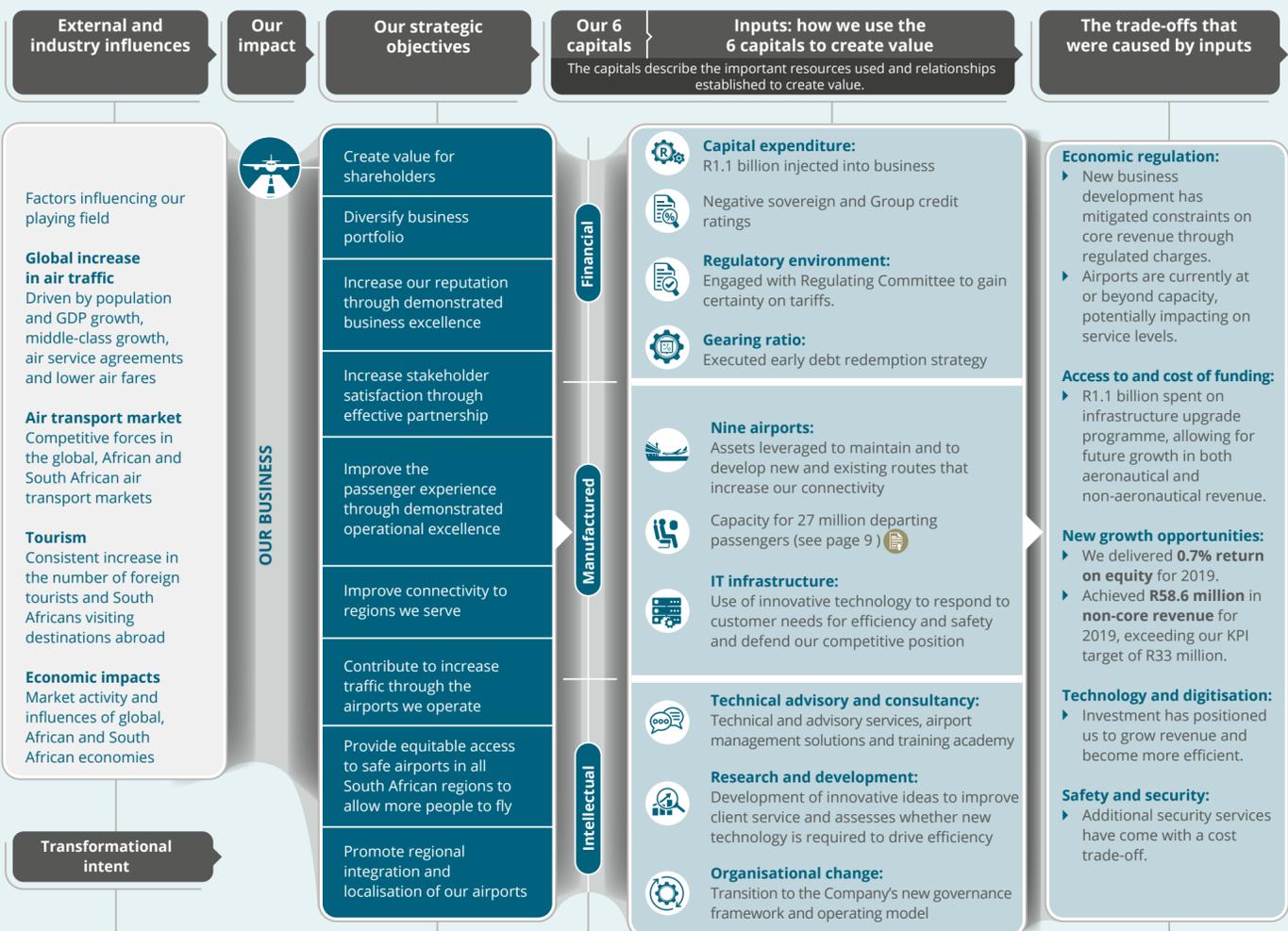


Our stakeholders	Stakeholder focus areas	Examples of engagement	Examples of concerns	Benchmarking
Government, Regulating Committee	Policy, economic regulation and licence to operate	<ul style="list-style-type: none"> Quarterly reviews with Regulating Committee Reports and engagements with the Department of Labour 	<ul style="list-style-type: none"> Long-term industry sustainability and licence to operate Alignment to government mandates and social development programmes (e.g. NDP and UN Sustainable Development Goals) Regulatory compliance 	<ul style="list-style-type: none"> RepTrak®
Employees, unions, suppliers	Input: Operations	<ul style="list-style-type: none"> Employee roadshows and union collaborations Preferential procurement programmes and tender processes for suppliers 	<ul style="list-style-type: none"> Fair and transparent remuneration with job security and career progression Transformation and ease of doing business for suppliers 	<ul style="list-style-type: none"> RepTrak® Leadership culture index Employee satisfaction survey B-BBEE
Passengers, airlines, tenants and concessionaires	Output: Clients and customers	<ul style="list-style-type: none"> Airline operating committees External stakeholder newsletter, social media, and ASQ programmes for passengers Engagement sessions 	<ul style="list-style-type: none"> Negotiated low airport charges for airlines Access to infrastructure, support and information for tenants Understanding passenger and partner needs 	<ul style="list-style-type: none"> RepTrak® Airport stakeholder survey ASQ
Community, NGOs, environmentalists	Dependent: Vested interests	<ul style="list-style-type: none"> External stakeholder newsletter, website and events Stakeholder meetings and task team forums 	<ul style="list-style-type: none"> Job creation Community development Environmental sustainability 	<ul style="list-style-type: none"> RepTrak® B-BBEE ACI Carbon Accreditation
Media and special interest groups	Independent: Influencers	<ul style="list-style-type: none"> Brand awareness, networking and stakeholder hospitality 	<ul style="list-style-type: none"> Airline performance Unethical business practices Airport safety and security Customer satisfaction 	<ul style="list-style-type: none"> RepTrak® ASQ Airport Stakeholder Survey
Associations, partners	Partners	<ul style="list-style-type: none"> Providing input for International Civil Aviation Organisation (ICAO) regional bodies African Civil Aviation Commission (AFCAC) Airports Council International (ACI) Meeting with airline associations 	<ul style="list-style-type: none"> Long-term industry sustainability Compliance with regulator licensing requirements Industry safety and security 	<ul style="list-style-type: none"> RepTrak® Airport Stakeholder Survey
Shareholders, investors	Capital and funding providers	<ul style="list-style-type: none"> Roadshows, results presentations and AGMs Rating reviews Meetings with institutional bond holders, funders and investors 	<ul style="list-style-type: none"> Sound financial performance, return on equity and dividends Strong governance and regulatory compliance 	<ul style="list-style-type: none"> Assurance of annual financial statements Credit rating agency assessments RepTrak®

Most of our benchmarking or assessments are independent and externally evaluated. For additional information refer to the Performance review section on page 50. 

→ **VALUE CREATION PROCESS**





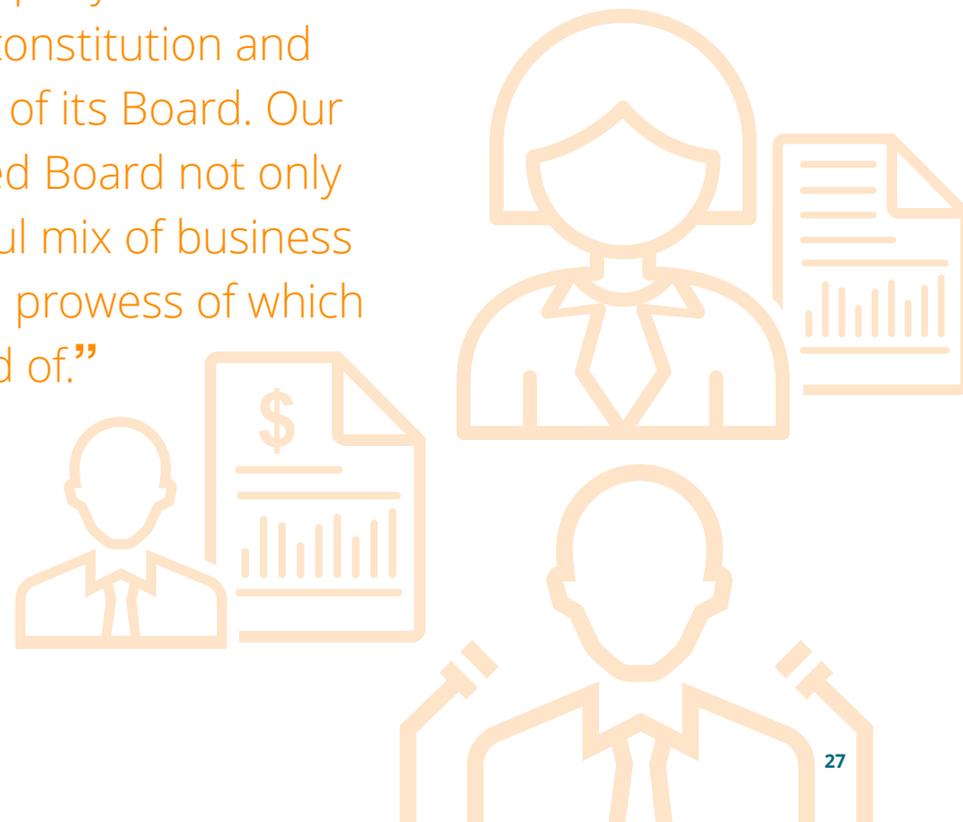
→ **MESSAGES FROM LEADERSHIP**





“

FY2018/19 was an important year for Airports Company South Africa in terms of the constitution and ethical direction of its Board. Our newly constituted Board not only brings a powerful mix of business skills, but ethical prowess of which we can be proud of.”



MESSAGE FROM BOARD CHAIRMAN



Adv Sandile Nogxina
Board Chairman

Dear stakeholders,

Airports Company South Africa continued to face challenging operating conditions in FY2018/19, though our commitment to bolstering our governance framework and operating model, has seen us lay the groundwork for our next phase as a digital airports business with an ambitious growth path. Our Vision 2025 goals, which will see us becoming the most sought-after partner in the world, work hand in hand with our ideal of inclusive growth.

On behalf of the Group, I would like to thank former Minister of Transport Dr Bonginkosi (Blade) Nzimande, whose passion for skills development not only informs our current strategic direction from the Department of Transport, but was also evident when,

as Minister of Higher Education, he formally opened the False Bay College facility at the Swartklip site which now forms a key component of Cape Town International Airport's master plan for integrated socio-economic development in the City of Cape Town. As an example in a microcosm, this provides continuity in our purpose as an agency of inclusive growth and long-term business sustainability.

I would also like to welcome the incumbent Minister of Transport as of 30 May 2019, Mr Fikile Mbalula, on behalf of Airports Company South Africa. We look forward to a fruitful and constructive relationship in guiding policy and development in the future.

Our external environment

The global airline industry continues to face significant challenges as economic activity remains inconsistent. Between trade war threats, regional political instability, increased competition and flagging economic growth, global air travel no longer promises consistent profitable routes. Moreover, for airport operators, the pressure to become technologically advanced, to be more efficient and streamline the travel process for passengers has intensified, requiring coherent planning and capital expenditure to stay relevant. South Africa's economic growth looks set to remain constrained below 2% until 2020. We are hopeful that positive fiscal policy moves can reverse Airports Company South Africa's credit rating downgrade it received in April 2017.

Locally, between the Regulating Committee's decision to cut the tariffs which govern our core revenue and further decisions anticipated in 2021, we have used the window of regulatory certainty to embark on a capacity expansion drive which will help us to service passengers better but also to reduce our dependence on aeronautical revenue. In this way, we can remain fully self-funding and able to deliver a return on capital and dividends for shareholders. As we embark on capacity expansion projects, our airports management team will be under pressure to meet these targets given the construction disruption, but we believe our customers and stakeholders will see the improved offering that lies in store and will appreciate the work we have put into visualising our next phase.

Our role as a state-owned company

Being a state-owned company means strategically aligning a profit-making motive with our commitment to socio-economic development and transformation as part of our triple bottom line Sustainability Framework. While we strive to meet stakeholders' expectations of relentless excellent service, economic growth and sound financial performance, precedent-setting models like Cape Town International Airport's master plan illustrate how we can work with local communities, suppliers and businesses in a way that brings benefits for all stakeholders. Socio-economic development is not a cost; it is a way of formulating an operating model that will uplift the communities in areas in which we operate.

Governance

FY2018/19 was an important year for Airports Company South Africa in terms of the constitution of its Board. Our newly constituted Board not only brings a

powerful mix of business skills, but ethical prowess of which we can be proud. Through FY2018/19, we further entrenched our operating model and governance structures to ensure that our supply chain management is beyond reproach, and that our IT infrastructure – an increasingly important component of our future business – receives more attention at Board level.

During the year Siyakhula Simelane and Dr. Matlodi Mabela resigned from the Board, and we thank them for their service to the Group and the industry at large. Existing Board members Deon Botha and Kate Matlou were joined in June 2018 by Dudu Hlatshwayo, a PIC nominee, while the Minister of Transport appointed Bonang Mohale, Ntombifuthi Zikalala Mvelase, Yershen Pillay, Irvin Phenyane, Nosizwe Nokwe-Macamo and Pascal Mokupo to our Board with effect from September 2018 and myself as chair in November 2018.

These appointments have stemmed the high rate of resignations and retirements from the Board, which now reflects a formidable composition of experience and skills. Bongive Mbomvu remains acting CEO, pursuant to the expiry of the contract of Bongani Maseko, with a permanent appointment to be made in due course in the 2019/20 financial year. My colleagues and I are committed to working with the Minister of Transport, the Auditor-General of South Africa and other relevant state organs to move us forward and ensure the effective implementation of good governance, as demonstrated by the signing of the Board ethics pledge in December 2018.

Transformation

As mentioned above, we recognise that transformation is an imperative for successful future business operation and growth. Our transformation

initiatives are aligned with our Sustainability Framework and guide our efforts to effect transformation in the sectors which feed into our business: property, retail, car rental, construction, advertising, ground handling and IT.

In aligning our Group needs with those of our stakeholders, we have awarded work packages that will increase the participation of black-owned businesses in our operational, developmental and commercial procurement. Our record of including emerging SMME contractors in IT projects is an effective model to be replicated in other sectors once litigation has settled and decisions handed down, and this will fundamentally alter the tenant mix in our airports and the way we do business with local communities.

Business development

We continue to assess our current and future involvement in foreign concessions. We have received an offer for our 10% shareholding in MIAL from a third-party buyer and are currently going through the pre-emptive process with the existing majority shareholder, GVK. This process unlocks significant value for our Group shareholders.

Forward-thinking initiatives in conjunction with regional stakeholders have yielded great results in Cape Town, KwaZulu-Natal and Gauteng, where international route development has exceeded expectations. This achievement is now extended to the six regional airports, where there is alignment with local municipalities, investment agencies and tourism bodies to advance route development.

We also believe our training academy will form an integral part of our future business to meet demand for industry training across the continent.

Outlook

Our capacity expansion projects and IT infrastructure overhaul will position us to be a more nimble and efficient network of airports. As global competition for airport hub status intensifies, we believe we can deliver an attractive proposition to the airline industry going forward. The signing of a sister agreement between Airports Company South Africa and the Thailand Airport Authority in 2018 is but one indication of the direction we are taking in developing new markets and unlocking new sources of revenue in order to secure our future as a profitable airports business.

Appreciation

I thank the Ministry of Transport for their support and my colleagues on the Board for their commitment. I thank our acting CEO, Bongive Mbomvu, for taking the reins when the Group faces many challenges and opportunities. I would also like to thank our outgoing CEO, Bongani Maseko, who led the Group through a series of fundamental changes to ensure that our governance framework and operating model could continue to create sustainable long-term value for our stakeholders.

Our Executive Committee's commitment to our strategy and objectives is proof that we can continue to deliver excellent service in spite of even the greatest challenges.

I also thank and extend my gratitude to all Airports Company South Africa employees who, at a service level, continue to be the face and heart of this Group, delivering performance that improves our reputation and sets us apart from our peers.



Adv Sandile Nogxina
Board Chairman

MESSAGE FROM THE ACTING CEO



Bongive Mbomvu
Acting CEO

Overview

Airports remain major contributors to the South African economy as they assist in facilitating the movement of passengers for a variety of business activities, tourism and leisure travel. Passenger air travel has risen significantly over the past few decades, with 12 million passengers flying daily across the globe and over 4.4 billion flying every year. Air cargo has also risen significantly with an increase in the number of businesses opting for air cargo as a more efficient and faster method of moving goods across the globe. About 173 400 tonnes of air cargo are moved daily and over 63,3 million tonnes moved yearly. (Source: IATA 2018 review)

Although these are exciting developments for a business like ours, they impose a massive challenge, compelling us to provide appropriate infrastructure that meets passenger expectations, as well as the expectations of the business community.

Our planned infrastructure development programme over the next few years will assist us to respond to the growing needs of our passengers, the airlines and the business community. The aim is always to provide the planned infrastructure at an appropriate time and in the most cost-effective manner. Whilst the provision of infrastructure is critical, we must pay attention to our changing environment and the challenges it poses to our business. While the Group is an infrastructure-intensive organisation, and the provision of which is demand-driven, it is anticipated that we will be required to increase operational efficiencies even further to still handle increasing traffic and passenger and cargo throughputs with the same infrastructure.

Changes in technologies are also impacting the way airports do business. With digital transformation, processes are getting more and more data-driven and there is a shift towards real-time information and data analytics to assist us with a more reliable and predictive approach to passenger satisfaction. New technologies such as artificial intelligence, robotics, biometrics, augmented realities and facial recognition are changing the way operations are managed, with a focus on efficiencies and excellence. With this advancement, comes cyber-security challenges which potentially threaten data protection.

Airports are now processing more empowered passengers whose travel patterns and behaviours have fundamentally changed over time. Further, the processing of passengers happen more and more off airports, consequently posing challenges to infrastructure relevance. Business is getting more complex with explosive demands, environmental concerns, changing politics, and rapid introduction of disrupters.

This means airports are compelled to work in an integrated manner with their respective stakeholders to ensure relevance and to co-create efficiencies.

In FY2018/19, we celebrated our 25-year anniversary, a Silver Jubilee. As South Africa's key airports operator, this afforded us the opportunity to reflect on how far we have come since its inception as a state-owned company in 1993. The last 25 years have afforded us the most desired opportunity of turning nine independent airports into a world-class network of facilities; whilst developing institutional expertise as well as an enviable reputation in building, operationalising and commercialising airports.

Over the last 25 years, we have invested billions in the development and maintenance of key airport infrastructure and contributed billions back to the South African economy by way of facilitating trade and commerce each year. Through the ongoing development of this infrastructure, we have also contributed to further opening air travel to more South Africans, thus laying the foundation for future economic growth. During this past financial year, it was also encouraging to see the steady growth of domestic air travel across our network, especially at the King Shaka International Airport.

The Group enjoys a strong financial position, remains profitable, operates on sound financial principles and is underpinned by a strong corporate governance culture. This combination has, over the years, seen Airports Company South Africa through difficult economic conditions, as well as protected the Group from unethical conduct and malice. The significance of striking a balance between the needs and aspirations of a developmental state and running a profitable business guides our daily operations.

During the year under review, the Board approved several infrastructure projects aimed at improving our capacity at various levels. These projects have been part of our Permission cycle, approved by the economic regulator. We will speed up implementation so that we augment our capacity as expected by our clientele. We are confident that the completion of these projects will position us to meet all the future needs of our customers and stakeholders. In line with this, the enterprise project management office is being strengthened to support our planning and implementation functions.

Our operating model lays a solid foundation for the work carried out by all the divisions of our business. We have also completed our task of matching competence to new or altered roles in our revised operating model. During the year under review, we have started paying attention to succession planning to ensure proper succession in most areas of our business, particularly for those with critical skills.

An economic impact assessment conducted in FY2017/18, indicates the extent to which we have been successful in playing an enabling role in the economy but also in the communities in which we operate.

Internationally, the Group has sustained its presence through concessions held in Brazil and India. In other markets, particularly on the African continent, we have offered a variety of consulting services. We have also been very active in different committees of the Airports Council International (ACI). This year, we were recognised for our assistance to several airports on the continent to become security compliant by winning an award on the ACI Apex programme.

With several economic constraints domestically, we realise the value of extending our services and operations beyond the realm of our borders. Given this context, we continue to interact with various role players outside South Africa to explore growth opportunities for the Group. During this year, we interacted with several countries like Cuba, Brazil, Germany, Liberia, Zambia, India, Ghana, Thailand and others. These interactions vary from exploring further concessions, to providing strategic services and exchange of experiences. We will continue with this approach as we seek to expand our revenue base from various sources into the future.

PERFORMANCE BY STRATEGIC PILLAR

Run airports

Total revenues for the year increased by 5.5% to R7.1 billion. Aeronautical revenue for the year grew 6.3% to R3.8 billion, (2018: R3.6 billion), with lower growth attributed to lower airport charges. Non-aeronautical revenue grew by 4.6% to R3.3 billion (2018: R3.2 billion), largely reflecting a weak domestic economy and a difficult operating environment for our retail, car rental, advertising and property rental activities. Our non-aeronautical revenue accounted for 47% of total revenue, compared with 47% in 2018 and 48% in 2017. This compares favourably with the global picture of modern airport operations, which sees an even split of revenue streams.

While our non-aeronautical revenue performance for FY2018/19 remained modest due to factors beyond our control, we anticipate strong growth in non-aeronautical revenue in FY2019/20 and beyond as the fundamental shift in our operating model begins to bear fruit and we move away from a traditional reliance on aeronautical revenue. In short, our

network of airports aims to translate growth in passenger numbers into growth in non-aeronautical revenue. As a Group we want to become more agile in pursuing value-generating activities, attracting and retaining the best commercial talent and undertaking bold and innovative commercial projects which will see us outperform our peers.

Leveraging the improvements in our infrastructure that current capital projects will deliver, as well as investments in IT and market research capability, we are refining our business processes and optimising the commercial layout of our airports to take advantage of high-spend areas. We will be able to tailor rentals based on traffic density and accessibility and have re-evaluated our library of potential revenue levers in each of the retail, parking, digital, advertising, car rental and property sectors. This will all be achieved with a meaningful contribution to transformation and empowerment as we roll out these initiatives to our entire network of airports.

We missed our ASQ KPI narrowly and have drawn up a remedial plan to correct this. To address these issues, we remain fully engaged with our stakeholders to provide alternative measures for improving the passenger experience, as well as rolling out IT infrastructure which will significantly reduce processing time for passengers. We are responding to global trends towards paperless travel by thinking innovatively about becoming a digital business that can maximise our retail offering, giving more leisure time for travellers beyond the immigration counter.

Our new slot management system and real-time data supply infrastructure is helping us to better streamline our airport movements to provide more certainty and predictability for service providers,

airlines and passengers. This capability comes with inherent data security risks, but we have been proactive in implementing threat detection and response technology to keep our airports safe, secure and without significant system down time.

 Refer to page 60 for additional information.

Develop airports

We cannot create value for our stakeholders without world-class facilities which respond to their needs effectively. We have used a window of certainty in our tariff structure to plan our airport infrastructure expansion and maintenance which address capacity constraints. Capital investment plans will see our three international airports, O.R. Tambo, King Shaka and Cape Town receive much-needed injections which will not only enhance our status as an attractive air travel hub but also as facilitators of transformation. These developments will enable us to lay down infrastructure that truly enables business and commerce in a sustainable way that benefits the country at large.

Improvement of our planning capability has meant that tenders will be issued to market in FY2019/20 accurately specified and ready for implementation. Our major projects will be:

- To construct a new domestic arrivals terminal at Cape Town International Airport, as well as an entirely new Terminal 2 for international departures and a new runway to increase capacity and efficiency.
- To increase aircraft parking capacity and expand Terminal A arrivals at O.R. Tambo International Airport. We are also in the process of redeveloping the airport's western precinct, where our new head office will be located, as well as a midfield cargo

terminal which will enhance South Africa's status as an air traffic hub and drive new traffic through our lead airport.

- To expand aircraft parking facilities and the Bravo taxiway at King Shaka International Airport.

 Refer to page 72 for additional information.

Grow our footprint

While FY2018/19 featured both the establishment of new air travel links to under-connected regions and the cancellation of some existing routes, we believe as a net outcome this has balanced supply and demand more efficiently so that we can seek replacement destinations in future. During the year we began offering a new route into Shenzhen from Johannesburg, links between Vienna and Hong Kong from Cape Town, and a London Heathrow service from Durban. A direct route between Newark in New York and Cape Town will begin later in the 2019 calendar year through United Airlines, as will further links between East and West Africa through Air Tanzania and ASKY Togo.

Our business development team continues to build relationships with airports and authorities across the continent both as a means of securing airport management and consultancy contracts and in order to lay the groundwork for our airport training academy, which is set to become a key component of our non-core revenue in the near future.

In 2006, we acquired 10% of the shares in Mumbai International Airport Limited ("MIAL") concession and in January 2019 we received an offer from a third-party buyer to purchase our entire 10% shareholding. We are currently going through a pre-emptive process with the majority shareholder, GVK, in compliance with the Shareholders Agreement.

We expect this transaction to conclude in FY2019/20 and we are excited as this will create a new pool of capital for investment in the advancement of our Strategy 2025 under this strategic pillar.

On the advisory services and consultancy side, we secured contracts from both foreign and domestic airports:

- Oribi Airport in Pietermaritzburg
- Roberts International Airport in Monrovia, Liberia
- Kenneth Kaunda International Airport in Lusaka, Zambia
- Bugesera International Airport in Kigali, Rwanda

 Refer to page 76 for additional information.

Supply chain management

We took decisive remedial action to correct the challenges we experienced in our supply chain management environment and have implemented stringent measures to strengthen our governance and compliance within supply chain management. This strengthened compliance has led to an increase in the monitoring and detection of irregular expenditure. We should see a reduction over the next financial years.

We trace all non-conforming expenditure and follow appropriate investigations and corrective actions with respect to root causes.

During FY2018/19 we found that key causes of irregular expenditure were:

- Unavailability of documentation such as tax and B-BBEE compliance to provide evidence of conformance to supply chain management policies and procedures, which we note as a challenge plaguing the construction sector as we embark on

- expansion projects,
- non-compliance with Construction Industry Development Board (CIDB) regulations in awarding bids, and
- delays in issuing tenders to market to replace current service providers before their contracts expire.

Our revision of our supply chain management governance framework and restructuring of the supply chain management function has succeeded alongside strengthening policies, risk management procedures and critical controls in achieving a higher level of reporting of non-compliance. In conjunction with a centralised bid adjudication committee and internal audit reviews, we believe we have eliminated our earlier weaknesses in supply chain management.

Outlook

We are filled with optimism for both the modern, digitally driven airport business we are unveiling and the important transformative role we can play in South African society at large. In the lead-up to 2025 we have much to achieve in improving non-aeronautical revenue's contribution to overall Group revenue, with an exciting new customer-facing commercial offering. The value creation benefits are sure to be significant. While we have faced challenges in dealing with reduced tariffs affecting our aeronautical revenue, attrition in the global airline industry and a tough global economic backdrop, we enter 2020 with a balance sheet that is in good shape and confidence in our operating model, our global opportunities, our reputation and our capabilities.

Appreciation

I thank our previous acting Board Chairman Deon Botha for guiding us through a difficult phase as well as our incoming Board Chairman Advocate Sandile Nogxina and the rest of the Board for their immediate and important contributions to our strategic and ethical direction.

I welcome our new Chief Information Officer, Mthoko Mncwabe, who was appointed on 1 July 2018, as well as Fulufhelo Tshikhudo, who took on the key role of Acting Group Executive: Governance and Assurance as of 1 December 2018. The contract of our previous CEO, Bongani Maseko, expired on 30 November 2018. On behalf of the executive team, the Board and our employees, I thank Mr Maseko for overseeing decisive changes within the Group which will put us in good stead for the future.

I would like to thank Dirk Kunz, who has served as Acting CFO since 2017, for his valuable contribution in the role in a challenging operating environment. He is replaced by Lindani Mukhudwani, who steps into the Acting CFO position from her role as GM: Finance as of 13 June 2019. I welcome Lindani and wish her well in helping to take the Group forward.

Lastly, I thank all our employees, who have participated in our operating model transition to emerge as appropriately skilled, motivated and capable ambassadors of our brand both in our airports and beyond. Without their valuable contributions, we would not have emerged after 25 years of service with a global reputation for excellence.



Bongani Maseko
Acting CEO



→ TRANSFORMATION





“

Airports Company
South Africa
is a significant enabler
of economic growth,
transformation and socio-
economic development.”



SOCIO-ECONOMIC IMPACT

Airports Company South Africa is a significant enabler of economic growth, transformation and socio-economic development.

In the year under review, we conducted an Economic Impact Study for FY2017/18, which enabled us to assess the socio-economic impact of our strategy and operations on local communities in which we operate, provincial economies and the country at large. This study reflected that we:

GENERATED R7.6 BILLION
for South Africa's economy

SUPPORTED 15 223 JOBS
of direct employees and indirect jobs in our supply chain and induced jobs owing to wages spent by direct employees*

SUPPORTED R2.9 BILLION
in income for our employees and those of our local suppliers

* Notes on employment contributions:

- Direct employment contribution, which includes the Group's own operations i.e. people employed directly by the company;
- Indirect employment contribution in other sectors through the Group's supply chain expenditure;
- Induced employment contribution in other sectors as a result of wages spent by the Group employees as well as wages spent by employees of Group's suppliers in the wider economy.

Legend:

- International airport
- ▼ Regional airport



Our nine airports and corporate office contributed to their regional economies as follows:

Cape Town International

GDP contribution: **R1 648m**
% contribution to provincial GDP: **0.3%**
Employment contribution: **2 409 jobs**
Income contribution: **R451m**

Upington International

GDP contribution: **R24m**
% contribution to provincial GDP: **0.03%**
Employment contribution: **106 jobs**
Income contribution: **R21m**

George Airport

GDP contribution: **R90m**
% contribution to provincial GDP: **0.01%**
Employment contribution: **228 jobs**
Income contribution: **R43m**

Kimberley Airport

GDP contribution: **R33m**
% contribution to provincial GDP: **0.04%**
Employment contribution: **128 jobs**
Income contribution: **R24m**

Port Elizabeth

GDP contribution: **R194m**
% contribution to provincial GDP: **0.05%**
Employment contribution: **450 jobs**
Income contribution: **R81m**

King Shaka International

GDP contribution: **R689m**
% contribution to provincial GDP: **0.1%**
Employment contribution: **1 700 jobs**
Income contribution: **R309m**

Corporate office

GDP contribution: **R361m**
% contribution to provincial GDP: **0.02%**
Employment contribution: **4 505 jobs**
Income contribution: **R991m**

O.R. Tambo International

GDP contribution: **R4 431m**
% contribution to provincial GDP: **0.3%**
Employment contribution: **5 206 jobs**
Income contribution: **R919m**

East London Airport

GDP contribution: **R96m**
% contribution to provincial GDP: **0.03%**
Employment contribution: **255 jobs**
Income contribution: **R46m**

Bram Fischer International

GDP contribution: **R67m**
% contribution to provincial GDP: **0.03%**
Employment contribution: **236 jobs**
Income contribution: **R42m**

Material matter: Transformation

Description

As part of our mandate to contribute positively to economic growth and development in South Africa, we view inclusive growth as a legislative and ethical requirement for successful business operation and growth in South Africa.

Strategic response

Our approach to transformation is to embed the upliftment of communities, development of skills and formation of empowerment partnerships into our business activities. As a state-owned enterprise, we believe our approach to value creation must certainly include a socio-economic development component which includes not only transformation within the Group at Board and employee level, but also in communities surrounding our airports – through skills development programmes, corporate social investment and preferential procurement – and in the country at large, given our national footprint.

Impact of the transformation material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
 Run airports	<ul style="list-style-type: none"> • Ongoing litigation: Engagement with suppliers and other stakeholders through roadshows to share our transformation journey and align objectives. • Broadening empowerment: Achieved KPI targets for B-BBEE scorecard elements. • Growing black business participation in the economy: Grew share of commercial revenue and operational and developmental business spend on black business equal to and above targets respectively. 	<ul style="list-style-type: none"> • More local suppliers and service providers will do business with the Group. • Black business now comprises a larger share of our operational and developmental spend and commercial revenue. • Our socio-economic development programmes empower communities for a better future. 	<ul style="list-style-type: none"> • Create job opportunities. • Promote diversity and inclusion through employment equity. • Grow black business' share of operational and developmental spend and commercial revenue. 	<ul style="list-style-type: none"> • Ongoing litigation has delayed the implementation of new retail and supplier contracts, and thus our transformation objectives in this space. • Contractual uniformity will require us to set service standards across airports for multiple service providers.
 Develop airports	<ul style="list-style-type: none"> • Provide development opportunities to previously disadvantaged people: Local communities involved in airport planning process and supplier base. 	<ul style="list-style-type: none"> • We invested R48 million in skills development programmes in FY2018/19. 	<ul style="list-style-type: none"> • Upskilled members of local communities can provide services for the Group directly or indirectly. 	<ul style="list-style-type: none"> • Obtaining funding approval has delayed the placement of tenders into the market.

Our transformation journey

As a state-owned enterprise, these objectives are of particular importance for us because they are aligned with South Africa's National Development Plan and transformation imperatives. We aim to achieve our transformation objectives through strategic procurement in seven sectors in which Airports Company South Africa can leverage its spending power: property, retail, car rental, construction, advertising, ground handling and IT.

 The Cape Town International Airport Sustainability Journey on page 44 presents an inclusive transformation story of the Group's engagement with stakeholders – from local and provincial government planning structures to black-owned service providers and communities whose roles can all be sustainably intertwined to meet development objectives.

B-BBEE in review

Our overall B-BBEE level attained in FY2018/19 was level 2 (125% B-BBEE recognition level), against a target of level 3, and our employment equity for FY2018/19 reflected 93.9% black representation in our workforce, exceeding our KPI target of 92.4% (FY2017/18: 93.3%). We remain a level 2 contributor based on the 2009 Integrated Transport Public sector codes, while we await the new codes which will have more stringent requirements. Transformation and sustainability remain the key component to our overall business and we are developing an overarching transformation strategy to support our 2025 Group vision of being a global transformed business.

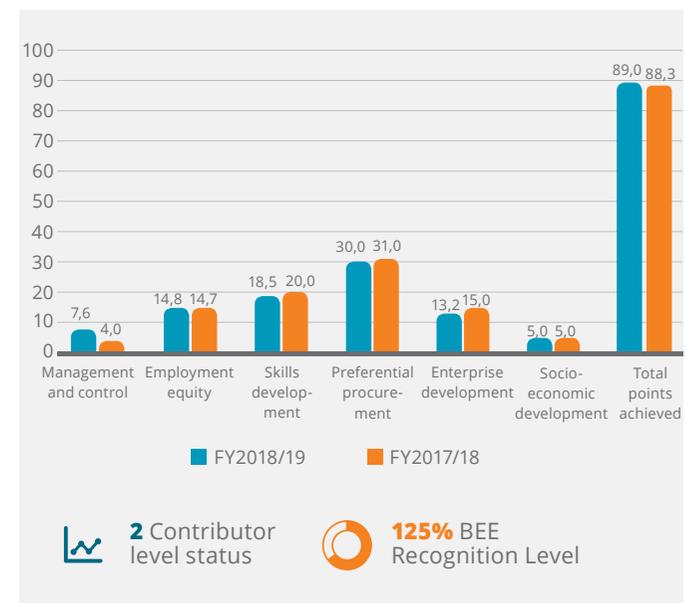
The Group has employment equity policies and is implementing a strategy to support workforce transformation across occupational levels per the economically active population. Through targeted recruitment, especially at senior levels with a specific preference to the most under-represented groups (including black women and people with disabilities), the aim is to increase management representation. Talent development strategies have been reviewed and aligned to our employment equity plan. This has been done to address under-represented females at senior management levels. The appointment of new Board members has yielded value in achieving our Board participation points.

Progress to fill vacancies in key positions of CEO and CFO is advanced, which will see the Group attaining targets for management and control in FY2019/20.

Skills development continues to be a significant focus area and the following initiatives contribute to skills development:

- Internships and learnerships for employed and unemployed black youth (refer to page 83) 
- Partnerships with institutions such as Northlink College to address the scarce construction skills and early childhood development for unemployed youth (refer to page 40) 
- Firefighters Women Empowerment Programme for black unemployed female youth trained as internationally accredited firefighters (refer to page 40) 

Our performance against the B-BBEE scorecard elements is recorded in the following figures:



Transforming our supplier base

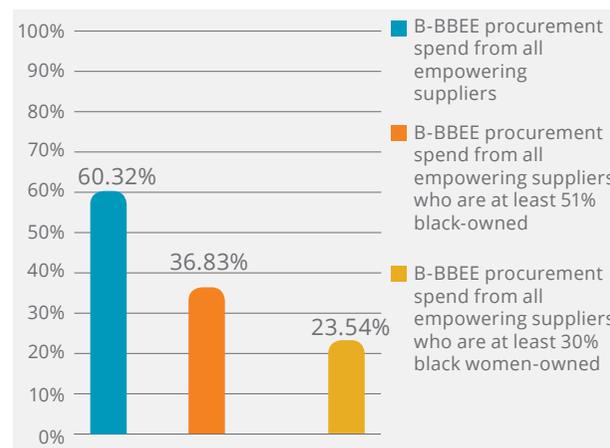
In FY2017/18 our supplier base was not adequately diversified, leading to steps taken to increase access and participation for smaller, black-owned suppliers and a significant supplier database cleanup exercise. During FY2018/19, Airports Company South Africa achieved its target of growing black business entrepreneurship as a share of operational and developmental spend by 51% (2017/18: 61%). Black business share of commercial revenue generated now stands at 54% for the year, against a target of 51% (FY2017/18: 59%). While we achieved an increase in spend to black female-owned suppliers, we still see the need to grow participation of black female-owned suppliers in our major infrastructure projects, similarly for black youth and people with disabilities.

We have continually engaged with our suppliers to ensure that they understand where our journey needs to take us, as well as how each type and size of supplier can make a contribution to our business. We have been pleased with the level of cooperation we have engendered. In FY2018/19, we engaged in a lot of advocacy, such as enterprise and supplier development roadshows at each of our airports, where there was an enormous expression of interest and appreciation for our supply chain transformation initiatives.

We believe the sharing of our procurement strategy, major projects pipeline for each airport and our transformation agenda has been valuable in addressing potential future pitfalls and in communicating how

we see value in especially small- and medium-size suppliers. We believe this has energised our potential supplier base and driven greater participation in tender activity.

We continue to grow our preferential procurement recognition levels.



Another critical area within our operations that has seen some improvement is ground handling. Increasing access to markets has yielded results due to the introduction of new black entrants in the baggage handling system contract in the past year. New black-owned suppliers were given an opportunity to participate as part of the set-aside procurement process when the baggage handling system contracting process was finalised. That value chain was split into three areas: upper level contracting and sorters, conveyors and carousels, and operations.

This is proving to be a success story since baggage handling process initially requires no technical competence, and as service providers become more familiar with our operating system, opportunities for future bids for other functions will present themselves and allow them to fully participate going forward.

However, it also proved to be a difficult year in terms of transformation at Airports Company South Africa because of ongoing litigation directly related to our intention to transform our supplier and contractor base. Important lessons were learned. This litigation has proved instructive in our understanding and interpretation of regulations related to transformation and the need for constant supplier engagement to ensure that all stakeholders' objectives are aligned. Ongoing litigation continues to affect our ability to advance our transformation objectives within our seven sector strategies: ground handling, car rental, retail, property, construction, IT and advertising sectors of the business, and test the ability to be agile in the generation of revenue growth within the commercial space.

Enterprise development

A significant component of Airports Company South Africa's empowerment strategy is realised through its support of black entrepreneurs, which is reflected in the black business share of commercial revenue in FY2018/19 of 54% (FY2017/18: 59%). The Group's IT sector ESD programme demonstrates our commitment to SMME development. The initiative is aimed at enhancing market access opportunities, driving ICT innovation and fostering inclusive participation of majority black-owned ICT businesses in our supplier

value chain. The primary objective is to enable the development and growth of qualifying black-owned businesses in the ICT sector by providing financial and non-financial support. In return these businesses will contribute towards job creation. In the year under review R26 million has been invested on enterprise development, reflecting our ongoing commitment to the economic, social and moral imperatives of growing black participation in our economy.

Socio-economic development

Airports Company South Africa's socio-economic development programmes are focused around our sustainability framework, which covers business, people and society, and the environment. These fields are informed by community upliftment of marginalised and poverty-stricken communities, as well as social cohesion and inclusion. The SED programmes focus on sustainable initiatives in youth empowerment, women empowerment, education, disability, protection of the environment and employee volunteering.

In FY2018/19 we spent R46 million on projects around the country with specific focus on areas where we do business. Below is a table of some of the major projects that Airports Company South Africa supported.

Focus Area	Description
Youth Empowerment	Youth empowerment programme in partnership with Northlink College aimed at providing scarce skills to unemployed youth of informal settlements around Cape Town International Airport in construction and Early Childhood Development.
Women Empowerment	Through the Firefighters Women Empowerment Programme, 15 young women from Upington were trained as internationally accredited firefighters.
Education	<p>Provision of mobile school infrastructure in various schools across the country. The infrastructure includes libraries, IT equipment, science laboratories, ECD centres, classrooms etc. in KZN, Northern Cape, Eastern Cape, Free State, and Gauteng.</p> <p>Refurbishment of dilapidated school infrastructure at Dondashe High School in Centane, rural Eastern Cape.</p> <p>Gauteng Learner Development Programme - Two underperforming schools in Ekurhuleni for Saturday and holiday classes with a focus on Mathematics, Physical Science and Accounting for Grade 12 learners.</p> <p>Eastern Cape Learner and Teacher Development Programme - We have adopted three schools in Port Elizabeth, East London and Centane in the former Transkei to help improve learner and teacher performance.</p> <p>The English Literacy Programme is operational in four primary schools near the airport. Schools are based in Delft, Bishop Lavis, Khayelitsha and Matroosfontein in Cape Town.</p>
Disability Sector	Construction of Nombuso Disability Development Centre, an early childhood development centre to provide extra capacity, including classrooms, a computer laboratory, ablution facilities, a kitchen, a hall, sports fields, a perimeter fence and guardhouse.
Environmental Sustainability	Green Energy Project to provide renewable energy to households of Freedom Farm and Malawi Camp that are near the Cape Town International Airport.
Philanthropic Donations and Employee Volunteering	Contribution towards the Cancer Association of South Africa (CANSA) for education, infrastructure development, care and support as well as training of nurses.



Investment

Impact

R1 498 282	Skills have been provided to unemployed youth. This training will improve their social standing. A total of 32 young people are in training.
R1 114 529	Fifteen jobs have been created for the 15 women who have been absorbed by the Group and 15 households will indirectly benefit from the programme.
R5 431 034	The contribution is helping towards improving literacy, improving learner performance in science subjects and reducing overcrowding in schools. More than 2 000 learners benefited from these projects.
R4 291 363	12 jobs created during construction and two subcontractors. Over 800 learners benefited from the project.
R1 837 806	Tsakane matric results increased from 49.5% in FY2017/18 to 68.5% in 2018. Kwadukathole matric results increased from 42% in 2017 to 96% in 2018.
R6 933 110	Umtiza High School matric results improved from 52% in FY2017/18 to 73% in FY2018/19. Walmer High School matric results improved from 23% in 2017 to 76% in 2018.
R660 000	The learners can effectively read and write and thereby build confidence to become competent in their studies. Over 560 learners and 16 teachers are benefiting from the project.
R13 337 035	An estimated 48 jobs will be created during construction phase including six sub-contractors. A total of 150 learners with disabilities, some of whom were not attending school, are now attending school and are registered with the Department of Social Development.
R1 107 096	A skills development programme for community members is in place to help install and maintain the solar systems. It is estimated that 803 households will benefit from the programme. The programme will be rolled out over a three-year period.
R800 000	More than 1 000 people will benefit through CANSA programmes at nine centres. Employee Volunteering through the Cancer Shavathon at O.R. Tambo International Airport where passengers and airport community participated in volunteer work.

Socio-economic development impact

Our corporate social investment programmes are worth noting because they demonstrate the impact that is the ultimate goal of such investment. We are seeing results from our two and three-year programmes, such as the training centre for people with disabilities in KwaZulu-Natal, from which the community is benefiting, as well as the female firefighter training programme in Upington which has seen 15 female firefighters graduate. This programme, targeted at communities with rampant unemployment, has changed people's lives.



Our Cape Town International Airport Sustainability Journey case study on page 44 demonstrates the impact that can be achieved through an integrated approach to SED.

Outlook

Looking forward to 2020, we intend to focus more closely on our people, as they are our greatest asset as we look to grow our revenue beyond our borders. Empowering young South Africans with skills for the aviation space requires that we breed a learning culture and creativity in tackling our challenges together with our stakeholders. We aim to achieve transformation in line with the country's National Development Plan (NDP) and our Sustainability Framework, encouraging the growth of black-owned business, investing in skills development and simultaneously ensuring that our natural environment is protected.



How transformation contributed to our Sustainability Framework

Our transformation agenda is aligned with South Africa's NDP and is guided by our transformation imperatives and Sustainability Framework. Our economic imperative is to develop small-, medium- and large- businesses to change the face of our Group to reflect South Africa's demographics; our social imperative is to support socio-economic activities that empower communities for a better future; our moral imperative is to create fair, transparent, equal opportunities for the economically active population and eliminate unfair discrimination.



Our business

- **Black-owned business now shares 51% of our operational and developmental spend overall**, and 54% of our commercial revenue, owing largely to a cleanup of our procurement database.
- Our transformation strategy is focused across seven key sectors. **Interventions across these seven sectors maximise our enhancement of black business growth and the creation of jobs and opportunities.**
- Our redeveloped contracting methodology has **broadened our empowerment efforts through sub-contracts in order for large contractors to impart skills and experience to small- and medium-size businesses.**



Our people and society

- Our **employee housing scheme** currently **benefits 1 665 employees (FY2017/18: 1 619)**. Since inception in July 2016 the scheme has **contributed R108.7 million.**
- Our **employee transport scheme** currently **benefits 709 employees** and **22 small transport businesses.**
- Our **total investment in skills development initiatives in FY2018/19 was R48 million** and **created a total of 275 job opportunities for young candidates.**
- 20 of our employees' children benefited from the **Group bursary scheme**, to the value of **R1 million.**
- Our **socio-economic development investment of R46 million** in FY2018/19 supports projects in our key focus areas of education, empowerment of women and youth, environmental sustainability, disability, skills development, philanthropic donations and volunteerism.



Our environment

- **Two** of our **airports have achieved ACI Level 2 carbon reduction certification**, while three of our airports have achieved Level 1 carbon reduction certification.
- **All nine airports have also achieved ISO 14001 Environmental Management System Certification (ISO 14001:2004)** in accordance with the 2015 version of the standard.
- We continue to develop photovoltaic solar plants to **provide renewable energy to airports** (currently three), as well as **energy storage solutions.**
- **A water-saving and augmentation plan implemented at Cape Town International Airport has reduced water usage by 50%** and the airport is poised to become fully self-sufficient through the use of aquifer water for operational purposes.

→ SUSTAINABILITY JOURNEY: CAPE TOWN INTERNATIONAL AIRPORT

“

An aerotropolis is a new urban form, placing airports in the centre with cities growing around them, connecting workers, suppliers, executives, and goods to the global marketplace.”

John Kasarda, leading international aerotropolis concept developer

The aerotropolis model refers to a sub region where the urban fabric of the surrounding area influences economic and social growth. This new urban typology provides high-value, as well as basic employment and economic opportunities in its hinterland. The aerotropolis model entails a dense, central, multi-modal, multi-functional core (referred to as an “airport city”) with interdependent activities (for example, commercial, manufacturing and leisure) consciously linked to the airport city (for example, via roads, public transport and freight systems). The airport, interdependent activities and places within this “city” are maximised to provide mutual benefit to the airport and its surroundings. In a nutshell, it is about creating spaces where people can live, work and play.





OVERVIEW

Cape Town International Airport (CTIA) together with provincial and local partners have identified investment opportunities into primary sectors that create employment opportunities by developing spaces where communities can live, work, learn and play.

CTIA is Africa's most award-winning airport, ranked number 22 globally. The airport handles close to 11 million passenger per annum with 26 airlines connecting the City of Cape Town (City) to a multitude of destinations. It has an on-time departure performance of 85%+ and achieved a level 2 ACI carbon accreditation. With over 100 brands operating at the airport it offers airport users and passengers world-class infrastructure. It sits in stark contrast to its neighbouring communities, which is why the Group is actively working toward empowering them through various initiatives.

In 2012 we identified that CTIA would need to expand in order to meet future demands, and undertook a series of land acquisitions adjacent to the airport for development. The Swartklip site belonging to Denel was identified as a highly valuable strategic parcel of land for us because it was perfectly orientated to the flight path of aircraft utilising our planned new runway. This allows us to both expand the airport and reduce noise impact – goals previously thought impossible to attain at the same time.

Our master plan for the development of this site entails true sustainability: business growth, socio-economic development of surrounding communities, job creation and environmental sensitivity.

These plans form a microcosm of everything Airports Company South Africa stands for in our transformation journey.

In the implementation of the airport master plan we are enhancing and developing impoverished areas surrounding our operations, and we are developing entrepreneurs and skills so that they can become our suppliers and even our customers when they and their goods require air transport.

There are two catalytic projects, namely, the Symphony Way development and Swartklip development, in progress in line with the aeropolis concept.

This is a circle of sustainability which will enhance our long-term prospects as a business but also contribute to attaining the sustainable development goals as a state-owned company. CTIA's example proves the concept that we can have a far-reaching and sustainable impact on the country at large through extensive stakeholder engagement, rigorous planning and an overarching view of stakeholder integration.

Our Cape Town International Airport sustainability journey is outlined in more detail overleaf.

Our business

Financial

- 1 Currently the airport processes nearly 11 million passengers per annum. The additional infrastructure will significantly enhance our processing capabilities.
- 2 The Swartklip site was originally purchased for R155 million in 2015. The 500ha site is already valued at more than R200 million. With appropriate rezoning for commercial, industrial and residential use, estimates for its value are over R2 billion.
- 3 We anticipate that a portion of the land at the Swartklip site will be developed for residential, commercial and industrial use. These developments may ultimately be sold off, increasing the value created for Airports Company South Africa shareholders.
- 4 We are establishing a development framework that provides an overarching vision for the Swartklip site and to attain town planning approval for the rezoning of the site to sub-divisional area. Various studies and concepts have been done and we are engaging with all stakeholders regarding the process.

Manufacturing

- 5 Since the initiation of the Air Access Cape Town structure, 15 international flights and 20 expanded international routes have been linked to the airport. This equates to 1.5 million seats, inbound and outbound. Cape Town International Airport has doubled in contribution to overall traffic volumes through Cape Town International Airport, with one in four passengers now flying internationally from the City.
- 6 The airport's new realigned runway will be located further from the terminal buildings, allowing for further development of the terminal space, while increasing aircraft movement capacity from 30 currently to 45. This is a 50% increase in the airport's runway capacity. The airport will be able to accommodate new large aircraft such as the A380 aircraft.

Intellectual

Intellectual capital is a key element in CTIA's and the Group's future earning potential and transformation trajectory, with a firm connection and contingency between investment in our developments, innovation, human resources and external relationships, which can assist with advancing our competitive advantage.

Symphony Way development

- 1 The development prioritises formal housing for Freedom Farm, Malawi Camp and Blikkiesdorp inhabitants. The City has committed to relocating at least the residents of Freedom Farm before the CTIA New Realigned Runway is commissioned.
- 2 A Memorandum of Agreement was concluded with the City to co-develop the corridor to provide an urban solution that consists of housing, industrial and commercial opportunities, public facilities and green spaces.
- 3 In addition to the 14ha already approved there is a future, yet to be applied for, 70ha of further commercial developable land. In consultation with Local and Provincial Government, it is envisioned that this development will include critical regional economic sectors such as pharmaceutical, electronics and agriculture / agri-processing.
- 4 This land pocket becomes strategic and could yield high value given its locality alongside of the airport with ease of access to cargo facilities.



Our people and society

Society

- 7 There is a firm commitment towards seeing the immediate communities benefit from our developments.
- 8 3 000 families in three informal settlements will be relocated to accommodate the airport's development master plan. The airport and the City have entered into a Memorandum of Agreement for the Symphony Way Development where the City will provide the housing and services for all the qualifying households and we will develop the industrial and commercial land which will create much needed employment opportunities.
- 9 False Bay College's Swartklip campus aims to reach maximum capacity of 10 000 students per year, potentially making this the largest technical training facility in South Africa. Graduate students will be equipped with technical skills in demand of both our air transport industry as well as critical growth sectors across the country. Our dream is to see a learning hub on the site, where other institutions of learning can offer its services to the community.
- 10 We are engaging with the City as they develop their biggest transport interchange in Khayelitsha, which will improve rail, bus and taxi transportation between these residential areas and the airport, as well as the greater city. Khayelitsha's Nolungile Station has been identified as a Major Transit Orientated Station Precinct and Metropolitan growth node, as well as a future Bus Rapid Transit Station.

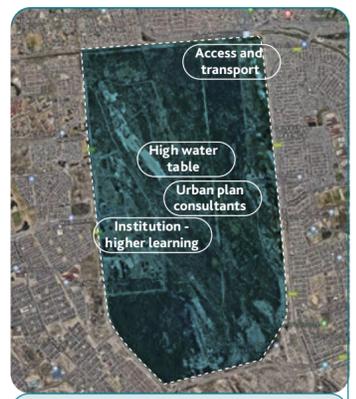
- 11 Extensive stakeholder consultation is key and will continue to ensure that all aspects of the development is relevant to the surrounding communities. To this end, great care is taken to honour and incorporate cultural practices such as the Initiation Schools currently operating on the site.
- 12 Creating access to sustainable social and economic opportunities for our surrounding communities is key to redress the imbalances of the past. The key programmes principally covers:
 - economy and employment,
 - nation building and social cohesion, and
 - environmental sustainability.
- 13 We participate in the following socio-economic development projects primarily in Blikkiesdorp, Malawi Camp, Freedom Farm and Klipfontein:
 - Members of the community are attending skills development programmes through False Bay College to become artisans capable and certified in the build and construction of their homes. Such construction building programmes are also underway with Northlink College for the communities of Malawi Camp and Freedom Farm. Entrepreneurship programmes will further upskill beneficiaries who intend to convert these skills into starting contractor businesses. Within the Symphony Way Development, the City will make provision for those who do not qualify for ownership. For reasons of foreign citizenship or other, rental models will be considered. To date we have spent R7.7 million on this programme.

- 14 We fund four feeding schemes currently providing food for more than 700 people through Operation Hunger, to the value of R919 000 in 2019.
- 15 The Blikkiesdorp Leadership Programme works towards social leadership and cohesion by training the community leaders of tomorrow. We spent R162 000 on this programme during the year.
- 16 We funded R660 000 for an English literacy programme focusing on schools in Delft, Bishop Lavis, Khayelitsha and Matroosfontein. It aims to improve the language skills of learners to become competent in reading and writing.
- 17 We funded R112 000 to Mandela Day for a Schools Mentorship Programme which took 100 learners from ten schools surrounding Cape Town International Airport to Robben Island on an education tour.
- 18 We support a youth development programme aimed at promoting social cohesion in the community and to address some of the underlying issues that lead to anti-social behaviour. Considering this, the Blikkiesdorp Football Programme has established a club called the ACSA Stars, which participates in the Blue Downs Local Football Association. The programme also offers first aid training.

Human

- 19 Core to our approach is community engagement, skills development and community beneficiation. Accordingly, we are funding provision of renewable energy to Freedom Farm and Malawi Camp, in a project to be rolled out over the next three years. We contributed R1.1 million this year to operational costs to get the project under way.
- 20 Research has shown for every long-haul flight operated over the course of a year, the airport can support 3 000 jobs, that there is seven times more high value job growth in aerotropolis than traditional downtowns and that every 10% passenger volume increase results in 2% regional job growth.
- 21 CTIA employs nearly 700 people and the broader airport value chain employs significantly more people, approximately 20 000. Increased employment of women remains a focus as well as employing young black professionals. Early this year, one of CTIA's female electricians was recognised as the Young Professional of the Year by the Black Management Forum. The airport invests in growing the skills and knowledge of its employees through a variety of training and development initiatives. In 2018 alone, it provided 64 employment opportunities to through a learnership programme.

Swartklip



- 22 Access and transport: To further support access, this area is earmarked to become a major multi-modal transport hub in Cape Town including bus, rail and taxis.
- 23 Institution - higher learning: False Bay College has established Phase 1 of the college development on the site. There is a possibility of partnerships with other learning institutions to establish satellite campuses on the site.
- 24 High water table: Recent studies have revealed that the Cape Town Aquifer extends across the Swartklip Site. This provides the potential opportunity for security of water supply during and after development. Discussions with the City are underway to manage this most recent discovery, also noting increasing pressure on water supply following the recent droughts.
- 25 Urban plan consultants: In September 2018, consultants were appointed to lead the process of formulating an urban plan, carry out sub-division and re-zone the site to enable development. It is anticipated to be a 2-3 year process.

Our environment

Natural

- 26 A portion of the Swartklip site underneath the flight path of the new runway, is intended to be preserved in perpetuity as a protected environmental zone. Airport management is in discussions with the City and possible partners to use this parcel of land to create an accessible and sustainable conservation area that communities could access for recreation, cultural and education purposes.
- 27 The City is preparing to dig boreholes in our underlying aquifer to produce water following positive water quality tests. Based on the results of monitoring over time, the City will ramp up production and might implement an aquifer recharge scheme.

→ PERFORMANCE REVIEW





“

The last 25 years have afforded us the opportunity of turning nine independent airports into a world-class network of facilities; whilst developing institutional expertise as well as an enviable reputation in building, operationalising and commercialising airports.”



PERFORMANCE REPORT BACK

Strategic objectives	Impact	KPI	Assurance	Metric	FY2018/19 target	Target achieved	FY2018/19 actual	FY2017/18 actual	FY2016/17 actual	2025 target
Create value for our shareholders <i>Aligned to: All three strategic pillars</i>		Deliver return on equity (ROE) (Group) Refer to page 52		%	5.1		1.0	2.6	10.1	10
Diversify the business portfolio <i>Aligned to: All three strategic pillars</i>		Generate realised non-core income Refer to page 76		R million	33		58.6	59.6	50.75	200
		Enhance non-aeronautical revenue as a percentage of total revenue Refer to page 31		%	48		47	47	37.3	57.5
Increase our reputation through demonstrated business excellence <i>Aligned to: All three strategic pillars</i>		Improve Reputation Index measure Refer to page 115		Weighted average	≥ 60		67.2	63.1	63.1	≥70
Increase stakeholder satisfaction through effective partnership <i>Aligned to: All three strategic pillars</i>		Assessment by our airport operations and commercial stakeholders of our airport operations services and interactions rendered Refer to page 65		Rating from 1 (poor) to 5 (excellent)	3.6		3.67	3.5	3.7	>4.0
Improve passenger experience through demonstrated operational excellence <i>Aligned to: All three strategic pillars</i>		Assess passenger customer service Refer to page 65		Rating from 1 (poor) to 5 (excellent)	4.00		3.97	4.08	4.05	All airports in top 15 in their size category globally
Improve connectivity to the regions we serve <i>Aligned to: Run airports and develop airports</i>		Grow regional airport departing capacity. Refer to page 76		% increase in regional departing capacity over the previous year	0		1.48 (2 798 010)	-2.6 (2 757 326)	2 829 693	10
Contribute to increase traffic through the airports we operate <i>Aligned to: Run airports and develop airports</i>		Increase O.R. Tambo International Airport connectivity index Refer to page 76		Number of available seats to each destination	ORTIA connectivity score: 133		139	135	46.86	70



The detailed performance report back can be found at www.airports.co.za

Strategic objectives	Impact	KPI	Assurance	Metric	FY2018/19 target	Target achieved	FY2018/19 actual	FY2017/18 actual	FY2016/17 actual	2025 target
Provide equitable access to safe airports in all South African regions to allow more people to fly <i>Aligned to: Grow our footprint</i>		Participation in non-Airports Company South Africa airports in South Africa Refer to page 79		Advisory service man days provided to non-Group airports in South Africa	50		243	82	92.6	Airports in all South African provinces
Promote regional integration and localisation of our airports <i>Aligned to: All three strategic pillars</i>		Create job opportunities Refer to page 40		Number of job opportunities	29 382		15 223	24 741	24 018	50 000
Support black business entrepreneurship <i>Aligned to: All three strategic pillars</i>		Grow black business share in operational and developmental spend Refer to page 39		%	51		51	61	46	65
		Grow black business share of commercial revenue generated Refer to page 43		%	51		54	59	51	65
Maintain and improve our contribution to broad-based black economic empowerment <i>Aligned to: All three strategic pillars</i>		Achieve B-BBEE Level Refer to page 38		B-BBEE as per the code	Level 3		Level 2	Level 2	Level 3	Level 1
Leadership Culture Index <i>Aligned to: All three strategic pillars</i>		Leadership Culture Index Survey Refer to page 84		%	70		80	78.6	77.25	≥80%
Achieve a demographically representative workforce <i>Aligned to: All three strategic pillars</i>		Promote employment equity Refer to page 82		%	92.4		93.9	93.3	92.7	Achieve a demographically representative Group workforce (against EAP) per level
Foster a positive employee workforce and environment <i>Aligned to: All three strategic pillars</i>		Employee Satisfaction Survey (ESAT) Refer to page 82		Rating from 1 (poor) to 5 (excellent)	3.31		3.55	3.5	3.31	4.2
Reduce our environmental impact <i>Aligned to: All three strategic pillars</i>		Establish an ACI carbon accreditation level Refer to page 62		ACI level as per mapping certification criteria	Attain ACI Level 2 Reduction certification for at least one airport		Attain ACI Level 2 Reduction certification for ORTIA and CTIA	Attained ACI Level 1 – mapping certification for KSIA, and PLZ	Attained ACI Level 1 – mapping certification for ORTIA, CTIA, KSIA, and PLZ	ACI Level 3 optimisation certification for at least one airport

KEY:
 Target exceeded Working towards achievement of target

MESSAGE FROM ACTING CFO



Lindani Mukhudwani
Acting CFO

Overview

The year under review was marked by structural changes within South African domestic market, such as the grounding of two regional airlines and the reduced number of routes and frequencies of an established airline with the resultant effect being specifically on domestic traffic volumes. Total departing passengers grew by 1.4% while aircraft landings reduced by 2% when compared to the prior year.

The impact of the operational traffic volumes combined with an increase in tariffs of 5.8% resulted in a 5.5% increase in total revenues. The Group has also experienced some significant cost pressures, specifically in relation to security services as a result of amendments to regulations and heightened security measures implemented during the year. The weak economic climate has also impacted the recovery of customers' debts, and newly issued accounting standards resulted in a higher provision for impaired debts in excess of previous year.

PERFORMANCE AT A GLANCE



**Material matter: Economic regulation****Description**

Our ability to plan for the future and achieve our strategic objectives while creating sustainable value requires us to be financially self-sufficient. However, our financial and infrastructure development planning depends on predictability, transparency and a balance of risk and reward in the regulatory framework and approach and regulatory decision-making. Our ability to manage our core revenue is constrained by regulated charges for the use of our airport facilities. Pre-funding is currently absent from the regulatory approach that would enable a predictable price path for airport charges and cost-effective funding of major infrastructure investments.

Strategic response

The current tariff promulgation, which allows for a 5.8% increase in airport charges in FY2018/19 with no further increases until 2021, applies until 31 March 2021. Airports Company South Africa continuously engages in the review of the economic regulatory framework with stakeholders to provide clarity and certainty on tariff decisions going forward, including through an appeals mechanism included in the Airports Company Amendment Bill.

We will continue to apply a conservative financial management approach to mitigate against the unpredictability of regulatory decisions. We also manage our supply chain in order to contain costs in a prudent fashion, as well as driving the growth of non-aeronautical revenue as much as possible in order to mitigate for constraints on growth of our aeronautical revenue.

Impact of the economic regulation material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
 Run airports	<ul style="list-style-type: none"> Continued engagement with Regulating Committee. Increasing contribution of non-aeronautical revenue to overall revenue. 	<ul style="list-style-type: none"> Financial planning based on regulatory certainty allows us to achieve our financial goals and maintain service levels. 	<ul style="list-style-type: none"> Achieve return on equity target. Improve reputation index. Diversify income streams. 	<ul style="list-style-type: none"> Investment in business development to mitigate constraints on core revenue through regulated charges.
 Develop airports	<ul style="list-style-type: none"> Prudent control of supply chain. 	<ul style="list-style-type: none"> Tariff certainty until 2020 presents window of opportunity to roll out infrastructure investment to expand airport facilities. 	<ul style="list-style-type: none"> Achieve return on equity target. Improve reputation index. 	<ul style="list-style-type: none"> Airports are currently at or beyond capacity, potentially impacting on service levels.

Material matter: Access to and cost of funding

Description

A lack of affordable funding for infrastructure development impacts on our ability to accommodate growing demand for use of our airports and avoid congestion. Negative sovereign and Group credit ratings have an adverse impact on our access to affordable funding.

Strategic response

Poor perceptions of South Africa’s economic prospects and financial management continue to plague the public sector. Combined with constraints on our core revenue, our ability to obtain affordable funding has been largely unaffected in the short term but may become a significant material threat to the medium- and long-term outlook of our business.

Impact of the access to and cost of funding material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
 Develop airports	<ul style="list-style-type: none"> Strengthened treasury stakeholder engagement. Strengthened operating and governance models. Prudent financial management to support funding requirements. 	<ul style="list-style-type: none"> Infrastructure development creates additional capacity to cater for growing demand for airport services in South Africa. 	<ul style="list-style-type: none"> Improving the passenger experience. Creating long-term value for stakeholders. 	<ul style="list-style-type: none"> Prudent approach to expenditure on infrastructure upgrade allowing for modest growth in both aeronautical and non-aeronautical revenue.



ABRIDGED STATEMENT OF FINANCIAL POSITION

The Group remained within a primarily refurbishment and replacement cycle during the year and thus capital expenditure was in line with depreciation. Cash and short-term investments decreased on the back of the repayment of the AIR01 bond in March 2019 to the amount of R2 billion, which in turn reduced the total liabilities to R9.4 billion (FY2017/18: R11.6 billion).

	FY2018/19	FY2017/18	Movement		
			R'000	%	
ASSETS					
Non-current assets	27 610 590	28 611 710	(1 001 120)	-3%	
Property and equipment, investment properties and intangible assets	26 108 198	26 651 226	(543 028)	-2%	Investment property fair value losses amounted to R134 million. Additions of R1.1 billion were offset by depreciation, amortisation and impairments of R1.4 billion.
Investments in associates and joint ventures	1 263 990	1 735 177	(471 187)	-27%	Guarulhos International Airport (GRU) losses reduced from R480 million to R136 million.
Other non-current assets	238 402	225 307	13 095	6%	Mumbai International Airport (MIAL) made profits of R19 million, after which it was reclassified as held for sale due to a pending sale of the investment, valued at R785 million.
Current assets	3 151 454	4 669 431	(1 517 977)	-33%	
Investments and cash and cash equivalents	1 893 012	3 199 849	(1 306 837)	-41%	Cash decreased mainly due to the repayment of the AIR01 bond of R2 billion in March 2019.
Other current assets	1 258 442	1 469 582	(175 140)	-12%	Trade and other receivables reduced due to higher bad debts provision of R284 million (2018: R253 million).
Non-current assets held for sale	785 570	-	785 570	100%	
Total assets	31 547 614	33 281 141	(1 733 527)	-5%	
EQUITY AND LIABILITIES					
Equity	22 092 290	21 734 255	358 035	2%	
Non-current liabilities					
Interest bearing borrowings	5 760 519	5 789 163	(28 644)	0%	Borrowings decreased due to the repayment of inflation-linked bond and amortisation of loans of R296 million, and settlement of the AIR01 bond of R2 billion.
Other non-current liabilities	1 757 626	1 692 949	64 677	-4%	
Current liabilities	1 937 179	4 064 770	(2 127 591)	52%	Net debt capitalisation was 18% (2018: 22%).
Total liabilities	9 455 324	11 546 886	(2 091 562)	18%	
Total equity and liabilities	31 547 614	33 281 141	(1 733 527)	5%	

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

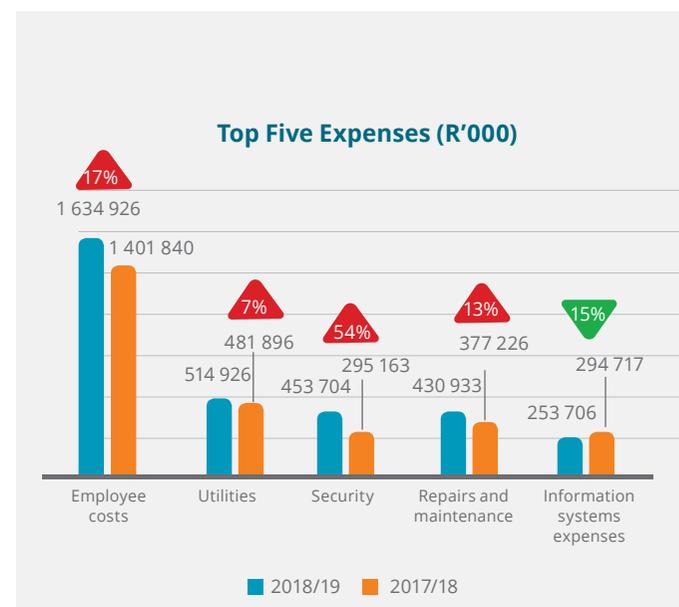
The moderate increase to revenues combined with regulatory cost pressures led to reduced earnings before tax, depreciation and amortisation (EBITDA) of 7.5% when compared to the prior year. Taking account of capital costs at the earnings before interest and tax level, this reduction is 9.1%. Positive impact on the year's performance came from a reduced drag of the associate company's contribution to net profits and fair value gains to the investment property portfolio.

	FY2018/19	FY2017/18	Movement		
			R'000	%	
Revenue and other operating income	7 143 261	6 764 471	378 790	5,6%	
Employee costs	(1 636 774)	(1 401 840)	(234 934)	-16,8%	
Operating expenses	(2 641 973)	(2 359 153)	(282 820)	-12%	The increase in operating expenses was largely due to higher security and bad debt provision costs.
EBITDA	2 864 514	3 003 478	(138 964)	-4,6%	
Fair value (losses)/gains on investment properties	(134 222)	537 247	(671 469)	-125,0%	Losses were due to a change in the valuation methodology to be in line with market trends.
Depreciation, amortisation and impairments	(1 422 202)	(1 247 477)	(174 725)	-14,0%	Reduced losses of R134 million in Guarulhos International Airport (GRU) and a positive contribution by Mumbai International Airport Private Limited (MIAL) reduced our losses from equity accounted associates.
Losses from equity-accounted investments	(97 782)	(476 499)	378 717	79,5%	
Net finance expense	(595 789)	(589 007)	(6 782)	-1,2%	Lower cash levels resulted in the reduction in finance income, resulting in slightly higher net finance costs.
Losses on property and equipment	-	(6 857)	6 857	100,0%	
Profit before tax	614 519	1 220 885	(606 366)	-49,7%	
Tax expense	(387 746)	(668 463)	280 717	41,9%	
Profit for the year	226 773	552 422	(325 649)	-58,9%	

ABRIDGED CASH FLOW STATEMENT

For the first time in the past four years the Group has seen a departure from higher traffic volume growth experienced during the year when compared to the underlying real growth in gross domestic product. Departing passenger growth was 0.8% and aircraft landings reduced by 1.5%. It is our view that this was due to the structural changes within specifically the domestic market as indicated in the introduction section.

	FY2018/19	FY2017/18	Movement	
			R'000	%
Net cash inflow from operating activities	2 934 714	2 884 751	49 963	1,7%
Net cash inflow/(outflow) from investing activities	2 488	(1 514 469)	1 516 957	100,2%
Cash flows from financing activities				
Financial instruments held for trading	(2 103)	(2 289)	186	8,1%
Interest-bearing borrowings repaid	(2 296 355)	(552 953)	(1 743 402)	-315,3%
Dividends paid	(115 604)	(353 452)	237 848	67,3%
Interest paid	(773 337)	(808 771)	35 434	4,4%
Net cash outflow from financing activities	(3 187 399)	(1 717 465)	(1 469 934)	-85,6%
Decrease in cash and cash equivalents	(250 197)	(347 183)	96 986	27,9%
Cash and cash equivalents at the beginning of the year	1 373 840	1 721 023	(347 183)	-20,2%
Cash and cash equivalents at the end of the year	1 123 643	1 373 840	(250 197)	-18,2%



Detailed information on operational performance against the Group's run airports, develop airports and grow footprint strategic pillars is available in the performance overview on pages 60 to 80. 

Operating expenses

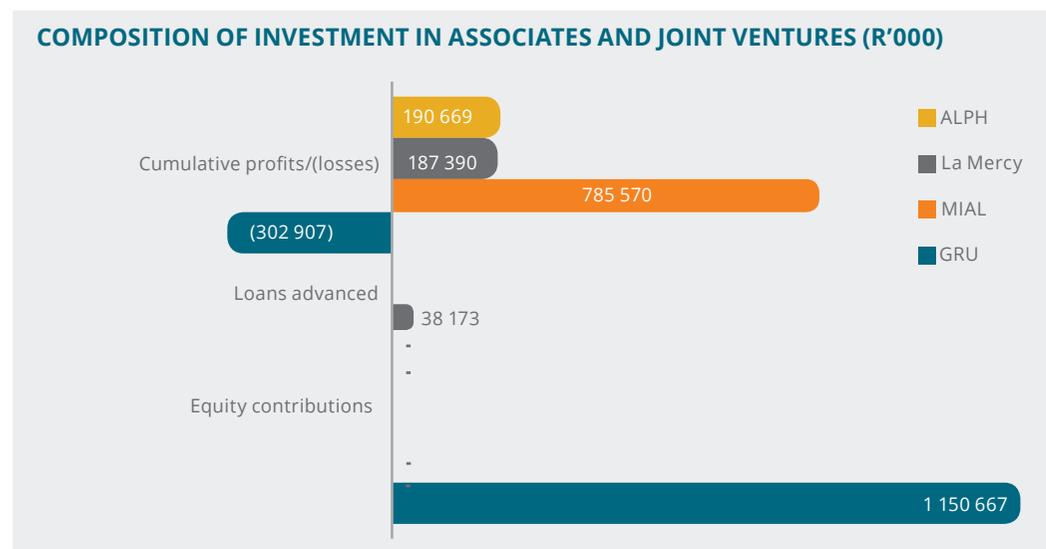
The Group experienced significant cost pressures with respect to security costs, a R158 million increase compared to the prior year across all airports, as a result of regulatory amendments which increased the scope of security services for land-side security. Other security-related scope increases were also introduced due to heightened security measures, additional deployment at access gates and remote sites as well as K9 services.

Additional bad debt to the amount of R93 million has been provided for in terms the new accounting treatment and primarily airline customer non-payment of arrears. Airline customers are placed on the cash-basis when certain levels of arrears are reached.

The Group remains exposed to administrative and regulatory costs which form a significant part of our fixed cost base, e.g. rates and taxes and utilities.

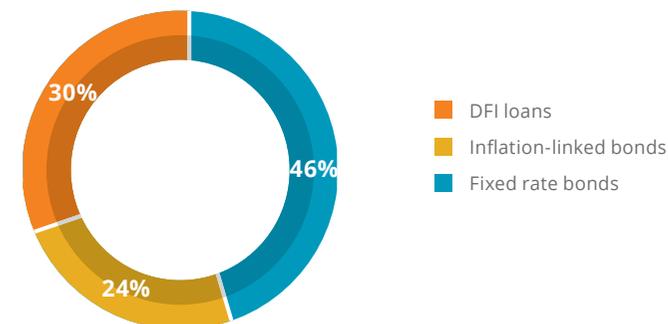
Some major infrastructure development projects reached the investment decision point during the year following the conclusion of the planning and detailed design activities. These phases however resulted in modest capital expenditure during these phases. Capital expenditure still represents mainly a refurbishment and replacement phase.

The Group made no further equity injections into its concessions. A cautionary was issued in February 2019 following an offer for the 10% equity stake in MIAL. The GRU concession reduced its negative impact on profitability by 72% for the period to December 2018, while the exchange rate strengthened further to enhance the Group's balance sheet.

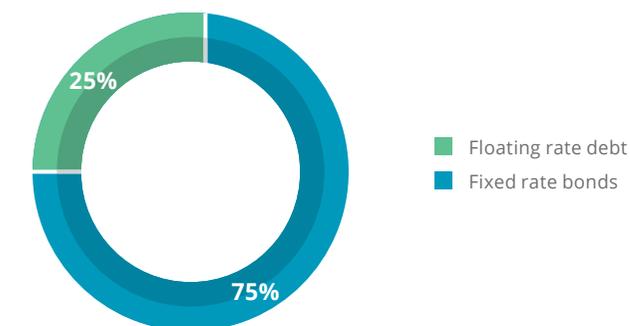


Funding

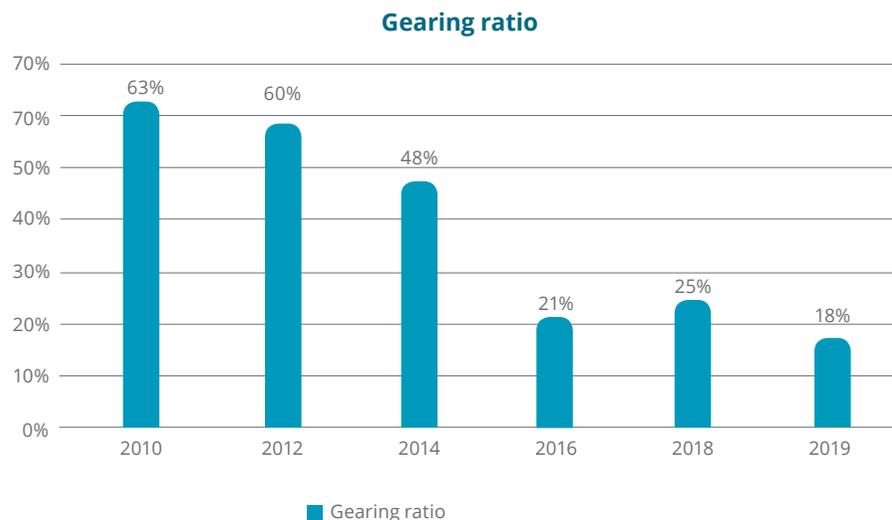
We repaid R2.3 billion in debt during the year comprising of amortising debt and loans of which the AIR01 bond of R2.0 billion was the most significant. These repayments have now reduced the Group's debt levels to R6.6 billion with a weighted average cost of debt of 9.13%. Funding sources as at March 2019 were as follows:



Fixed rate debt comprised 75% of total debt as at the end of the financial year compared with 83% as at the end of the prior year.



The Group's gearing has decreased to 18% on the back of the debt redemptions since 2013. More than R10.5 billion has now been repaid over the past six years.



Outlook and focus areas

We have emphasised in the past that we will continue to apply a conservative financial management approach to mitigate against the unpredictability of regulatory decisions, especially insofar as new infrastructure investments are concerned.

Current levels of returns achieved remain a reflection point when new investments are being considered. A reasonable level of certainty of future cash flows associated with those investments is required from the economic regulatory context, which in turn would lead to the improvement of returns over the long term. It therefore remains a focus of our strategy to influence the improvement in regulatory decision making through stakeholder engagement with airlines associations, the Economic Regulating Committee and government departments at various levels.

This becomes increasingly important as we commence the envisaged new infrastructure investment programme. The current economic regulatory approach requirement to fund new infrastructure investments through debt funding only until operationalisation or commissioning, will continue to require the Group to diversify funding sources to ensure financing in a cost-effective manner.

We continue to enhance ease of compliance to our sourcing policies and procedures to ensure a continuous reduction of irregular expenditure reported, with the emphasis on zero tolerance to non-conformances. Our investigation capability in line with National Treasury requirements has also been improved to treat irregular expenditure appropriately.

Credit rating

Moody's affirmed our credit rating on 25 April 2019. The global scale rating remains at Baa3 while the outlook remained stable. The national scale rating was affirmed at Aa1.za with a stable outlook. The Group's credit rating largely reflects the constraint imposed by the government rating given that Moody's would not rate the Group higher than the government.

Agency		Ratings		
Airports Company South Africa ratings	Rating action	Long-term issuer rating (foreign)	Long-term issuer rating (domestic)	Outlook
Moody's	Affirmed	Baa3	Aa1.za	Stable

We will continue to monitor the economic climate and the impact thereof on operational volumes and ultimately revenues to not miss an opportunity to introduce efficiencies.

We are also very excited about the offer for our 10% stake in MIAL. This certainly provides evidence of the potential success and contribution to returns that such investments could have based on the technical contribution by the Group to concessions over the long-term.

PERFORMANCE PER STRATEGIC PILLAR

RUN AIRPORTS



Airport operations are carried out with the intention of not only maintaining service excellence to contribute to the strengthening of our brand, but with a view to enhancing economic growth in partnership with our stakeholders.

Focus areas

- Dealing with capacity constraints
- Implementing a new slot management module
- Digitisation as we move towards paperless travel
- Safety and security
- Redesigning our business processes
- Further improving our carbon accreditation status
- Embedding the key account management model of engagement with stakeholders

Topics raised by stakeholders

- Customer satisfaction
- Environmental sustainability
- Safety and security
- Capacity constraints
- Transformation





Material matter: Safety and security

Description

As national key points that attract large numbers of people, our airports are presented with risks of security threats, crime and major safety incidents which have the potential to significantly affect aeronautical operations.

Strategic response

We continuously engage with law enforcement partners and invest in security advancements, including integrated communication systems. Prevention and threat response procedures are in place to deal with crises and ensure the continuity of operations.

Impact of the safety and security material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
Run airports	<ul style="list-style-type: none"> • Implemented private security resource solutions to restrictions in policing manpower at airports. • Continued engagement with law enforcement agencies. • Implemented a unified IT-based access control system at all airports to improve physical security. • Deployed vapor wake dogs and K9 explosive detection dogs, to prevent the entry of unauthorised items and substances to airports. • Established our own policing units and fire department to ensure the safety of daily transit pedestrian traffic at airports. • Contributed to APEX reviews in Africa, promoting continued improvement in the operational security performance of the world's airports. 	<ul style="list-style-type: none"> • Despite a high-crime environment our airports remained free of major safety incidents or security breaches, due to our threat prevention and response procedures. 	<ul style="list-style-type: none"> • Improved airport stakeholder and passenger safety. 	<ul style="list-style-type: none"> • Additional security services have come with a cost trade-off to achieve safety and security levels.

Material matter: Natural environment

Description

Water shortages, electricity supply, noise incidents, bird strikes, air quality and fuel spills all affect Airports Company South Africa’s ability to run its airports effectively and with minimal impact on its surrounding natural environments.

Strategic response

We conduct our environmental management, including legislative compliance, through an environmental management system (EMS).

Impact of the natural environment material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
 Run airports	<ul style="list-style-type: none"> We have sought and attained carbon reduction accreditation for our airports. 	<ul style="list-style-type: none"> Our airports continue to minimise their impact on environments and communities surrounding or adjacent to our sites and operations. 	<ul style="list-style-type: none"> ACI Level 3 optimisation certification for at least one airport. 	<ul style="list-style-type: none"> Responsible management of resources has required investment in new processes and technology.

In FY2018/19, our KPI target was to attain ACI Level 2 Reduction Certification for at least one airport. Reflecting on the progress we have made in reducing our carbon footprint at all our airports, we have obtained Level 2 certification for both O.R. Tambo International Airport and Cape Town International Airport, as well as obtaining Level 1 certification for King Shaka International Airport, Port Elizabeth International Airport and George Airport.

We note that the Carbon Tax Act has been signed by the President and came into effect on 1 June 2019 and we reaffirm our commitment to reducing our environmental impact by moving towards carbon neutrality. The Group had no significant fuel spills or fines levied for non-compliance.



Run airports overview

Airports Company South Africa's core aeronautical revenue is derived from airport operations such as regulated tariffs for aircraft landing, parking charges and passenger service charges. Non-aeronautical revenue is derived from commercial income from retail operations, car parking and car rental concessions, advertising, property leases and hotel operations. Non-core revenue comprises the provision of technical advisory and consultancy services both in South Africa and abroad, as well as the Airports Company South Africa training academy.

Air travel trends at our nine South African airports:

	International	Domestic	Regional	Unscheduled	Total
Arrivals (Air traffic movements)	38 948 ▲(+0.8%)	135 738 ▼(-3.6%)	12 613 ▼(-3.5%)	71 870 ▼(-0.1%)	259 169 ▼(-2%)
Departures (Passengers)	6 026 514 ▲(+0.9%)	14 483 061 ▲(+1.7%)	548 047 ▼(-2.2%)	60 642 ▼(-2.6%)	21 118 264 ▲(+1.4%)

Consolidated seat capacity in regional airports grew by 1.48% at 31 March 2019, compared with the previous year, mainly as a result of a resumption of SA Express operations in Port Elizabeth International Airport, Kimberley Airport and Bram Fischer International Airport in the second semester of the 2018 calendar year. Both SA Express and SA Airlink increased their flights significantly in both Bram Fischer International Airport and Kimberley Airport by the end of February 2019, following the cessation of CemAir operations at both airports. Port Elizabeth International Airport and East London Airport both increased their seat capacity by around 5% and 1% respectively, mainly due to SA Airlink and FlySafair increasing their operations significantly at both airports.

On the cargo handling front, the following table illustrates volumes for FY2018/19 compared with FY2017/18:

	FY2018/19	FY2017/18	Variance
O.R. Tambo International Airport	380 208,791	399 780,700	-4.90% ▼
Cape Town International Airport	79 272,197	87 539,772	-9.44% ▼
King Shaka International Airport	17 587,167	16 595,694	5.97% ▲
TOTAL	477 068,155	503 916,166	-5.33% ▼

Performance

While South Africa's gross domestic product (GDP) – a key driver of traffic volume growth – has languished around 1% per annum, Airports Company South Africa has succeeded in growing departing passenger numbers by 1.3% to 21 118 264 (FY2017/18: 20 836 852).

Growth in departing passenger volumes achieved by our three major airports was as follows:

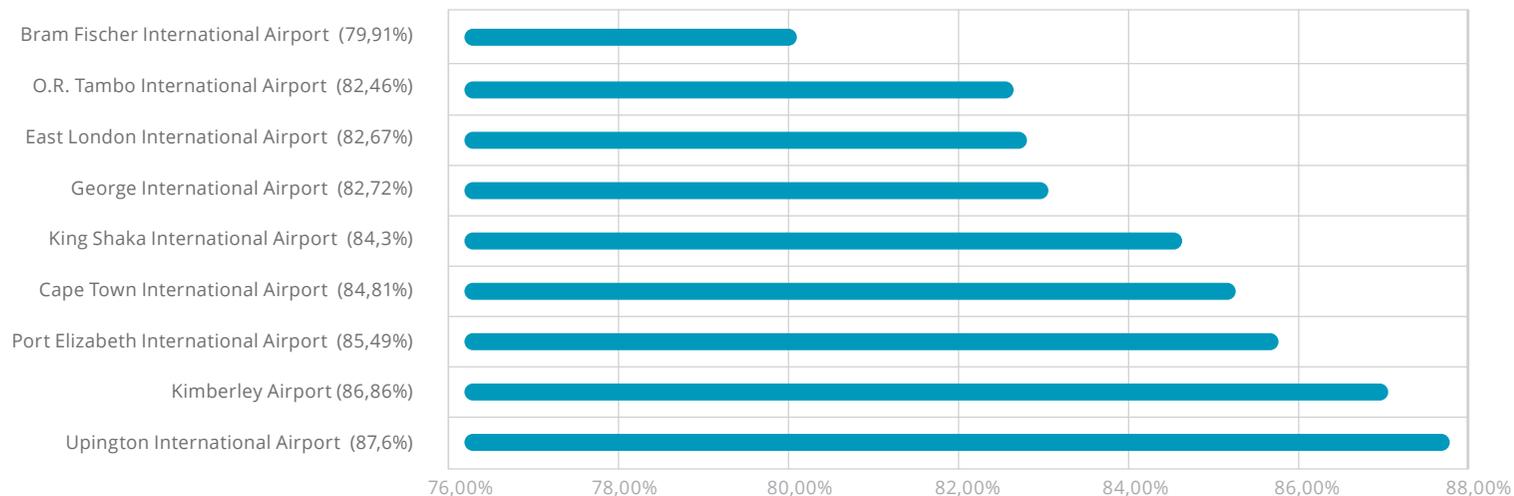
- O.R. Tambo International Airport: 0.2% increase to 10 686 913
- Cape Town International Airport: 0.6% increase to 5 437 295

- King Shaka International Airport: 6.7% increase to 3 007 573

Our international airports grew their numbers of international departures as follows: O.R. Tambo International Airport +0.7% to 4 624 806 passengers, Cape Town International Airport +7% to 1 212 966 passengers, King Shaka International Airport +5.3% to 188 742 passengers.

Our on-time performance, determined by the percentage of aircraft departures within 15 minutes of their slot time, stood at 83.39% in FY2018/19.

The following graph shows on-time performance across our airports:



Airport operations

FY2018/19 presented a number of challenges, most notably overcoming the delay in the rollout of airport capacity expansion projects. Capacity constraints are mostly felt at Cape Town International Airport and O.R. Tambo International Airport, though all our airports' infrastructure and operational systems such as aircraft parking capacity, terminal building capacity and baggage and cargo handling systems remain under pressure.

Aside from infrastructure constraints, human resources constraints in the industry have resulted in the Group implementing alternative and complementary measures to ensure that safety and security were not compromised and that long queues at immigration did not negatively impact on the customer experience.

We have continued to strengthen our internal focus on running our airports as efficiently as possible as we gear up for the beginning of maintenance and construction projects. We remain innovative in our attempts to maintain high levels of service despite capacity constraints and passenger volume growth as we fulfil our mandate of making air travel accessible to more South Africans. We believe we have been able to maintain customer service levels despite a difficult operating environment.

Revenue performance was affected by downscaling at the national carrier and attrition in the sector at large, leading to a decline in overall seat numbers and frequencies. Regional airports have been particularly sensitive to industry dynamics.

To illustrate, FY2018/19's total aircraft movements at our airports continued to slide downwards from 526 872 (-6% from FY2016/17) in FY2017/18 to 505 008 this year (-4.1%). As a positive counter to this trend, Cape Town International Airport managed to grow its international traffic by 7.7% and 1.8% domestically.

We are managing concerns around operating cost inflation by revising our approach to capital implementation, standardising service contracts, implementing a claims process for assets damaged through negligence and/or higher-than-usual wear and tear by tenants and introducing technologies such as gas-to-power which will result in step improvements in operating costs.

We execute our airport operations strategic mandate as follows:

Client and passenger services

We engage with our stakeholders continually to ensure that we always deliver quality services and meet expectations. To improve our performance in this aspect of airport operations, we implemented a key account management model, which has borne fruit in our enhanced relationships with passengers, airlines, airport retail tenants, suppliers and tourism organisations.

Shifting away from a linear-focused protocol towards a customer-centric protocol based on our customers' and stakeholders' activities, adds value to what we do because it improves our decision-making ability as a result of better understanding of our stakeholders' needs. Our aim of adding more value, promoting growth and enhancing the passenger experience is also achieved through enriched stakeholder relationships in which we share more information and are more responsive.

Airports Company South Africa's key account managers continuously engage and manage groups of stakeholders at each airport, which enables us to:

- Identify and resolve issues in advance
- Develop innovative solutions for our customers
- Ensure a consistent experience across the network
- Manage stakeholder satisfaction
- Improve our overall reputation (measured by RepTrak®)

Through FY2018/19 we steadily strengthened our stakeholder satisfaction score, enhanced our communications of plans and goals, responded to and

resolved queries more effectively and developed business intelligence tools to share with stakeholders to support business decisions.

Ground handling services

These services, which include ramp handling (water services, bus services, etc.) and passenger and crew handling (including baggage, sanitation and catering) are provided by licensed service providers of Airports Company South Africa.

During the year in review we took stock of the contracts regulating these relationships and acknowledged that we have not previously structured all contracts optimally, resulting in us not leveraging economies of scale and better advancing our transformation objectives. With this in mind, we are in the process of working towards contractual unity with a focus on localisation of services – sourcing from contractors in the locality of each airport. Our challenge in harmonising a myriad contracts for each airport will be to achieve service uniformity, but Airports Company South Africa will take the lead in establishing standards and service levels.

Business systems and performance

Airports Company South Africa made significant strides in revamping its operations procedures and processes in FY2018/19, including redesigning and rolling out approximately 200 business processes across fire rescue, aircraft parking, security and operational planning. We also implemented a new slot management system. Airports Company South Africa has built a tool through which slot approval can be fully automated to deal with slot constraints at peak hours. This will assist us with resource management and slot requests can be granted or

denied – based on factors like available counters and gates – automatically and immediately.

Process mapping will continue into FY2019/20, where we anticipate further rollout of the key account management system, as well as IT systems to support the improvement of stakeholder satisfaction with real-time monitoring and response capability.

We also focused on the replacement and maintenance of our operating vehicle fleet, which plays a vital role in general operations and maintaining on-time performance as much as possible.

Capacity expansion

Our need for capacity expansion has become critical. Terminals are capacity-constrained, and our airside infrastructure such as aprons and runways at all three our international airports need significant expansion and upgrade. In the next two years we begin to develop new facilities, runways and terminal improvements, which are being carefully planned to mitigate potential operational challenges while construction is under way. For additional information on capacity expansion projects, refer to page 72. 

Property

Property is one of seven key sectors the Group has introduced to transform our contracts. As we contract with our suppliers and service providers according to our procurement strategy, we pursue and implement transformation advances in an integrated way with each sector.

Property development is an important opportunity for market participants to gain revenue and experience from Airports Company South Africa. Property income yielded 10% growth to R756 million (FY2017/18: R690 million), but further growth has been constrained by delays in the rollout of new capacity. Airports Company South Africa owns approximately 1500ha of land across nine airports, which we view as potential to change our business with R3 billion of development projects.

During the year our hotel operations revenue increased by 4% to R156 million (FY2017/18: R150 million).

Property vacancy rates were extremely low in FY2018/19, though this poses its own challenge for relocation flexibility in the face of construction and maintenance work at several airports from next year. However, some of our ageing infrastructure must be replaced in a timely manner in order to improve our service delivery for customers and other stakeholders.

A key achievement for us has been changing our handling of asset management to a real-time view, rather than a maintenance engineering view. We now have a complete life cycle asset management model which is entrenched in our business. This provides us with real-time data on availability and utilisation rates and allows us predictive capabilities.

We have also made changes at organisational structure level to simplify our handling of hotel operations. Previously ring-fenced as a separate subsidiary, we have made a decision for operational reasons to wind down Precinct 2a as a legal entity, which owns 250ha of land adjacent to O.R. Tambo International Airport. The development of the western precinct

of O.R. Tambo International Airport, where the Group's new headquarters will be located, will be developed directly by Airports Company South Africa. Construction of this precinct, which will also house the Civil Aviation Authority's new premises, commenced in February 2019 and is scheduled for completion by 31 December 2020.

Four new filling stations at our airports are planned through a transformation programme in partnership with franchisors. Our aim is to empower aspiring entrepreneurs by working with petroleum companies to subsidise entry for entrepreneurs.

Retail

Given the constraints on aeronautical revenue, the Group is focused on growing non-aeronautical revenue's contribution to total revenue. Retail revenue growth for the year was 1% to R1.2 billion (FY2017/18: R1.2 billion), making up the majority of non-aeronautical revenue at 36%. This modest growth was mostly on the back of passenger volume growth and inflation. However, ongoing litigation has delayed the transformation of our tenant mix in airport terminals, new offerings and more favourable contracts for the Group.

Despite modest growth during FY2018/19, retail nonetheless made a significant contribution. Ideally, we would like to see aeronautical and non-aeronautical revenue contribute equally to our overall revenue, to ensure our sustainability as a business.

In terms of our strategy in the retail space, our intention is to implement IT systems which will provide us with increased passenger data which will be collected from their time of arrival at any airport.

This will allow us to tailor on-selling solutions to each individual passenger, as well as providing capability for us to communicate with the passenger on issues like flight delays or required information. Our retail solution needs to become one total package from the time the passenger leaves home to the time they leave the airport.

Being a network of airports can work to our benefit: the same passenger information can be made available across networks. Once our e-gates and automated border control processes are fully implemented, this will provide more leisure time for travellers to spend in our retail area, where duty-free stores account for 36% of overall retail revenue.

Airports Company South Africa is now actively driving commercial revenue through a seamless customer proposition and now engages constantly with suppliers, tenants and other stakeholders in a collaborative effort to maximise revenue. We have built dashboards and new analytics for our suppliers through new business intelligence systems and have become more proactive in owning the passenger journey. Our stakeholders have communicated their appreciation of closer collaboration, and we recently staged a retail summit for our top 20 retailers. The level of insight was transparent, collaborative and welcomed.

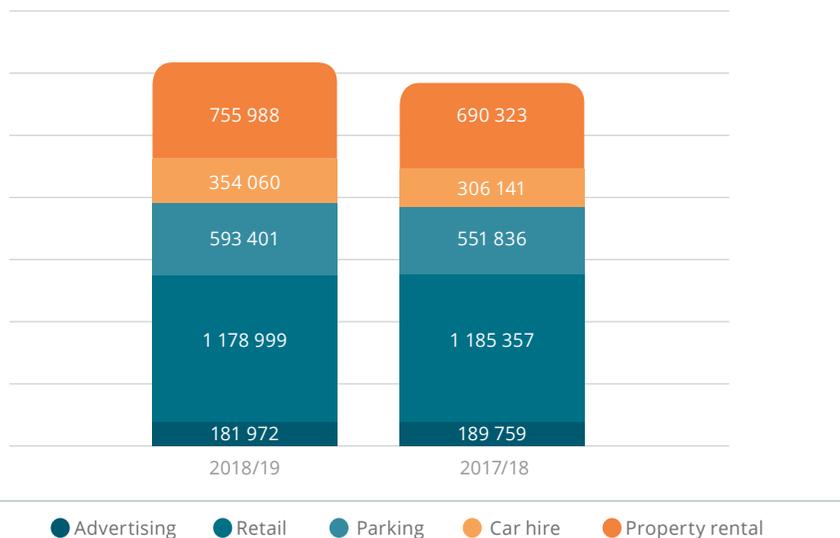
Car parking and car rental

We have seen revenue growth of 8% to R593 million (FY2017/18: R551 million) in car parking and 16% in car rental to R354 million (FY2017/18: R306 million). Given the economic backdrop this growth is pleasing, but in light of our movement in challenging our commercial offering across the board, our intention is to produce more substantial growth in FY2019/20. Parking revenue has been affected by e-hailing services, but we are engaging with these services to reach a mutually beneficial resolution.

Advertising

Advertising revenue was impacted by the Group cancelling a tender during FY2018/19 due to litigation. Revenue contracted by 4% during the year to R182 million (FY2017/18: R190 million). Advertising revenue is aligned with broader economic issues and we acknowledge that the industry as a whole is under pressure. The basket in the market available to us, has decreased.

Non-aeronautical revenue (R'000):



Revenue	Group		Change	
	FY2018/19	FY2017/18	R'000	%
Figures in rand thousand				
Advertising	181 972	189 759	-7 787	-4%
Retail	1 178 999	1 185 357	-6 358	1%
Parking	593 401	551 836	41 565	8%
Car hire	354 060	306 141	47 919	16%
Property rental	755 988	690 323	65 665	10%
Hotel operations	155 504	150 075	5 429	4%
Other	96 530	95 937	593	1%

Digitisation

We embarked on a digitisation journey to improve the speed of passenger processing, limiting the amount of time spent in queues and putting passengers in control of their journey so they can travel at leisure. Unfortunately, progress with passenger self-service through FY2018/19 was slow, due to the needs to engage and align with all stakeholders in the value chain. We had to push back our plans to fully roll out the paperless travel concept, but we believe by the end of FY2019/20 all necessary systems integration to enable it, should be in place.

Infrastructure asset management

The first 20 years of Airports Company South Africa could be best characterised as entrepreneurial growth: commercialising pockets of land surrounding the airports, implementing new commercial constructs which contributed to a strong non-aeronautical revenue stream. This benefit passes to the passenger in two ways: lounges and the opportunity to shop makes travel more relaxing. Secondly, generating non-aeronautical revenue helps reduce airport taxes needed to fund operations.

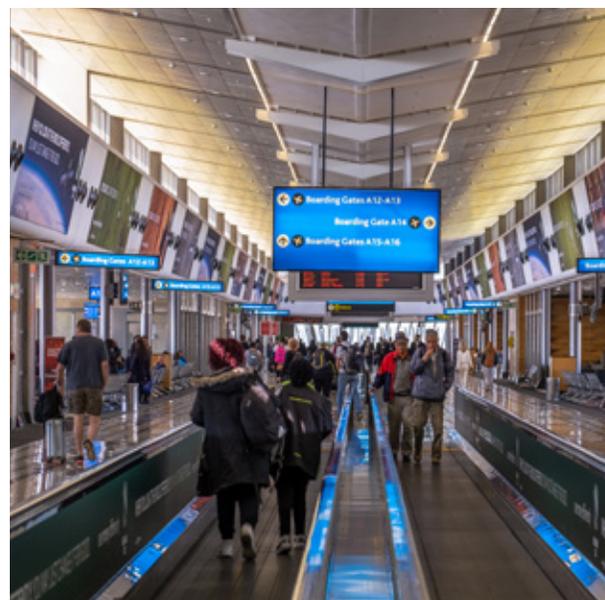
The Governance Framework and Operating Model prepared the Group to transition to the “quality growth” phase. That is, consolidating operations across our network of airports and proposing a value offering that could be marketed globally. Airports are infrastructure-intensive businesses, so we structured the Group to:

- Act as an asset owner to internal and external stakeholders;
- Implement principles of asset and occupational safety management; and
- Formalise the practice of integrated airport planning and decide how to further develop our property portfolio.

The following is notable progress for FY2018/19

- A 27% year-on-year reduction in asset breakdown time, following a 31% reduction in FY2017/18. Asset breakdown refers to unplanned stoppage of assets (and subsequent repair) that interrupts airport operations. This success is owed to implementing technical monitoring for assets, intensified maintenance programmes for certain classes of assets and implementing a service management programme to forge a deeper working relationship with service providers.
- We have also decided to classify our assets in the categories of core, key and supporting assets. This categorisation describes the criticality of the asset to assure business continuity. Each category has a distinctive approach to aspects such as: maintenance regimes, refurbishment cycles, replacement, service management, assurance, condition monitoring, and in-house skills development. This revised approach will optimise both operating and capital cost.

- In-house development of engineering specification and technical standards for step-out projects².
- Integrated Master Planning (IMP) has been completed at most of the airports. The outcomes of this work will shortly be seen in expansion projects such as: O.R. Tambo International Airport’s mid-field cargo development and Western Precinct Office Park development, and terminal developments in George Airport and Port Elizabeth International Airport. The IMP is also a key element that informs the Group’s next 10-year build cycle.



Our infrastructure asset management efforts will afford standardisation of operating and maintenance practises; higher equipment availability; timely development of new infrastructure; facilitate learning across sites; and allow us the ability to interrogate and compare service costs. This work paves the way to implement an ISO-standard for asset management across all airports. The work will also help arrest the maintenance and repair cost creep.

All business processes and 80% of the asset management procedures have been revised in the last financial year. These have been aligned to the operating structure and where applicable with asset management industry practise. In the FY2019/20 financial year, full implementation of these will take effect. Airport management ASQ KPI service quality elements pertaining to cleanliness and availability of restrooms and airport facilities exceeded their element target of 4 with a score of 4.05. The table that follows outlines the performance of each construct at different intervals in the year.

Performance rating on airport service quality elements in FY2018/19

	Q1	Q2	Q3	Q4
Terminal cleanliness	4.21	4.23	4.20	4.22
Availability of washrooms	3.95	4.02	3.99	4.03
Cleanliness of washrooms	3.90	3.98	3.96	3.94

We have also developed a revised approach to cleaning. This approach considers the deployment of cleaning staff that synchronises with airport passenger traffic, quality of cleaning materials, use of machinery for certain types of cleaning, and frequency of deep cleaning. This is being implemented across all airports through a competitive bidding process. This standardised approach will also positively contribute to containing operating costs. The appointment of service providers for O.R. Tambo International Airport will be completed by the end of 2019. We expect a significant improvement in ASQ results in coming months.

The capital programme for asset management has been reviewed and prioritised to address the lowest performing assets; regulatory compliance and those that have passed their useful life. Ablution facilities and people movers, mainly at O.R. Tambo International Airport, have been identified for replacement. The firewater design at some airports are also being upgraded to compliance standards. These need to be implemented with due consideration of the day-to-day passenger traffic at airports. In some cases, specialised rigging will be involved as previous airport designs do not easily facilitate major asset replacement. This work is targeted to be completed by the end of FY2020.

Other notable capital programmes include the refurbishment of all commercial assets, such as industrial property, office parks and airline offices. These assets generate approximately R38 million non-aeronautical revenue per month. A condition assessment of ~1 200 pieces of infrastructure has been performed and asset refurbishment priority determined. Suitable service agreements are now being procured so this programme can be implemented. The programme is expected to take between five to seven years at an approximate job cost of R3.8 billion.

Transformation improvements

The baggage handling system (BHS) at any airport is most critical. In previous years, the serving and maintenance of the system was “surrendered” to original equipment manufacturers (OEM), who had no real interest in transformation. This resulted in an inability to transform a highly specialised technical area. In the past year, we were able to segment the BHS service requirements to different disciplines of engineering, controls and maintenance requirements.

These revised specifications were packaged and issued to market. The bids received were promising and satisfied tender requirements. We played the role of “integration manager” and were able to significantly transform this technical area. This revised approach is now being implemented across the Group.

Similarly, the service contract for all X-ray machines has been awarded to a transformed entity. The initial phases proved to be challenging from an administrative and OEM support perspective. This has been worked through and the service provider is now performing at acceptable levels.

Talent management

We have developed career paths for technical staff (planners, engineers, technicians, safety specialists). The technical performance outputs are articulated along a career ladder. This career ladder also provides for developing technical management capability. Staff who want to remain in a technical role can progress their careers to a level where rewards and benefits are equivalent to those of management. We are now in the process of finalising job profiles before implementation.

Significant progress has also been made with balancing gender, particularly at senior levels. The gender split for managerial staff is 13 female and 17 male. In the past 18 months, eight females have been hired into management roles. Notably, many of them are professional engineers and/or postgraduates.

The new hires have settled in their roles. The succession planning programme has also made steady progress over the past 18 months.

Occupational health and safety

Airports Company South Africa’s approach to occupational health and safety is underpinned by senior management playing an active role in ensuring safety excellence and an expectation of zero incidents. Management is responsible for ensuring that safety audits are carried out and for providing appropriate resources for a safe workplace environment. All personnel are trained on safety responsibilities.

Over and above this policy, several new developments have come to fruition in 2019:

- We awarded service contracts to Novamix Supplies (Pty) Ltd, a B-BBEE Level 1 contributor for medical facilities at airports. They will provide competitively priced primary healthcare facilities for travellers and airport stakeholders.
- We implemented a revised approach to occupational medicals. It considers health risk and exposure for Group job categories when prescribing the employee medical surveillance programme. Novamix Supplies (Pty) Ltd will work with us to implement this service. In time, this service will also be extended to airport stakeholders.
- The Group awarded service contracts to CT Med and Trauma Care (Pty) Ltd, a B-BBEE Level 1 contributor for provision of emergency medical services at airports. This assures the timely and medically capable response during the “golden hour” when a medical emergency occurs. This also includes equipment to perform resuscitations.
- Full implementation and fittings will be done to these facilities by mid-2020.

We have initiated a leadership-led, behaviour-based safety programme. Several discussions at an executive level have been completed to establish

the leadership resolve for this programme. Symbolic gestures such as senior leaders directly engaging staff and stakeholders; and senior leaders participating in safety compliance training, have occurred. Another cornerstone of a behaviour-based safety programme is personal awareness.

In FY2018/19 Group staff were incentivised to report safety incidents and/or deviations. This activity keeps safety “top-of-mind” and is a continuous reminder of the hazards of the work environment as staff go about their work. We are also exploring the option to align our safety reporting to an international practice – the Bird Triangle. This renowned lagging approach of performance measurement will enable the Group to proactively implement safety measures.

It is believed that continued focus from leadership, employee engagement and the forthcoming work of establishing “life saving behaviours” for an airport company will tremendously help safety performance. Life saving behaviours are those acts that are the most frequent cause of injury and property damage at the workplace. Breach of lifesaving behaviours is generally considered a breach of an employee’s terms of service. We will work with Labour on how best to implement these. It is encouraging to note that the effort of safety reporting has extended beyond Group employees. Health and safety monitoring will continue to improve and will be developed through FY2019/20 and beyond.

No section 24 incidents have been noted in FY2018/19. Risk assessments have also been completed for each engineering discipline at site as well as selected (higher risk) contractors.

Energy and the environment

The drive to transform the Group’s asset management services portfolio will continue in the FY2019/20 with due diligence studies completed for: HVAC; passenger loading bridges (PLBs); and fuel hydrant systems. We are working to a target that makes us a carbon-neutral business by 2030. In the past year, techno-economic studies for selected technologies to reduce our carbon footprint were completed. A technology implementation programme will now be carried out. Feasibility studies have been completed for energy storage at regional airports and all vehicle charging facilities on airside will use a combination of solar and storage technologies. We are also implementing solar-powered (plus storage) lighting for perimeter fencing. The first application is at King Shaka International Airport.

Technology due diligence has also been completed to use anaerobic digestion to extract methane from airport waste, particularly from the food and beverage section and sewage works. The technology is able to perform but the quantities of waste generated are not sufficient to achieve economies of scale. Additional due diligence will be performed to understand the feasibility of high-rate reactors and confirming the calorific (heating) value of the waste streams.

We have set ourselves the bold ambition to be a carbon-neutral business by 2030. In the past year, techno-economic studies for selected technologies to reduce our carbon footprint have been completed. Technologies such as gas-to-power have the prospect of reducing Group operating costs by as much as R150 million per annum. We continue our solar energy journey.

- The implementation of solar farms at regional airports is nearing completion and pilot studies to

implement energy storage at regional airports will commence.

- At all airports, battery charging facilities will use a combination of solar and storage technologies.
- The opportunity to implement solar-powered (plus storage) lighting for perimeter fencing is in progress. The first application is at King Shaka International Airport.
- Other technologies such as electric vehicles, solar thermal, vertical axis wind turbines, and geothermal are being incubated for the next wave of implementation.
- A revision to waste management will be implemented in the Group. Due diligence has been completed and tenders will be issued to market. With a higher level of waste categorisation, we are targeting income generation on some streams of waste so that we can fund the landfill streams.
- It is also expected in coming years that South Africa will implement stricter legislation relating to landfill waste. We have been performing technology due diligence to use anaerobic digestion for treatment of food and sewage. The technology generates methane that can be used as a clean energy source. Work to pelletise airport waste destined for gasification has also kicked off.
- We are implementing water harvesting technologies at Cape Town International Airport that allows one to operate independently of the municipality. Discussions are now in progress to finalise the water management plan in conjunction with the City. Moving forward, the intent would be to replicate these technologies at other airports depending on the investment attractiveness.

Outlook

International competition for air travel hub status has increased, forcing us to think more carefully about diversification and maximising our potential given our geographical location. Dynamics in the airline industry and changes in traffic patterns have become a significant material matter, but regardless of the makeup of the carrier mix passing through our airports, it is incumbent upon us to ensure that all our stakeholders are provided with a seamless and efficient airport service.

To that end, with the delivery of crucial infrastructure drawing closer, plans are in place to cope with construction and maintenance disruption so that we continue to demonstrate operational excellence and win awards and recognition even as we sweat our assets in the final phases of their life cycle. Our awards haul through FY2018/19 indicates that we will be able to complete our strategic objectives despite obvious challenges, providing a safe, secure and efficient airport service for more passengers to enjoy through 2020 and beyond.

Environmental feedback

Element and metric	FY2018/19	FY2017/18	Material changes
Electricity consumption in kilowatt hours	235 274 422	240 501 415	Electricity consumption decreased by 0.73%. Up until February 2019, our electricity consumption figures showed a higher level of performance. During the course of March 2019, the O.R. Tambo HVAC system consumed a greater amount of power due to a higher demand for cooling. Electricity generated by solar power installations at our airports was slightly up from FY2017/18, and will continue to increase as the Group ramps up its use of solar power.
Water consumption in kilolitres	1 916 380	2 212 623	Our water consumption reduced by 2.34% overall during FY2018/19. During the year O.R. Tambo International Airport suffered a collapse of their 300mm sewer mainline. The line collapsed into a culvert of around 800mm wide by 1800 mm deep. The culvert had to be continuously flushed for a period of six weeks while the sewer mainline was replaced to ensure the disposal of the sewer and prevent the smell from impregnating the terminal building. A considerable volume of water was consumed for this purpose resulting in the airport not recovering to its previous water consumption performance.
Fuel and diesel consumption in litres	422 162	636 147	Our efforts to manage fuel consumption by replacing older vehicles and promoting more responsible driving behaviour has resulted in a reduction in fuel consumption.
Waste recycled in kilograms (millions)	3 210 986	3 833 117	Waste recycle decreased by 2.96% in FY2018/19. While contracting methodologies remained unchanged during the year, and the heightened awareness of waste recycling will continue.
Noise management incidents reported	12	17	Noise complaints have decreased by 29% as a result of the implementation of noise mitigating measures and our interaction with affected parties.
Bird strikes	329	338	Bird strikes have decreased by 3% which can be attributed to our airport wildlife management programmes.

DEVELOP AIRPORTS



Airports Company South Africa develops its airports and service offerings with a view to maintaining and improving its quality of service to customers, accommodating growth in air travel and providing future platforms for further growth of our capacity and footprint.

Focus areas

- Governance, approval and design of infrastructure upgrade projects
- Growth in advisory services
- Innovation in airport maintenance
- Procurement and supply chain management
- Ongoing maintenance

Topics raised by stakeholders

- Delays in infrastructure upgrade delivery
- Alignment of government mandates and social programmes
- Environmental sustainability
- Sound financial performance, strong governance and regulatory compliance

Overview

We improve and expand airport infrastructure to unlock our airports’ development potential from a spatial point of view, while minimising disruption to airport operations. We are committed to providing world-class airport infrastructure for our stakeholders and the country at large. Our infrastructure investments provide significant regional and national economic benefits and are developed in consultation with the airline industry, local communities, local municipalities, provincial authorities and suppliers in order to ensure that all airport master plans are fit for purpose and consistent with relevant policies.

Compared with other state-owned enterprises, our capital expenditure requirements are modest, with R30 billion committed to an infrastructure refurbishment and replacement programme over five years. Of this, R19 billion will be directed to sorely needed new capacity development with the remaining R11 billion allocated to commercial, efficiency, technology, refurbishment and replacement work. The airports benefiting most from these infrastructure upgrades will be Cape Town International Airport and O.R. Tambo International Airport.

Several cargo infrastructure initiatives have been undertaken at our airports during the year. At O.R. Tambo International Airport the conceptual design process for the new midfield Cargo Precinct has been initiated.

This precinct will cater for the cargo facilities and support services to address Phase 1, which will enable the handling of 750 000 tonnes annually, and for a later proposed Phase 2 which will allow for growth and expansion of up to 2 million annual tonnes. The new facility will provide capacity for general cargo, specialised goods, as well as distribution and support services for the air cargo supply chain.

Cape Town International Airport

At Cape Town International Airport expansion will address severe capacity constraints within the terminals, aprons and the runway. The Terminal 2 project will add much-needed international arrivals and departure capacity while also improving our retail offering and increasing tenants’ storage facilities. Terminal 2’s capital expenditure was approved in June 2019 and is planned to be completed by September 2023.

The new domestic arrivals terminal project will add much-needed capacity and significantly improve passenger flows. A contractor should be appointed by January 2020 with an expected project completion date of November 2022.

Growth in international routes reaching Cape Town International Airport has meant increasing pressure on runway and aircraft parking capacity. Airports Company South Africa is therefore increasing runway capacity by 50% through realigning the primary runway and associated taxiways, allowing for an increase in hourly aircraft movements from 30 to 40, and providing new flight paths over recently acquired land at Swartklip. The concept design for the new realigned runway has been approved. The EIA is also approved, with a contractor to be appointed by February 2020. Construction is expected to be completed by August 2022.

O.R. Tambo International Airport

Upgrade and expansion projects will begin construction in 2020 and will be phased in over five to eight years. It will not only improve our service delivery to customers and stakeholders but also entrench

O.R. Tambo International Airport's position as South Africa's largest airport, enabling it to compete with the most efficient airports globally.

In order to accommodate demand and optimise aviation capacity, we are embarking on a few key initiatives:

- The construction of nine large remote apron stands to provide much-needed aircraft parking capacity for aircraft such as Airbus A380s, and seven medium remote apron stands for aircraft such as Boeing 737s. A contractor is due to be appointed by September 2019 with the stands being delivered in a phased approach until full completion in December 2022. The Delta apron 39-49 reconfiguration project to increase remote bays for large aircraft such as Airbus A380s, has also reached the stage where a contractor will be appointed by September 2019 and the project is planned to be completed in April 2021.
- Two projects for additional international busing gates, are in design phase and planned for completion in 2022. These will improve capacity for remote boarding.
- The Terminal A refurbishment project to upgrade and replace old equipment and improve the look and feel of the facility, is in detail design stage and is planned for completion in January 2022.
- The domestic departures airside corridor retail and seating nodes project is aimed at providing much-needed capacity to improve the retail offering and seating areas for passengers. The project is in the initial concept design stage and is planned to be completed in a phased approach with final phase to be completed in 2022.

- At the airport's western precinct, on an 8.5ha site, 180 000m² of real estate has been earmarked for a mixed-use development consisting of commercial and retail buildings and a hotel, which will be completed in phases. Construction has started on the new office block to accommodate the Airports Company South Africa corporate office and the South African Civil Aviation Authority at O.R. Tambo International Airport. This project is scheduled to be completed in December 2020.
- To further strengthen the position of O.R Tambo International Airport, the passenger journey is being made to be seamless and more efficient through the automation of various processes: information gates, passenger self-bag drop, pre-security automated gates with smart lanes, automated border control, self-boarding and an upgrade of the common-use self-service platforms are all part of our digitisation journey.
- An airport slots management system called Score was implemented for allocation of common-use airport resources. This system allows us to optimise our resource utilisation for a Level 3 coordinated airport. Aircraft parking is one of our subsystems that is constrained and accommodating aircraft that operate out of slot times or without a slot proves challenging. The Score tool was introduced to bring a higher level of efficiency to our operations and the airport's on-time performance.

King Shaka International Airport

While the airport remains relatively new at just eight years old, we are busy constructing two large aircraft parking stands and extending the airport's Bravo taxiway, which is due for completion in June 2020. These interventions will provide additional capacity and enhance safety on the airside.

Performance

Infrastructure and capacity upgrades

The year in review was spent making sure the governance components, approvals and design phases of infrastructure upgrade projects were completed. This means in FY2019/20 Airports Company South Africa will be ready to place tenders into the market to bring contractors on board and begin construction in FY2020/21.

In FY2018/19 capital expenditure was a modest R1.1 billion, but we will catch up on our spending programme when nine projects begin full construction phase in FY2020/21. All capital expenditure for upgrade projects, except for Terminal 2 at Cape Town International Airport, has now been approved.

Our new Enterprise Project Management Office (EPMO) is facilitating the development of project management policies, procedures and standards across the organisation's multiple portfolio management offices (PMOs) to mitigate the risks that are typically present in large capital expenditure projects. During FY2019/20 to FY2021/22 we plan to migrate from a Project Management Maturity level 1 (where standardised project management methodology is used in some projects) to a level 3 maturity (where standardised project management methodology is applied in all projects). We have adopted a common project lifecycle that is assisting with the improvement of our pre-project planning and feasibility processes which will lead to improved projects briefs and definition.

To mitigate disruption during construction and maintenance projects, where possible, construction operations which disrupt airport operations will be scheduled for night-time completion, with every precaution taken to suppress dust and to minimise noise as per regulated guidelines. Erosion management

will be applied, and any disturbed natural areas will be revegetated with indigenous grass species unpalatable to birds and mammals. Where possible, wetlands and water treatment facilities will be kept away from flight paths, to offset potential bird strike hazards.

During FY2018/19 we reduced asset downtime – unplanned stoppage and repair by 27% due mainly to intensified technical monitoring, maintenance programmes and a service management programme intended to forge deeper relationships with service providers. We have also synchronised services such as cleaning with peak airport traffic times in order to optimise our use of services, improve our ASQ score and reduce operating costs. We are due to appoint a new cleaning service provider at O.R. Tambo International Airport by the middle of the 2019 calendar year.

Ablution facilities and people movers – mainly at O.R. Tambo International Airport – have been identified for replacement, and firewater designs at some airports are also being upgraded to meet compliance standards. This work is due to be completed in the next financial year.

Importantly, we have completed a condition assessment of approximately 1 200 pieces of infrastructure in order to determine asset refurbishment priority. Most of the Group's assets have passed the 70% mark in their life cycle and are classed as being in the “wear-out phase”. Commercial assets such as hangars, industrial property, office parks and airline offices currently generate R38 million per month in non-aeronautical revenue for the Group, and over the next five to seven years at a cost of approximately R3.8 billion these facilities and assets will be refurbished to extend their useful life. In FY2018/19 we achieved our 99.5% target for asset availability. The improvement in mean time between failure (MTTR) improved by 114%. The asset management actual spend to budget was +8% for the year.

The aerotropolis concept

Airports Company South Africa's airport master development plans all follow the aerotropolis concept, which looks to stimulate regional growth and create job opportunities around our airports, in partnership with provincial and municipal authorities, as well as regional economic and tourism bodies. Moves towards integrated planning for the developments of aerotropolis concepts at our airports are gaining momentum, as our case study of **Cape Town International Airport's** Master Plan demonstrates. See page 44. 

Since the approval of a 25-year Master Plan for the Gauteng aerotropolis surrounding **O.R. Tambo International Airport**, plans to develop the midfield cargo terminal have been completed pending construction, which will be followed by the implementation of catalytic projects selected for their job-creation properties and the conversion of the surrounding region into a business hub. We continue supporting our partners in the City of Ekurhuleni to forge ahead as we focus on the midfield developments projects and the optimisation of the western precinct. These projects are a catalyst for the aerotropolis supporting socio-economic opportunities, employment and the development of the Special Economic Zone (SEZ). We are currently reviewing design options and conceptual layouts of the new midfield cargo terminal and working with the City and the provincial spatial Development and Roads and Transport Agency to ensure that the new K90 and PWD 15 access roads that enables midfield cargo are planned in tandem with our development.

An environmental impact assessment is expected by July 2021. The airport is constantly positioning itself as a significant player in the enabling of the socio-economic development aspects of the country's National Development Plan by facilitating trade and tourism.

In Durban, the **King Shaka International Airport** aerotropolis Master Plan was approved by the KwaZulu-Natal cabinet in calendar 2018, with Dube Trade Port as the implementing agent. An implementation framework is being developed. The eThekweni Municipality is also in the process of appointing a transaction advisor for the bulk waste water treatment plant which will service the city's northern areas, including Dube Trade Port and King Shaka International Airport, which will ensure long-term sustainable development is feasible in this node.

Unlike in major cities, formal aerotropolis project structures have not yet been established in George, Port Elizabeth, East London, Bloemfontein, Kimberley and Upington. However, discussions around the aerotropolis concept are taking place on different platforms. Through the offices of regional airport managers, Airports Company South Africa is in the process of formalising engagements with city councils and business communities. Our relationships with city councils have improved tremendously.

We have embarked on the project of concluding Airport Master Plans for regional airports. These plans will be in place within the next 24 months. Among all other relevant participants, city councils are the key stakeholders to participate in the master planning process. To date we have formalised our relationships with city councils in the form of MOUs in Port Elizabeth, George and Upington. We will now focus on doing the same for Kimberley, Bloemfontein and East London.

Airport	Activities in FY2018/19	Project focus	MOU's signed with
Port Elizabeth International Airport	We have made significant progress in integrating our airport business with the region of Nelson Mandela Bay Metro Municipality. Our relationships with key stakeholders are solid and regular engagements are under way.	The Port Elizabeth International Airport Airlift Project seeks to replicate the success of Cape Town's Air Access scheme and Durban Direct through a concerted partnership of signatories to the MOU. Short-haul route development to link the city with Kruger National Park in Mpumalanga, Windhoek in Namibia, Kigali in Rwanda and Harare in Zimbabwe, as well as long-haul routes to London in the UK and Frankfurt in Germany are being planned.	The Airport Airlift Project: Airports Company South Africa, Nelson Mandela Bay Metro Municipality (NMBMM), Nelson Mandela Bay Tourism and the Nelson Mandela Bay Business Chamber. We are in the final stage of signing a multi-stakeholder MOU in Nelson Mandela Bay, and are embarking on a review of the airport precinct plans.
King Shaka International Airport	A process is under way to appoint a transaction advisor for the implementation of a public transport link to King Shaka International Airport, with the intention of creating public transport corridors connecting King Shaka International Airport and Dube Trade Port to the main centres of Durban, Umhlanga, Ballito and other nodes in a long-term solution. In the interim, a short- to medium-term solution as a public transport link to the airport is being developed. Durban Direct, the route development committee for King Shaka International Airport, has been very active in engaging with international airlines to encourage new routes. British Airways now flies a direct route between King Shaka International Airport and Heathrow three times a week, commencing in November 2018.	Private sector interest in driving tourism in the region has increased.	eThekweni Municipality, KwaZulu-Natal Department of Transport and other stakeholders.
George Airport	Conversations around the airport city are still at an infancy stage, but the mayor's office and other government organisations are participating in discussions and airport plans have been presented at a forum convened and chaired by the Department of Trade and Industry, with a view to sharing spatial development plans.	Our airport master plan is being drafted and will be completed within 24 months.	Garden Route Municipality and City of George.

Innovation

Airports Company South Africa is being innovative in its approach to maintenance, including the use of alternative energy and storage solutions. We are also looking into the use of drones to perform several operational activities such as runway inspection and perimeter security patrols. We are working with Air Traffic Navigation Services and the South African Civil Aviation Authority to develop guidelines for the use of drones on our aerodromes as it will substantially speed up runway inspections, enable more frequent inspections

minimising disruption to runway movements and enable easy patrols of parts of our perimeter security borders which are currently inaccessible for land patrols.

Outlook

Airports Company South Africa seeks to augment its aeronautical revenue through exploring new opportunities to grow revenue in the property, retail, advertising, car rental and car parking spaces.

We aim to use our world-class reputation in developing airports to generate non-aeronautical revenue by providing facilities that are attractive commercial propositions to suppliers and other stakeholders. Improved and innovative long-term planning will allow us to become more creative in our business model.

GROW FOOTPRINT



Airports Company South Africa sets out to grow core business activities and revenue by responding to changes and opportunities in the international air transport market and ensuring that our business is sustainable in the long term. Our global reputation as a world-class airport operator allows us to further generate non-core revenue through offering airport management, training and advisory services to other airports, as well as investing in international airport concessions to impart our skills and knowledge, thereby strengthening our brand.

Focus areas

- Drive traffic through our airports
- Advance our offering of training and consultancy
- Develop new international routes from South Africa's three international airports
- Bolster the Gauteng Route Development Committee structure to drive international traffic through O.R. Tambo International Airport
- Conduct research that will underpin further revenue generation

Topics raised by stakeholders

- Performance of concession investments
- Route replacement on the back of struggles of the national carrier
- Appetite for taking over airport management contracts
- Competing countries

Overview

We grow our footprint to increase our capacity and global reach, strengthen our brand and enhance our value creation process. The goal is to grow our aeronautical footprint, while increasing airport advisory services to airports in South Africa and the continent. We continue to build relationships in new markets in Africa, based on our experience and world-class reputation in airport management. We invest considerable energy into translating these relationships into tangible business opportunities that will generate additional non-core revenue.

Non-core revenue in FY2018/19 of R58.6 million (FY2017/18: R59.6 million) exceeded the target of R33 million.

Our KPI target of achieving an O.R. Tambo International Airport Connectivity Index score of 133 (FY2017/18: 135) was exceeded with a FY2018/19 actual figure of 139. This index measures the connectivity to each gateway

linked with O.R. Tambo International Airport, and considers the number of one-stop connections within six hours of the final destination. Given the challenges of attrition in the air travel industry during the year in review, we consider this index rating an achievement.

In FY2018/19, a thorough technical analysis on origin and destination markets to pursue has been instrumental in the formulation of approaches to airlines for Cape Town Air Access and Durban Direct.

This research also gives us a better understanding of the passengers passing through our airports, their dwell time, what sort of goods they buy and an appreciation of where these passengers are coming from. All marketing is guided by this research, and it contributes to spatial development plans. Airports Company South Africa is now able to be more targeted in its marketing campaigns, as well as more adept at attaining the correct retail mix within airports to suit a changing international passenger profile.

Domestically, the Group has won several contracts for advisory and consultancy services, as well as providing advisory assistance to other airports where there may not have been a business case to take over management of those airports, but where their continued operation would contribute to the growth of sustainable domestic routes for South Africans to fly more broadly by interacting with our network.

On the international side, while there were no compelling concession investments on offer during FY2018/19, we have secured operational and airport transfer contracts. We continue to believe the African market is ripe for technical advisory services which will bolster our non-core revenue in years to come and are working hard at formalising relationships that may offer opportunities in future.

Material matter: New growth opportunities

Description

Revenue diversification is an important element of our growth plan. By growing our non-core revenue, we reduce our reliance on traditional aeronautical revenue, helping to mitigate concentration risk. Our reputation as an airport business drives non-core growth, as it influences our ability to provide competitive advisory services to other airports.

Strategic response

We actively seek business development opportunities in South Africa, Africa and internationally to provide alternative sources of revenue and improve our long-term sustainability. We focus on business intelligence, technical advisory and consultancy service capability, process knowledge and other expertise to secure contracts that enable the growth of our footprint.

Impact of the new growth opportunities material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
 Grow footprint	<ul style="list-style-type: none"> Increased engagement with South African and African airports. Increased provision of advisory services domestically and internationally. Engaging with all stakeholders to develop integrated airport master plans following the aerotropolis concept. 	<ul style="list-style-type: none"> By diversifying our revenue streams we reduce our dependence on aeronautical revenue and strengthen our long-term sustainability. Regional airport growth and expansion stimulates economic opportunities around them and uplifts local communities. By ensuring that non-Airports Company South Africa airports in the country are sustainable, we ensure that South Africans benefit from a broader and integrated regional air travel network. 	<ul style="list-style-type: none"> Achieve return on equity target. Generate non-core revenue. Grow non-aeronautical revenue. Increased participation in non-Airports Company South Africa airports in South Africa. Create job opportunities. Increase O.R. Tambo International Airport connectivity. 	<ul style="list-style-type: none"> FY2018/19 contained a number of challenges in achieving our desired non-aeronautical revenue targets, most prominently in the form of litigation. We have restructured our contracting processes to pave the way for future supplier transformation.

Performance

Business development

Our most significant challenge through FY2018/19 has been attrition of regional operators, from continental Africa and domestically, due to the challenging economic environment. Rationalisation of route networks and the removal of capacity took its toll on revenue, though there has been a positive response from replacement carriers in terms of aggregate growth as they balance supply and demand.

We believe the overall outlook for traffic development is positive, and we continue to engage with carriers to develop new routes, particularly with a view to becoming a hub linking Asia to South America. Currently these linkages are under-served and offer an opportunity for South African international airports to play a role. South Africa remains an attractive destination for international carriers.

Continued route development within the SADC region will make South Africa's international airports more attractive as hubs, and we benefit from most African countries having fully liberalised their commercial air routes.

Stimulating regional growth

Our engagement with airports not owned by our Group in South Africa is driven by a belief that if more airports are technically compliant and sustainable, they will be able to stimulate initiation of new services between themselves and our airports, to increase safe air travel access to under-served parts of the country. We continuously engage with these airports to assist them with traffic development. We have a MOU pending with Polokwane, and relationships have

been formed with provincial authorities regarding Mafikeng, Oribi, Mthatha, Plettenberg Bay, Mossel Bay, Oudtshoorn and several airports in KwaZulu-Natal, where most of their needs are at infrastructure compliance level. We balance our commercial mandate with developmental reward, and act as an implementing agency and funding coordinator when there is no clear business case for the delivery of infrastructure from our balance sheet.

In the southwestern Cape, Mossel Bay and Plettenberg Bay airports are looking at handing airport management contracts to Airports Company South Africa, and technical assessments are under way.

New route development

Airports Company South Africa forms an integral part of structures around King Shaka International Airport, Cape Town International Airport and O.R. Tambo International Airport to drive traffic, anchored by the provincial government. In the case of O.R. Tambo International Airport's air access structure, one critical stakeholder remains to come on board to anchor and provide funding. This is intended to take place before the end of FY2019/20, allowing us to drive growth in airport linkages to O.R. Tambo International Airport.

Gauteng Route Development

The route development structure was established in February 2018, with a mandate to embed O.R. Tambo International Airport as a key hub in the Southern Hemisphere through the development and enhancement of new and existing route opportunities.

Airports Company South Africa, in collaboration with South African Tourism Agency (SAT), Gauteng

Tourism Agency (GTA), the Department of Tourism, City of Ekurhuleni (CoE), and the Gauteng Growth Development Agency (GGDA), leads the structure, although it is the ultimate goal to house the project under one of the provincial entities.

Cape Town Air Access

Cape Town Air Access is a collaborative partnership, with Airports Company South Africa as one of the founding members. The primary mandate of Air Access is to promote, develop and maintain air routes in and out of Cape Town International Airport and thereby enhancing the city's connectivity and access to global markets. The Cape Town Air Access initiative has since 2015 secured 13 new routes and 19 route expansions, adding more than 1.5 million two-way seats to Cape Town.

Durban Direct

Durban Direct is a collaborative partnership between Dube Trade Port, Airports Company South Africa, South African Tourism and other KwaZulu-Natal provincial entities (government and non-government) with the aim of improving connectivity into the province. The structure's efforts led to King Shaka International Airport being the fastest growing airport in our network of nine airports, albeit from a smaller base.

Nelson Mandela Bay Airlift

A collaboration between Nelson Mandela Bay Metro, the local business chamber and the Eastern Cape Development Corporation aims to enhance connectivity between Port Elizabeth and Southern Africa. Airlift strategy has been completed with only key elements on incentives and marketing expected for completion by the first half of FY2019/20.

In FY2018/19 the following new routes were put in place:

O.R. Tambo International Airport	Cape Town International Airport	King Shaka International Airport
Shenzen to Johannesburg – Air China. (Rerouting of JNB – Beijing service with a stop in Shenzen)	Vienna to Cape Town - Cathay Pacific (Seasonal)	London Heathrow to Durban – British Airways
Rome to Johannesburg – Alitalia. (Added a fifth weekly frequency.)	Hong Kong to Cape Town – Austrian Airlines (Seasonal)	
	Newark (New York) to Cape Town – United Airlines (launching later in the 2019 calendar year)	

Iberia terminated its Madrid–Johannesburg service. Airports Company South Africa is working on re-establishing a link to Lisbon to close this regional gap. We are also connecting O.R. Tambo International Airport with East Africa (Dar es Salaam – Air Tanzania) and West Africa (Libreville, Gabon and Douala, Cameroon – ASKY Togo). British Airways removed four weekly London Heathrow flights to Johannesburg, trimming extra capacity and better aligning supply and demand.

We are working on developing a link between Port Elizabeth International Airport and Lanseria Airport, as well as cross-border direct services into Namibia and Harare.

Developing expertise in advisory services

We engage non-Group airports locally and abroad to expand our advisory services offering. These advisory projects have allowed us to benefit from new revenue

streams and aligned our activities with our strategy to drive new frontiers and grow our footprint. The aim of Airports Company South Africa Advisory is to provide sustainable and cost-effective solutions to ensure the availability and sustainability of airport infrastructure. We put together expert teams to provide tailored services and assist other airports to operate differently and more efficiently.

Typically, these services include operational readiness and transfer services for existing and new airport infrastructure, engineering design, airport infrastructure design reviews, project management, due diligence studies, compliance and regulatory services and airport operations and management. Other areas include the identification of airport management and concession opportunities where a risk and due diligence assessment is conducted to establish the technical and commercial feasibility of the opportunity.

Our advisory man service days target for FY2018/19 was 50, which we exceeded by achieving 243 advisory man service days (FY2017/18: 82).

Commercialising the Training Academy

Airports Company South Africa is in the process of implementing an aggressive growth strategy for its Training Academy. We believe the market, particularly in Africa, is sizeable and have created a business plan accordingly.

Our revenue targets have been set to reach estimates of R32 million in FY2020/21 and R59 million in FY2021/22 in what we see as a significant growth area for the Group.

Equity investments

India

In terms of our existing equity investments, Mumbai's international airport is expected to generate profits in FY2018/19, but this facility has already reached capacity, reaching 48.83 million passengers in 2019 against a declared capacity of 56 million. Mumbai International Airport has embarked on an efficiency enhancement project to add additional capacity in the short-term. Airports Company South Africa's participation in the Mumbai International Airport Private Limited (MIAL) consortium, which won the bid for the new Navi Mumbai International Airport, will create new impetus for growth. The Group owns 10% of Mumbai International Airport and indirectly 7.4% of Navi Mumbai. The first 10 million passenger operating capacity at Navi Mumbai is expected to be available in December 2021. This is expected to ease aircraft and passenger congestion at Mumbai International Airport in the long term.

Brazil

In Sao Paulo, Airports Company South Africa is a minority shareholder (10%) in GruPar Consortium which was awarded a 20-year concession to manage the Guarulhos International Airport. Guarulhos has made a series of losses since 2014, but given the Brazilian economy's emergence from recession, the losses in FY2018/19 have been reduced to R136 million from R480 million in FY2017/18. We expect the airport to return to profitability by 2021 and to begin paying dividends for Airports Company South Africa by 2025.

We will continue to search for new concession investments, but our focus is on realising value from our existing positions to alleviate dependence on our balance sheet for further capital injections into other concessions.

Outlook

We believe there is strong demand for our services on the African continent, corroborated by our participation in Liberia, Zambia, and Rwanda. We believe airport authorities across Africa are candidates for our technical services, to either unlock efficiencies or help them better manage their existing infrastructure.

Outside the continent, in terms of concessions, the new Brazilian government is pro-privatisation, which creates an opportunity for new concessions to be auctioned in FY2019/20. In India, the government is looking to issue at least 30 concessions in the next 10 years and has already awarded six. We continue to solicit roles in these concessions and believe the Indian market is poised to grow in double digits in the next five years and beyond.

We also believe other select jurisdictions like Southeast Asia and Eastern Europe, as well as Central and South America, remain places where we should see new opportunities emerging.



BUSINESS ENABLEMENT

Human capital

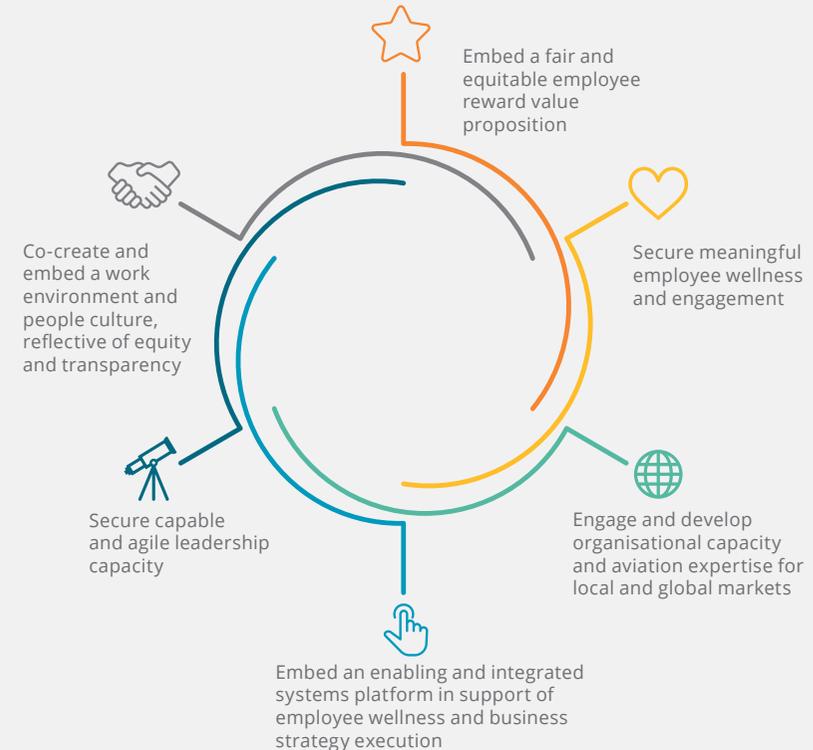
Our human capital enables the business to achieve Vision 2025. This defined purpose is to co-create an environment within which our employees can realise their full potential, thereby creating individual and company prosperity, in a sustainable manner. The essence of our approach is underpinned by these five key elements:



In executing our human capital strategy, five key focus areas have been identified as pivotal in developing an HR identity as well as shifting the human resource dial:

- Contribute to growing the footprint
- Strengthen business
- Build an enabling culture
- Always-on people management
- Transform to new frontiers

Furthermore, our human capital purpose and strategy is aligned to the Group's strategy, Vision 2025, as well as key global human capital trends. The strategy is implemented by means of a service delivery model and performance is measured against Human Resources frameworks and KPIs that dovetail with the Group's main performance metrics. We have identified six key drivers which we aim to excel at:



Our human capital purpose is to co-create an environment within which our employees can realise their full potential, thereby creating individual and company prosperity, in a sustainable manner.

The focus for this financial year was largely on strengthening the Group's capability towards realising its strategy, realising the intents of the operating model and contributing positively towards the availability of critical skills in South Africa.



Material matter: Acquisition and retention of skills

Description

Airports Company South Africa strives to attract, develop and retain critical skills.

Strategic response

Airports Company South Africa has developed an ambitious growth strategy with a vision to become a world-leading airport business. A key aspect of achieving this vision by 2025 is identifying critical skills and putting measures in place to attract and retain key talent segments.

Impact of the acquisition and retention of skills material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
Run airports	<ul style="list-style-type: none"> Fostering a positive workplace and a culture of Values-based leadership. Revised remuneration and reward policy to attract and retain skills. 	<ul style="list-style-type: none"> Our reputation as an employer of choice has improved and we have maintained Top Employer certification for eight (8) years in a row, enabling us to attract key talent. 	<ul style="list-style-type: none"> Achieve strategic objectives by attracting and retaining key talent. 	<ul style="list-style-type: none"> We continually measure and implement interventions to live up to a compelling employee value proposition.
Develop airports	<ul style="list-style-type: none"> Talent management ensures that skills requirements match our planning and development needs. 	<ul style="list-style-type: none"> We have created a healthy pool of talent, ready to assume critical roles. 	<ul style="list-style-type: none"> Achieve strategic objectives by maintaining ready-now successors with updated development plans. 	<ul style="list-style-type: none"> Constant alignment of Workforce Planning and Recruitment Strategies and Processes.

We are committed to attracting and retaining key talent through the effective management of employment equity, focusing on people with disabilities, youth development, improving the lives of our employees and ensuring a stable employee relations environment.

Our FY2018/19 Employee Satisfaction (ESAT) score was 3.55, exceeding our KPI target of 3.31 (FY2017/18: 3.54). The ESAT score, combined with an employee turnover rate of 6.0% (FY2017/18: 6%), indicates that we are an employer of choice and are retaining key

talent. Having achieved a leadership culture index of 80% against our KPI target of 70% (FY2017/18: 78.8%), this is further evidence of our leadership’s commitment to creating an environment and culture that attracts and retains key talent.

Other key metrics that warrant mention:

- There were 266 (FY2017/18: 198) promotions.
- The skills development spend increased to R48 million (FY2017/18: R40 million).

Employment equity

Airports Company South Africa is committed to developing a workforce which reflects the demographics of the economically active population of the country. We have identified, investigated and addressed any barriers to transformation and have driven conversations about employment equity issues at all leadership levels and across the HR value chain.

Black employees represent 93.9% (FY2017/18: 93.3%) of our total workforce profile as at the end of March 2019,

of which black males represent 50.9% (FY2017/18: 51.4%) and black females 42.9% (FY2017/18: 41.9%). Refer to page 34 for more on transformation.  Our female representation improved to 45.9% of the total workforce of 3 110 (FY2017/18: 44.7% of 3 067).

People with disabilities

The Group made significant progress in employing people with disabilities in FY2018/19, largely attributed to the implementation of the Persons with Disabilities Employment Strategy. We employed 82 people with disabilities (FY2017/18: 50), which is 2.4% (FY2017/18: 1.6%) of our total workforce and well in line with our target of 80. Progress made on the accessibility, reasonable accommodation and representation of persons with disabilities are attributed to the following initiatives:

- Developed a strategy on the employment of persons with disabilities, supported by a tactical plan

- Compiled and implemented an “Awareness Campaign” approach to create awareness as it relates to persons with disability including newsletters, screensavers, brochures, etc.
- Identified vacant positions per site for recruitment of persons with disabilities
- Commenced with disability sensitisation training at sites
- Commenced process of engagement with Disability Sector organisations with a view to establish a memorandum of understanding
- Focused recruitment approach of persons with disabilities
- Establishment of a quarterly Disability Network Support Group meeting

Youth empowerment

At Airports Company South Africa, we are determined to go beyond compliance. Skills development is a

critical driver of transformation, so our focus on youth transformation looks not only at building skills for the organisation, but also for the country at large. This can be seen in our bursary scheme for employees’ children, where we cover fields of study that span beyond the aviation industry, focusing on all critical and scarce skills in the country.

In the year under review, we invested substantial resources focused on youth training and development, which will ultimately benefit Airports Company South Africa in the provision of a future talent pipeline. We also contributed to youth empowerment by providing bursaries for tertiary studies and offering learnerships and internships for 275 candidates (FY2017/18: 259). We intensified focus on the commercialisation of our Training Academy through a business and implementation plan which has been approved and which will be implemented in 2020.

KEY FOCUS AREAS

Tabulated below is the report on our performance against each human capital focus area, the alignment with the Group’s strategic objectives and our plans for the year ahead.

Human capital strategy in action

Focus areas

Contribute to growing our footprint

Leveraging our human capital to enable the business to grow its footprint

Aligned to:
Diversify the business portfolio

Performance FY2018/19

An International Mobility Plan and Policy has been developed to support and enable business development

Training academy business plan and implementation plan developed as part of the commercialisation strategy

Determined technology and training facility requirements to deliver on a commercialised academy

Planned 2020

Deploy talent to international assignments or concession investments

Implement the training academy business plan

Secure Information Technology partner to support in delivery of a Learning Management Platform

Human capital strategy in action

Focus areas	Performance FY2018/19	Planned 2020
<p>Develop business capability</p> <p>Vision 2025 requires that we optimise our capacity and capability, we will ensure that appropriate skills and experience are obtained</p> <p><i>Aligned to: Increase stakeholder satisfaction through effective partnership; foster a positive employee workforce and environment</i></p>	<p>64% of employees identified as successors for critical roles are defined as ready within 12 months to assume the roles</p> <p>94% of identified successors have development plans and 71% of these development plans have been executed successfully</p>	<p>Ensure development of talent profiles for high potential employees and management thereof</p> <p>Implement Supervisory Development Programme (SDP) and Management Development Programme (MDP)</p>
<p>Create an enabling culture</p> <p>Create a culture of growth, accountability and innovation to support the achievement of 2025 goals</p> <p><i>Aligned to: Leadership Culture Index</i></p>	<p>Measurement of Leadership Culture Index (LCI) successfully rolled out to middle management level</p> <p>Rolled out individual and team coaching, for identified senior teams</p> <p>Inclusion of our Group values (PRIDE) in performance contracting to embed values-based leadership</p>	<p>Roll out focused initiatives to improve leadership effectiveness based on outcomes of the Leadership Culture Index (LCI)</p> <p>Implement the roll out of coaching and mentoring to the rest of the business</p> <p>Continue to contribute to the intended culture through implementation of PRIDE values initiatives and behavioural strategies</p>
<p>Always-on people management</p> <p>Operating in a manner that keeps the end user in mind and ensures that people and the employee experience are positively managed.</p> <p><i>Aligned to: Foster a positive employee workforce and environment</i></p>	<p>HR processes developed and consolidated to support the identification of key HR business intelligence metrics and set the basis for automation of the total employee experience</p> <p>Successfully launched employee self-service kiosks to enable access and convenience for employees and alleviate pressure off routine operational functions</p>	<p>Optimise HR business metrics reporting and People Analytics capabilities to enable automation of the HR employee experience</p> <p>Conduct stakeholder engagements to assess functionality of the self-service kiosks with a view to improve employee experience</p>
<p>Transformation</p> <p>Developing a Group mindset that goes beyond compliance.</p> <p><i>Aligned to: Achieve a demographically representative workforce; maintain and improve our contribution to B-BBEE</i></p>	<p>Achieved a demographically representative workforce score of 93.9%, exceeding the KPI target of 92.4%</p>	<p>Implement employment equity plan to progress towards achievement of the employment equity targets</p>

IMPROVING THE LIVES OF OUR PEOPLE

As part of the broader retention strategy, our aim is to improve the lives of our people through various interventions. This is to ensure a holistic employee experience beyond the workplace, into the homes and lives of our employees.

Housing scheme

The Group housing assistance scheme was implemented in July 2016 and its intent is to increase home ownership, decrease indebtedness and ensure dignified living conditions for our employees. Since its implementation, we have been able to achieve the following:

- Enabled 280 employees to buy their first homes and access the housing subsidy
- Assisted 226 employees with debt consolidation and management, putting them in a better position to buy property
- Granted 228 of employees the rental subsidy benefit to enable them to have improved living conditions

We have contributed R108.7 million through this scheme to date, and currently assist 734 employees through this scheme.

Transport scheme

We have launched a transport scheme which aims to provide safe, reliable and affordable transport to our employees during periods when there is limited access to public transport. As reported in the previous Integrated Annual Report, the procurement process was completed in 2017. We appointed 22 transport service providers and integrated them into our Enterprise Supplier Development (ESD) programme, which will empower them to sustain and grow their

transport business beyond the life cycle of the contract. Through the ESD programme, Airports Company South Africa entered into a memorandum of agreement with Mercedes Benz Financial Services (Mercedes). The Group and Mercedes each contributed 5% and 15% respectively of their ESD budgets towards the capital outlay of vehicles purchased by the service providers.

We have an average of 1 348 employees who have shown interest in using the staff transport programme. Staff transport was launched in a phased approach from December 2018 at some of our business operations. Since the launch, we have had an uptake of 766 employees, which equates to a 57% utilisation rate.

Supporting learning for employees and their children

We have supported employees who were highly impacted by the operating model changes by ensuring that they have focused individual development plans to ensure a smooth transition. Airports Company South Africa spent R2.5 million on international aviation programmes focused on deepening functional capability. We strengthened our commitment to elevating education levels within the organisation by providing bursaries to 305 of our employees.

We currently have 379 active employee bursaries worth R7.7 million, and in FY2018/19 we initiated 20 bursaries for children of employees, at a value of R1 million, which brings the total number of active bursaries for employees' children to 68 (R4.5 million).

The Group offers skills development programmes that are focused on building capability required to meet our strategic objectives as well as contribute positively towards the availability of critical skills in South Africa. We invested R48 million (FY2017/18: R40 million) in employee skills development programmes across the board.

Trade union relations

The labour relations environment at Airports Company South Africa continues to be fluid in that there are two trade unions with certain (Section 12 and 13 as per Labour Relations Act) organisational rights:

- National Health, Education and Allied Workers Union, with 28% representation across the workplace.
- National Transport Movement, with 10% representation. This union has recently been notified of our intention to terminate its organisational rights.

The National Union of Metalworkers of South Africa has grown its presence in the Group from 9% to 19% largely at the expense of the National Transport Movement. We continue to monitor shifts in trade union representation closely and engage with the various stakeholders to ensure the maintenance of a stable employee relations environment.

Material matter: Technology and digitisation

Description

Rapid advances in technology represent a competitive threat and opportunity. Technology heightens the threat of business disruption and cyber-crime. However, it enables our airports to improve operational efficiency and management of safety and security. Furthermore, it allows us to respond to increasing demand by our customers and commercial partners for automated services and digital enablement, including data analysis.

Strategic response

The Group is implementing a comprehensive digital strategy to ensure that we adopt and leverage appropriate digital technology to enhance operational efficiency and customer experience, while protecting our information and systems. We have strengthened IT skills and governance to ensure IT enables the Group's strategic objectives. The results of an IT maturity assessment conducted in 2017 reflected a significant improvement from 1/5 in 2015 to 3.5/5.

Impact of the acquisition and retention of skills material matter on our business

Strategic pillar	Our response to risks and opportunities in FY2018/19	Impact of our response on stakeholders in FY2018/19 and beyond	Our desired outcome	Trade-offs to achieve our desired outcome
 Run airports	<ul style="list-style-type: none"> Digital strategy implemented to improve operational efficiency and customer service External expertise appointed 	<ul style="list-style-type: none"> Use of innovative technology enables us to respond to customer needs for efficiency and safety and defend our competitive position 	<ul style="list-style-type: none"> Achieve return on equity target Improved Reputation Index 	<ul style="list-style-type: none"> Investment in digital strategy enabled improvement in IT maturity assessment

IT AND DIGITISATION

During the year in review, we introduced a new Board committee, the Information and Communication Technology Governance Committee (ICTGC), to strengthen governance, procurement and management of IT infrastructure, networks and systems. The formation of the ICTGC has allowed our IT needs and concerns to receive appropriate Board consideration.

There were no significant changes to IT policy during FY2018/19, although our information management and classification policy is in review.

A total of R287 million was spent on data centre and network upgrades, a significant investment for the Group. Our IT architecture council ensures that all technology acquisitions align with strategic imperatives, avoid duplication and are mapped out in terms of functionality required by the Group in terms of the corporate plan.

The Group is currently rated at level 2 in terms of IT security maturity, and is aiming to achieve level 3 in FY2019/20. Airports Company South Africa follows COBIT 5 standards in managing its IT infrastructure.

Performance

We have embarked on a five-year IT upgrade programme. The Board approved R1.2 billion in capital expenditure as we set about laying down the IT infrastructure necessary to transform into a truly digital airports business. In all, R301 million will be spent on IT network optimisation, R142 million will go towards IT backup and storage solutions and R240 million will be spent on improving and upgrading our IT physical infrastructure. This programme will lay the necessary groundwork for catering for future growth and the replacement of legacy equipment which no longer meets infrastructure standards.

Passenger processing

Cape Town International Airport is the location of our trial implementation of passenger self-service, with electronic immigration facilities to be installed in FY2019/20.

These services will radically reduce delays and time taken for passengers to pass through check-in and immigration, allowing for more dwell time beyond security checks. Faster passenger processing will allow the retail component of the airport to generate more non-aeronautical revenue, while also improving the passenger experience and associated airport ratings.

Cyber-security

Paperless travel will require Airports Company South Africa to tightly integrate its passenger processing systems with databases residing with the Department of Home Affairs and the Department of Transport, as well as with airlines, to share information which will allow us to seamlessly verify the identity of the passenger and motor vehicles moving within airport precincts.

Responding to passenger demands, we have also rolled out free, unlimited wi-fi access throughout our airports, which has improved our airport passenger experience ratings. However, this brings with it greater security risks which must be constantly managed.

In January 2019, we suffered a security incident where 50 email accounts were compromised. Remedial action taken was to bring in external security specialists to contain the threat and increase proactive response capability, which was successfully implemented by February 2019.

Business intelligence and analytics

While the Group stores various types of data in the course of operations and passenger processing, we

believe our competitive advantage in creating value will come from “owning the passenger”, which could double IT’s direct contribution to revenue (R17 million in FY2018/19) within two years. In future, Airports Company South Africa will be able to engage with passengers before and after they enter the airport, while on-selling products and services according to individual behaviour patterns and preferences.

To this end, we are exploring options to install a retail transaction management system which will provide real-time information on point-of-sale data from airport tenants in order to appropriately determine rental charges and stem revenue leakages, as well as options to take ownership of all infrastructure at the airport, including mobile network antennae.

We are engaging with ICASA to create a common network that can be leveraged to increase airport revenue through a fee-based rental system for mobile network operators. A challenge we face in adapting to this new strategy, is attracting and retaining data science talent. We are actively engaging with universities to try move more young people into these roles.

Social media and mobile technology

Airports Company South Africa is working on a mobile application (app) which will allow customers and passengers to interact with our airports remotely. Passengers have indicated that they want seamless integration of the social and business spaces. By the end of the 2020 calendar year, we intend to launch an app to drive the passenger self-service experience.

Staff enablement

IT systems and infrastructure have played a significant role in improving our employee satisfaction ratings.

We have embraced cloud computing, moving HR and end user device management functions into the cloud to provide for remote employee productivity and efficiency. Accessibility to information from remote locations has improved.

Recognising that not every employee has access to a computer terminal, electronic kiosks have been installed across all airports to facilitate employee HR self-service such as viewing and printing payslips, and viewing leave balances and applying for leave.

Transformation

We have sourced 23 service providers to share work packages with major contractors. Airports Company South Africa’s supplier development programme is based on a 60:40 split, ensuring that 40% of all contracted work must be fulfilled by small and medium black-owned service providers.

Engagement, workshops and advocacy with large contractors has enabled the Group to fulfil its transformation mandate in the IT space in a mutually beneficial arrangement.

Outlook

Our main objective remains to implement our strategy, and addressing delays in the rollout of services. Two data centres were installed at O.R. Tambo International Airport in the 2019 calendar year, as well as a data recovery centre at Cape Town International Airport. We have ensured that key tier 1 systems have appropriate disaster recovery capabilities and high availability. The remaining 25% of our disaster recovery systems will be implemented in the 2020 calendar year.

→ **GOVERNANCE AND REMUNERATION**

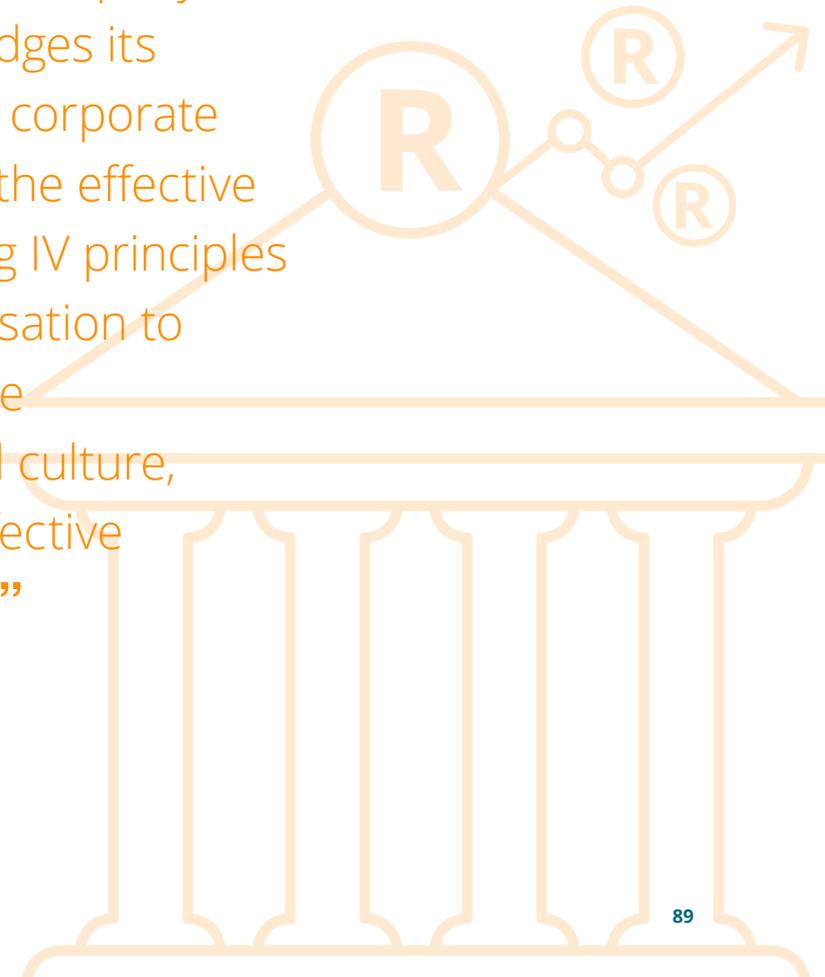
2019
INTEGRATED REPORT





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The Board of Airports Company South Africa acknowledges its responsibility for good corporate governance, including the effective implementation of King IV principles throughout our organisation to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy.”



GOVERNANCE

Executive summary

The Board of Airports Company South Africa acknowledges its responsibility for good corporate governance, including the effective implementation of King IV principles to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy. Sound governance is implicit in our values, culture, processes, frameworks, functions and operational model. The Board exercises leadership, integrity and judgement in pursuit of the Group's strategic goals and objectives to achieve long-term sustainability, growth and prosperity for Airports Company South Africa and its shareholders.

Airports Company South Africa's approach to corporate governance is based on six fundamental principles: accountability, transparency, responsibility, independence, ethical fairness and social development. The Group acknowledges that its dual purpose – to both serve its customers profitably through world-class airports and fulfil a social development role as an ancillary body of government in line with National Development Plan objectives – requires that it is fully committed to the effective implementation of King IV principles throughout the organisation.

Airports Company South Africa ensures that its operations are conducted ethically within the regulatory framework, with a focus on improving irregular expenditure management, ensuring leadership acts in an ethical manner and conducting itself as a responsible corporate citizen. The Board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the governance framework.

We acknowledge that the year under review has been a challenging one from the point of view of oversight. For part of the year, Airports Company South Africa operated with only four Board members due to the resignation of some Board members and existing vacancies. While the Board remained legally constituted, for a portion of the year, we were without a sufficient number to constitute Board committees.

Notwithstanding the absence of the intended and stipulated support for decision-making at Board committee level, due to circumstances beyond the Group's control – namely the appointment of new Board members – we are pleased to report that the Group's performance was not negatively affected. The appointment of new Board members and Board Chairman in the course of FY2018/19 has not only brought oversight back to required capacity, but has bolstered the Group's governance control framework.

In fact, during the year under review, the Group's reputation score measured among stakeholders through the RepTrak® survey has increased, indicating that our stakeholders not only view us as a valued partner but as an entity with dependable internal controls.

Our approach to corporate governance is backed by the Group's values expressed in the PRIDE acronym: Passion, Results, Integrity, Diversity and Excellence. The Group's Code of Ethics has been approved by the Board and is monitored by the Social and Ethics Committee, in addition to the behavioural standards specified in the employee manual. Our Audit and Risk Committee ensures that we comply with all relevant regulations and legal requirements.

The Group is committed to meeting all King IV disclosure requirements. Relevant supplementary documents and reports are available online at www.airports.co.za. The Board approves the annual financial statements, sustainability reports, Social and Ethics Committee reports after they have been considered by the Audit and Risk Committee, and Social and Ethics Committee. The reports are prepared in compliance with the PFMA, Companies Act, IFRS, IIRC's International Integrated Reporting Framework and ISO/SANS 31000. External auditors provide assurance on all external reports.

Effective and ethical leadership

The Board, through the Social and Ethics Committee, takes ultimate responsibility for ensuring that the Group cultivates a culture of ethical conduct to which management and all employees adhere.

In FY2018/19 all members of the newly constituted Board signed an ethics pledge committing themselves to the highest ethical standards and practices, individually and collectively. A copy of this pledge, our ethics policy and values can be found on our website at www.airports.co.za.

Ethics in action

During our annual ethics awareness training, we ensured that our employees acknowledged receipt of the code of ethics manual and read it to reaffirm their commitment to ethical practices. To date, 2 988 copies of the code of ethics have been issued to employees, Board members and other stakeholders.

Our code of ethics is unchanged and outlines standards of conduct expected of directors, managers, employees, service providers, suppliers and trading partners. Training is conducted throughout the Group, including our code of ethics, gift policy, conflict of interest policy, anti-corruption management plan and whistleblowing policy.

In the year under review an ethics risk assessment survey was sent to 2 960 employees, with 1 525 (51%) employees participating, evenly split between males and females – a record for the Group. This was done in an attempt to assess the Group's risk profile. The participating employees cited the following areas of an ethics management strategy and ethics management plan which they felt most needed to be addressed:

- Continuous leadership commitment to an ethical culture (talking the talk, walking the talk, transparency)
- Incorporating identified ethics risk into the Group's risk register and subjected to mitigation interventions, such as improving fairness and perceived fairness of certain people practices in the Group: appointment and promotion on merit and rooting out unfair favouritism.

We have committed to holding face-to-face workshops and continued ethics awareness campaigns to address these issues.

The Group's whistleblowing policy has brought tangible results, and the Group provides employees with various avenues, such as an anti-corruption hotline, walk-in reporting, direct calls through the ethics office or internal audit and direct reporting to management, to report unethical or irregular

conduct. The anti-corruption hotline is independently administered by an external company, which submits reports daily for investigation.

When a report is received, a preliminary investigation is conducted to establish whether there is a prima facie case. Thereafter, further investigation is conducted with the appropriate recommendations, should a more detailed investigation be warranted. Alternatively, appropriate action is taken where necessary, including referrals to external law enforcement agencies. We have acted on suggestions from employees to communicate better about action taken and cases closed, to boost the visibility of ethical conduct and remedial action within the Group.

Anti-corruption hotline: reported cases

	FY2018/19	FY2017/18	FY2016/17
Total number of cases	1 722	627	622
Prima facie cases	619	185	132
Prima facie cases closed	120	118	146

We have appointed ethics champions at all our airports. We report to employees, on anti-corruption measures and investigative processes in our newsletter to foster a culture of honesty, where employees are encouraged to report unethical behaviour confidentially.

The Group has begun reporting to stakeholders and employees on a quarterly basis, to improve our stakeholder relations function and further build trust. Responses through our reputation survey have shown

that this has been effective in bringing the desired results. The IIRC's International Integrated Reporting Framework, IFRS and ISO/SANS 31000 have been adopted as guidelines for producing the integrated annual report. The IAR is approved by the Board prior to submission to stakeholders.

As illustrated, we focused strongly on ethics during the year and intend to continue strengthening our ethical conduct. A measure of our success will be a reduction in the number of litigations brought against the Group.

**Hotline number 0800 00 80 80;
acsa@thehotline.co.za; or www.thehotline.co.za**

Responsible corporate citizenship

Airports Company South Africa is committed to its role in supporting economic growth and development, and making a meaningful contribution to transformation in South Africa. Our Social and Ethics Committee is mandated to oversee the fulfilment of this role. The committee reports quarterly to ensure regular oversight of outcomes related to:

- Environmental health and public safety (page 69)
- Transformation (page 34)
- SED projects and expenditure (page 40)
- HR and the work environment (page 81)

We strongly support and align with the United Nations Principles for Responsible Investment. Airports Company South Africa's majority shareholder, the South African government, is a signatory to the UNPRI and, as such, the Group strives to place environmental, social and development goals at the heart of strategic decisions. We are proud to be a net contributor of value in South Africa.

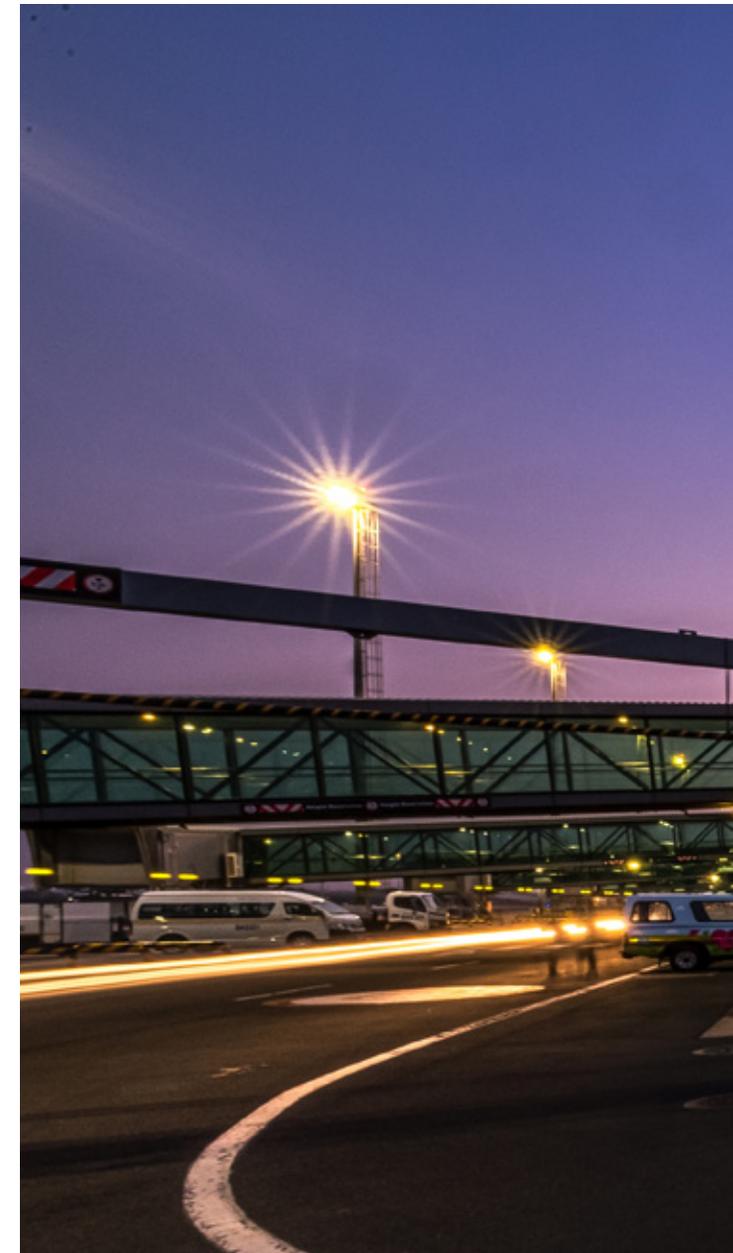
In the remuneration report on page 118 we have included information on the focus of our remuneration policies and practices on fair remuneration and additional assistance to employees. This includes a bursary scheme for employees' children (20 awarded in FY2018/19) and our contribution to reducing the significant remuneration gaps that exist in South Africa.

In addition to our focus on fair reward for our employees, we are committed to improving the workplace safety of our employees and contractors, who are an important extension of our human resources.

Value creation and reporting

Airports Company South Africa continuously strives to improve reporting standards through disclosure and alignment to relevant reporting frameworks and best practice. We seek to provide investors and other stakeholders with all relevant and material information. Page 4 sets out information regarding our reporting suite and how we ensure the integrity of each report through our assurance approach.

Our integrated reporting process has matured over the past five years to include quarterly integrated reports presented to the Board by our CEO. The rationale is to entrench and embed managing, measuring and reporting on the Group's business, people and society and environmental impacts and outcomes, in line with the Sustainability Framework within our strategy.

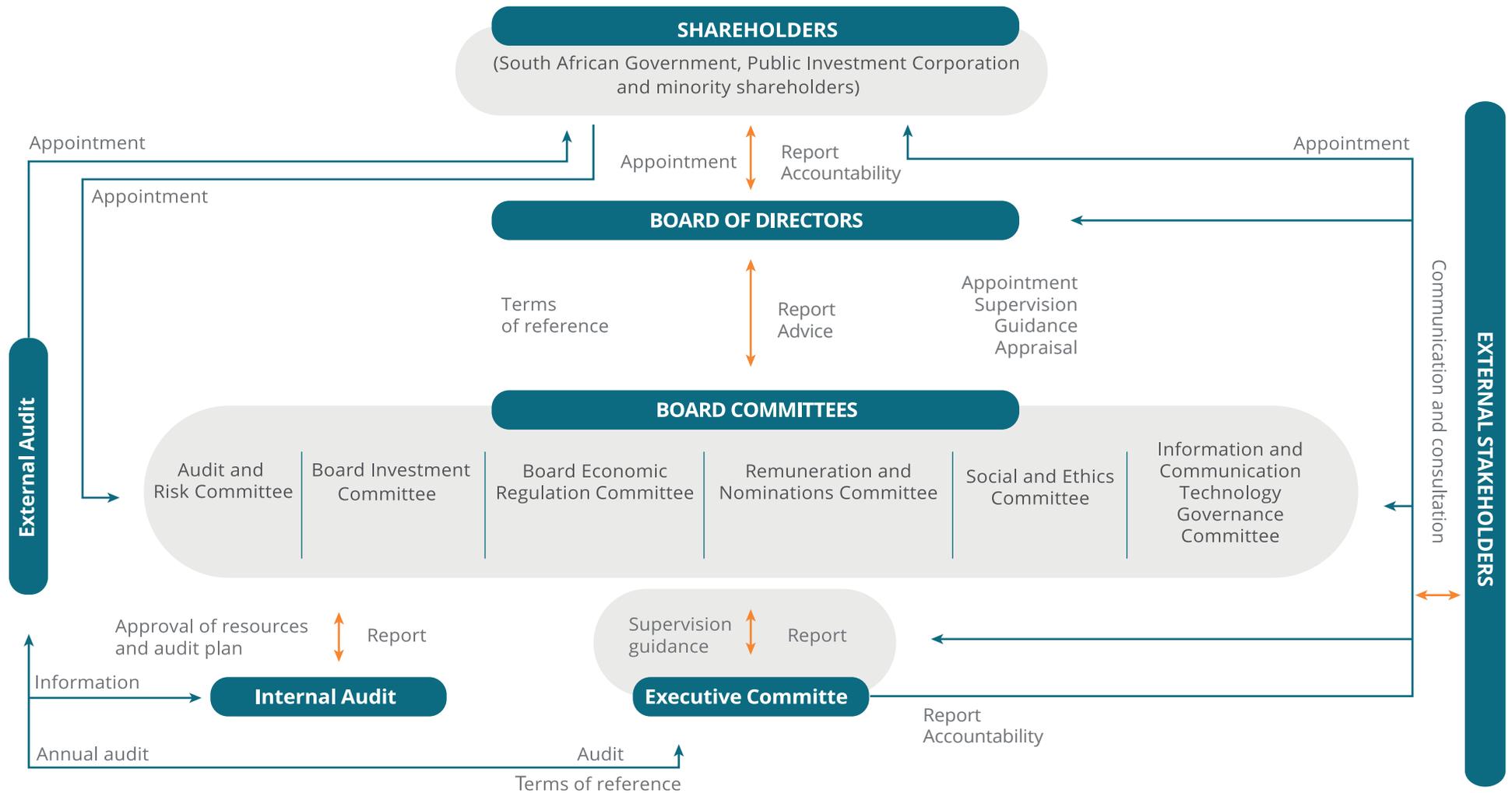




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The Board exercises leadership, integrity and judgement in pursuit of the Group's strategic goals and objectives to achieve long-term sustainability, growth and prosperity for Airports Company South Africa.”

Governance structure



Board composition, structure and report-back

The Board of directors is appointed by the shareholders, namely the Minister of Transport and the Public Investment Corporation (PIC). This is in accordance with the Company's Memorandum of Incorporation (MOI). Airports Company South Africa's governance framework and operating model set out the governance structures over operational functional areas and the interaction of these mechanisms to ensure effective governance. The Board is responsible for strategic direction, oversight and ultimate control of the Group.

The non-executive directors appointed by PIC are Deon Botha and Dudu Hlatshwayo. Deon Botha is a member of the executive committee and Dudu Hlatshwayo was a member of the PIC Board at the time of her appointment. According to the criteria adopted by the Board for assessment of independence, which are the same criteria in the King IV Report, both non-executive directors were considered not to be independent.

The Board held four normal meetings and seven special meetings during the year. The purpose of the special meetings was to consider, among others, constitution of Board committees after the appointment of new Board members, expiry of

the employment contract of the former CEO and finalisation of allegations of wrongdoing against the former CEO. The Board appointed an ad hoc committee to assist the Board in finalising the latter.

The Board remains effective and is responsible for the performance of the Group. The Board operates under an approved charter and ensures that financial management, risk management and internal controls are effective, as required by a PFMA schedule 2 public entity. The charter was reviewed during FY2018/19.

The Minister of Transport appointed Advocate Sandile Nogxina as the Board Chairman with effect from 9 November 2018 and Nosizwe Nokwe-Macamo, Ntombifuthi Zikalala Mvelase, Bonang Mohale, Pascalis Mokupo, Irvin Phenyane and Yershen Pillay as non-executive directors with effect from 1 September 2018. These appointments were made pursuant to the resignation of directors Siyakhula Simelane and Dr Matlodi Mabela. The PIC appointed Dudu Hlatshwayo to serve on the Board and the appointment was accepted by the Board on 12 June 2018. The Board has appointed Nosizwe Nokwe-Macamo as the lead independent director.

The Board members are satisfied that the Board has the right balance of skills, experience, competence and independence to perform its duties and make

a meaningful contribution to the Group's business. Board members are provided with additional support by the Company Secretary. The Company Secretary is professionally qualified. Her services and performance are evaluated by the Board through the performance review and Board evaluation process. The Company Secretary has not served as a director on the Board nor did she take part in Board deliberations and only advised on matters of governance, form or procedure. The Company Secretary is a secretary for all the Board committees and subsidiaries.

The directors are appointed for a three-year term which is renewable once. The Group has an insurance policy that insures directors against liabilities they may incur in carrying out their duties. The roles and functions of the Board Chairman, the lead independent director and the CEO are described in the Board charter. When directors retire from the Board, they automatically retire from Board committees and subsidiary Boards. Non-executive directors are expected to ensure that appointments outside the Group do not impinge on their ability to perform their duties as Airports Company South Africa directors and do not present conflicts of interest. The appointment of all directors to the Board requires the approval by shareholders at the annual general meeting. The key governance roles and responsibilities of the Board are outlined below:

Board Chairman

- Provides overall leadership to the organisation
- Ensures the integrity and effectiveness of the Board
- Sets the ethical tone for the Board and the Group
- Sets the tone for the performance of the Board
- Provides the necessary support to the CEO
- Ensures that relevant matters are placed on the agenda and prioritised properly

Lead independent director

- Leads in the absence of the Board Chairman
- Serves as a sounding board for the Board Chairman
- Acts as an intermediary between the Board Chairman and other members of the governing body, if necessary
- Leads the performance appraisal of the Board Chairman

Non-executive directors

- Contribute to Board effectiveness through opinions which constructively challenge and contribute in developing the Group's strategy
- Bring unique perspectives to the Boardroom to facilitate constructive dialogue

BOARD MEMBERS



Adv Sandile Nogxina (60)
Appointed with effect from 9 November 2018 (Board Chairman)

- Bachelor of Laws (LLB)
- Master of Laws (LLM)
- Higher Diploma: Tax Law
- Advocate of the High Court



Deon Botha (49)
Appointed with effect from 1 August 2013
Appointed as Acting Board Chairman from 13 April 2018 to 9 November 2018
Term expired on 31 July 2019

- Bachelor of Commerce (BCom) (Law)
- Bachelor of Commerce Honours (BCom Hons) (Business Sciences)



Dudu Hlatshwayo (55)
Appointed with effect from 12 June 2018
PIC withdrew Dudu Hlatshwayo's nomination on 3 September 2018

- Bachelor of Social Science (BSocSc)
- Master of Business Administration (MBA)
- Executive Leadership Development Programme Diploma
- Marketing Management Certificate in Product Strategy and Brand Management



Dr Matlodi Mabela (48) *
Appointed with effect from 1 March 2015
*Resigned on 19 April 2018

- Doctorate in Economics (PhD (Economics))
- Masters in Business Administration (MBA)
- Bachelor of Science Chemistry (BSc)



Kate Matlou (48) *
Appointed with effect from 1 March 2015
*Removed by the shareholder representative 16 February 2017, reinstated 31 May 2017. Term expired on 30 April 2019

- NDip (road transport, administration and stock)
- NQF 6 Certificate (public relations, dispute handling, SHEP, computing)



Yershen Pillay (35)
Appointed with effect from 1 September 2018

- Bachelor of Social Science (BSocSc) (Politics and Economics)



Siyakhula Simelane (36)*
Appointed with effect from 1 March 2015
*Resigned on 20 April 2018

- Chartered Accountant (SA)
- Bachelor of Commerce Honours (Accounting)
- Management Development Programme (MDP)



Ntombifuthi Zikalala Mvelase (54)
Appointed with effect from 1 September 2018

- Baccalaureus Procuratoris (BProc)
- Bachelor of Laws (LLB)
- Attorney of the High Court of South Africa



BOARD COMMITTEES

- BC** Board Committee
- ARC** Audit and Risk Committee
- BIC** Board Investment Committee
- BEREC** Board Economic Regulation Committee
- RNC** Remuneration and Nominations Committee
- SEC** Social and Ethics Committee
- ICTGC** Information and Communication Technology Governance Committee

The full curriculum vitae of each Board director is available online: <http://www.airports.co.za/about-us/executive-management/board-of-directors>



Bonang Mohale (57) *
Appointed with effect from 1 September 2018

*Mr Mohale resigned effective 1 July 2019



Pascalis Mokupo (50)
Appointed with effect from 1 September 2018



Roshan Morar (52)
Appointed with effect from 1 January 2012
His term was extended by PIC and he retired on 9 April 2018.



Nosizwe Nokwe-Macamo (57)
Appointed with effect from 1 September 2018



Irvin Phenyane (50)
Appointed with effect from 1 September 2018

- Chartered Marketer (CMSA)

- CA (L)

- Chartered Accountant (SA)
- Certified fraud examiner
- Bachelor of Commerce (BCom)
- Bachelor of Accounting Science Honours (BCompt)

- Master of Science (MSc) (Petro-Chemical Engineering)
- Diploma: Chemical Engineering

- Bachelor of Science (BSc)
- Master of Management (Public and Development Management)
- Post Graduate Diploma in Project Management
- Post Graduate Diploma in Management



DIRECTORSHIP



Executives



Non-executive directors



Independent non-executive directors

GENDER DIVERSITY:



10



4*

*As at 30 April 2019

DEMOGRAPHICS



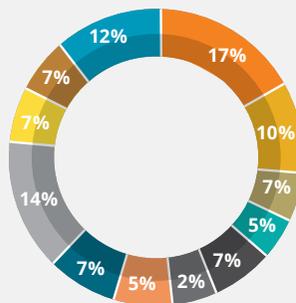
- Black men: 9
- Black women: 4*
- White men: 1
- White women: 0

*As at 30 April 2019

AGE



SKILLS



- Financial management
- Business administration
- Governance
- Aviation
- Logistics and transport
- Law
- Forensics
- Technology and innovation
- Compliance
- Stakeholder management and communications
- Strategic leadership
- Risk management



Bongani Maseko (51)*
CEO

*Mr Maseko's term expired on 30 November 2018

- Bachelor of Science (Aviation Business Administration) (BSc)



Bongive Mbomvu (52)
Acting CEO

- Bachelor of Social Science (BSocSci)
- Bachelor of Laws (LLB)
- Master of Laws (LLM)
- Admitted Attorney of the High Court



Fefekazi Sefara (46)

Appointed with effect from 1 July 2018
Company Secretary

- Master of Laws (LLM)
- Bachelor of Laws (LLB)
- B Iuris
- Post Graduate Diploma in Interpretation and Drafting of Contracts
- Admitted Attorney of the High Court

Induction and ongoing Board development

Newly appointed directors undergo induction to enable them to make the maximum contribution within the shortest time possible. The induction includes visits to airports to familiarize directors with the business environment and operations. The directors are accountable and responsible for all actions of Board committees.

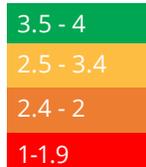
Other ongoing training and education courses allow directors to familiarize themselves with their fiduciary duties and responsibilities. The ongoing development programme is considered by the Remuneration and Nominations Committee.

Board evaluation

The performance and effectiveness of the Board was assessed by way of an internal self-assessment, which was facilitated by the Company Secretary. The assessment covered the Board as a whole, individual directors, the Board Chairman and Board committees. A formal, externally facilitated independent review will be conducted in FY2020/21 per the King IV Report recommended practice that the evaluation should

be conducted every two years. Every alternate year, the Board will schedule in its yearly work plan an opportunity for consideration, reflection and discussion of its performance and performance of the Board Chairman.

Scoring system



The lead independent director provided the Board Chairman with his appraisal feedback. The Board Chairman has received a rating of 3.5 for his leadership, an indication that the Board Chairman's leadership style is good.

The functioning of the Board committees has been rated as good.

The individual Board members have been provided with the outcome of the peer review and there are no material issues which have been raised.

The areas assessed in the Board evaluation were as follows:



The Board received an overall score of 3.2 out of 4.0 by its Board members, which is a satisfactory rating. This indicates that the Board believes that it is effective in the discharge of its corporate governance responsibilities, given that most Board members were appointed after the commencement of FY2018/19. There were no material concerns in respect of the assessed areas.

The areas which have been identified as confronting the Board now and in the immediate future have been summarised as follows:

Leadership and stability at executive management level	The Board commenced the CEO recruitment process in October 2018 and a recommendation was submitted to the Minister in December 2018. There have been delays in the approval of the appointment by Cabinet due to the change of ministers. The Board's recommendation is under consideration by Cabinet. The recruitment for the CFO position has commenced.
Anonymous complaints and legacy issues	The Board has built capacity within its governance processes and structures to deal with these matters, whilst acknowledging that the Board will not be stalled in doing its work by anonymous complaints.
Review of DLA	The Delegation of Authority Policy and Framework have been reviewed. The Board acknowledges that the DLA is a live document which needs constant review to align to the needs of the Company.
Sustainability of Airports Company South Africa	Matters pertaining to the sustainability of Airports Company South Africa will be discussed at the upcoming Board strategy session.
Supply chain management and irregular expenditure	Focus will be spent by the Audit and Risk Committee, and Remuneration and Nominations Committee in addressing challenges which have been identified in our supply chain management. The reduction in the current year's irregular expenditure is a demonstration of the Board's focus in addressing irregular expenditure. There will be more focus on consequence management.

The areas which have been rated as requiring improvement pertain to the composition of the Board with regard to rotation, succession planning at Board level, and succession management at management level. The former two are beyond the control of the Board as the Board is not involved in the nomination of non-executive directors. This will be addressed with the Minister of Transport in the light of the New Debt Listing Requirements proposed by the JSE for applicant debt issuers to have a nominations policy for the appointment of non-executive directors. The Succession Management Policy and Plan for management is under consideration by the Remuneration and Nominations Committee.

Conflicts of interest

The conflicts of interest policy is in place to manage any potential conflicts of interest. Directors sign annual declarations of interest disclosing their interests and interests in any direct or indirect personal or private interests that their spouses, partner or close family member may have in any matter related to the business of the Company. Directors would have to excuse themselves from deliberations on these matters. There were no such cases for the year under review.

Independent professional advice and access to information

The Board, its committees as well as any directors are entitled to seek independent professional advice concerning the discharge of their duties as directors and to gain access to information they may require in discharging their duties as directors. The Board has approved protocols to guide the directors in these instances.

Role and responsibilities of the Board

The Board is responsible for:

- approving the Group's strategy;
- acting as a focal point for, and custodian of corporate governance;

- providing effective leadership on an ethical foundation;
- ensuring the Group is a responsible corporate citizen;
- the governance of risk, including risks associated with information and communication technology;
- ensuring the Group complies with the applicable laws and considers adherence to non-binding rules and standards;
- monitoring performance; and
- ensuring succession planning for executive director positions is in place.

Due to the appointment of Board members after the commencement of the financial year, members could not attend all meetings of the Board and Board committees due to prior commitments.

Attendance:

Deon Botha	8/10
Dudu Hlatshwayo	9/9
Dr. Matlodi Mabela [^]	2/2
Nosizwe Nokwe-Macamo	4/8
Bongani Maseko [*]	7/7
Kate Matlou	10/10
Bonang Mohale	5/8
Pascal Mokupo	8/8
Roshan Morar ^{<}	1/1
Adv Sandile Nogxina	3/4
Irvin Phenyane	8/8
Yershen Pillay	7/8
Siyakhula Simelane [#]	2/2
Ntombifuthi Zikalala Mvelase	8/8

^{*}Employment contract expired on 30 November 2018

[^] Resigned on 19 April 2018

[#] Resigned on 20 April 2018

[<] Retired on 9 April 2018

Board committees

The Board has established six committees to assist and support the Board in discharging its duties. The committees established by the Board play an important role in enhancing standards of governance and effectiveness within the Group. Each committee acts in terms of its written terms of reference and the terms of reference were reviewed and approved during the year. The Information and Communication Technology Governance Committee is a new committee which has been established pursuant to a need that has been identified to have such a committee in place. The Board committees report back on their activities to the Board at all meetings. The committees and the Board are satisfied that the committees have executed their duties during the year under review in accordance with their terms of reference.

A summary of the Board committees' composition and responsibilities is provided below. The full reports from the Audit and Risk Committee, and Remuneration and Nominations Committee are provided on pages 102 and 105 respectively. 

Apart from regular agenda items, such as report-backs from each Board committee and comprehensive reports from the CEO and CFO, key areas of focus during the reporting period included the following challenges, developments, outcomes and continuing focus areas:

Area of focus	What the Board did
Constitution of Board committees	Subsequent to the resignation of some Board members in April 2018, the number of Board members in office was inadequate to constitute Board committees. The Board appointed Board committees at the special Board meeting of 7 September 2018 immediately after the appointment of new Board members.
Group strategy	<p>The Board has:</p> <ul style="list-style-type: none"> · Monitored the implementation of its strategy · Provided constructive challenge to management · Monitored progress made with regard to agreed strategic initiatives
CEO recruitment	Bongani Maseko's extended contract of employment as the CEO expired on 30 November 2018. The Board commenced with the CEO recruitment process in October 2018. The Board has finalised the recruitment process with the assistance of the Remuneration and Nominations Committee and has submitted its recommendation to the Minister. Ms Bongiwe Mbomvu has been appointed as the Acting CEO while the recruitment process for a CEO is under way.
Strategy review of the Group	The Board had its strategy review session in November 2018.
Finalisation of the matters raised in the forensic reports as a result of media allegations	The Board appointed an ad hoc committee to assist the Board in finalising the matters pertaining to the allegations against the CEO.
Approval of policies	The Board has approved various policies pertaining to employee relations, compliance and incentives
Compliance, risk, ethics and corporate governance	<p>The Board has:</p> <ul style="list-style-type: none"> · Received compliance reports through the Audit and Risk Committee in order to confirm that the Group complies with relevant legislation and regulatory requirements · Noted the report from the SEC on the results of the Ethics Risk Assessment within the Group · Received reports on material matters (threats and opportunities) · Held a risk assessment session · Considered the gap analysis on King IV Report principles and recommended practices · Approved the criteria for assessing independence · Approved the reviewed Subsidiary Governance Framework and Governance and Assurance Framework · Approved the recommendation for winding-up of Precinct 2A Investments SOC Ltd · Appointed non-executive directors to subsidiaries

Area of focus	What the Board did
Effectiveness	<p>The Board has:</p> <ul style="list-style-type: none"> · Considered the criteria for the FY2018/19 Board evaluation · Appointed a lead independent director · Considered the skills matrix of the individual Board members and Board as a whole
Value creation	<p>The Board has:</p> <ul style="list-style-type: none"> · Approved the Western Precinct Development, ORTIA Terminal A Refurbishment, Terminal 2 CTIA Capex for Enablement work · Noted the business and implementation plans for the Airports Company South Africa Training Academy
Leadership	The Board has considered regular updates and recommendations by the various committees
Remuneration	The Board has approved the reviewed remuneration policy
Relations with stakeholders	In order to ensure satisfactory dialogue with stakeholders, and to foster strong and open relationships, the Board discussed transformation related matters with the Black Management Forum (BMF).
Corporate citizenship	<p>The Board has noted reports from the Social and Ethics Committee on the various elements of good corporate citizenship including:</p> <ul style="list-style-type: none"> · The promotion of equality, the prevention of unfair discrimination and the reduction of corruption · Sponsorships, donations and charitable giving · Environmental, health and public safety, including the impact of the group's activities and of its products and services · Stakeholder relationships · The Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, and employment relationships · The Group's contribution towards the educational development of its employees
Financial results, liquidity, solvency and viability statement	<p>The Board:</p> <ul style="list-style-type: none"> · Considered, reviewed and approved the financial results for the year ended 31 March 2018 · Assessed, confirmed and satisfied itself of the Group's going concern statement. · Confirmed that the Group was liquid and that the solvency and liquidity test has been satisfied
Board charter and terms of reference	The Board has approved the reviewed Board charter and terms of reference of its various committees.
Regulation	The Board noted the Permission Decision and its impact on the Group's capex programme

ARC **AUDIT AND RISK COMMITTEE**

Committee chair: Pascalis Mokupo

Description of the committee:

The Audit and Risk Committee is an essential part of the Group's governance framework to which the Board has delegated the following key functions:

- Oversight of the Group's financial reporting process and risks;
- Managing the relationship with the group's external auditor; and
- Reviewing the group's internal controls and assurance processes, including those of Internal Audit.

Composition and meeting attendance:

The Audit and Risk Committee is composed by a majority of independent non-executive directors who meet predetermined skills, competency and experience requirements.

The CEO, CFO, COO, External Auditor, Group Executive: Governance and Assurance and CAE attend all committee meetings.

Subsequent to the resignation of some directors from the Board, the number of non-executive directors remaining was insufficient to constitute the committee. The committee was constituted on 7 September 2018 subsequent to the appointment of new Board members.

The committee has conducted an evaluation of the finance function and former acting CFO. The committee is satisfied that the experience, expertise and resources of the finance function, and the experience and expertise of the former acting CFO are satisfactory.

Meeting schedule and attendance:

During the year under review, the Audit and Risk Committee met five times and two of the meetings were special meetings convened to discuss the committee's approach in dealing with forensic reports pertaining to the allegations of wrongdoing against the former CEO, anonymous emails and the draft 2020-2022 Corporate Plan.

Activities and focus areas:

The committee:

- Considered strategic risks and their impact on achieving the Group's strategy and assessed the adequacy of controls and the combined assurance delivered over the identified risks.
- Monitored the effectiveness of the control environment through the review of reports from internal audit, management and the external auditor, and ensured the quality of financial report through the review of the financial statements submitted to the committee meetings.
- Noted the irregular expenditure incurred in the past and that it was due to control weaknesses in supply chain management (SCM) and poor contract management. Considerable efforts have been expended in improving SCM processes. Root causes were addressed and adequate control measures were put in place to prevent recurrence.
- Considered the approach to be adopted in dealing with forensic reports commissioned by the previous Board.
- Reviewed in detail the main judgements and assumptions made by management, relevant sensitivity analysis performed, and conclusions drawn from the available financial reporting information and evidence. Where appropriate, the committee sought input and views from the external auditor and encouraged rigorous challenge on control, accounting and disclosure matters. The committee also covered matters

related to budgeting, forecasting, funding, taxation and legal matters.

- Reviewed the judgements exercised on tax provisions.
- Considered management's assessment of the Group's tax exposures and the appropriateness of provisions recognised.
- Assessed the liquidity of the Group using the latest forecast projection of future cash flows and planned capital project expenditure.

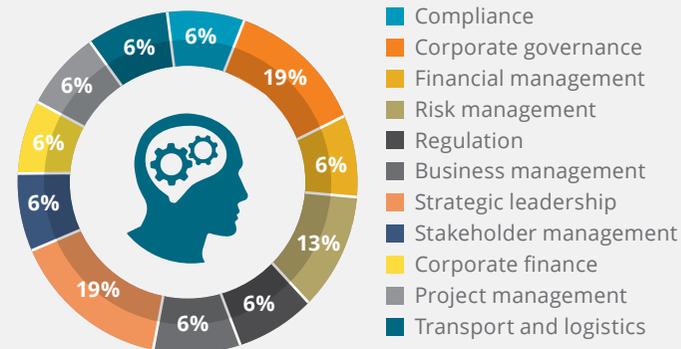
Attendance:

Dudu Hlatshwayo	4/5
Dr Matlodi Mabela ²	N/A
Pascalis Mokupo	5/5
Nosizwe Nokwe-Macamo	4/5
Yershen Pillay	4/5
Siyakhula Simelane ¹	N/A
Ntombifuthi Zikalala Mvelase	5/5

1. Resigned on 20 April 2018

2. Resigned on 19 April 2018

Skills



BIC BOARD INVESTMENT COMMITTEE

Committee chair: Dudu Hlatshwayo

Description of the committee:

The committee assists the Board in discharging its duties relating to capital projects, commercial activities, regulated and unregulated investments, procurement, supply chain management and treasury activities, including funding and borrowing.

The Board Investment Committee is an essential part of the Group’s governance framework to which the Board has delegated the following key functions:

- Oversight of the Group’s investment, commercial and treasury activities;
- Oversight of the Group’s procurement; and
- Oversight on major capital projects.

Composition and meeting attendance:

The committee consists of non-executive directors, the majority of whom are independent, and the CEO.

The CFO, COO, Group Executive: Infrastructure Asset Management, Group Executive: Technical Services and Solutions and Group Executive: Business Development are permanent invitees to committee meetings.

Meeting schedule and attendance: During the year under review, the committee met three times.

Activities and focus areas:

The committee:

- Considered the offer made to the Group for the purchase of its shares in MIAL and recommended to the Board that the shares be sold.

- Recommended to the Board the proposal for the winding-up of Precinct 2A Investments SOC Ltd, a subsidiary of the Group.
- Received commercialisation reports and advised management on the approach for handling the litigation matters on transformation.
- Considered the performance of major investments.
- Noted the business development activities undertaken by management.
- Considered borrowings made by the Group to ensure the borrowing covenants have not been breached.
- Considered reports on capital projects and made proposals on the format of the reports.
- Recommended approval of the Terminal A Refurbishment Phase 1 – ORTIA, Terminal 2 CTIA (Capex for enablement work).
- Considered the Economic Regulation Quarterly Reports and the impact of the Regulating Committee’s decision on the Group’s expenditure programme.
- Considered reports on supply chain management activities and the reasons for the historical irregular expenditure.

Attendance:

Dudu Hlatshwayo	2/3
Dr Matlodi Mabela ¹	N/A
Bongani Maseko *	2/2
Bonang Mohale	3/3
Pascal Mokupo	3/3
Adv Sandile Nogxina	0/1
Nosizwe Nokwe-Macamo	3/3
Irvin Phenyane	3/3
Ntombifuthi Zikalala Mvelase	3/3

*Employment contract expired on 30 November 2018

1. Resigned on 19 April 2018

Skills



BERC BOARD ECONOMIC REGULATION COMMITTEE

Committee chair: Advocate Sandile Nogxina

Description of the committee:

The Board Economic Regulation Committee is an essential part of the Group’s governance framework to which the Board has delegated the oversight for the development and implementation of the economic regulatory strategy and ensures compliance with all economic regulatory legislation and/or requirements. At the core of its function is the deliberation of the approach leading to the permission application for submission to the Regulating Committee, which determines airport tariffs for the Group.

Composition and meeting attendance:

The committee comprises non-executive directors, the majority of whom are independent and are chairmen of the Board committees.

The CFO and COO are permanent invitees to committee meetings.

Meeting schedule and attendance:

During the year under review, the committee held one meeting.

Activities and focus areas:

The meeting focused on the impact of the final permission decision and progress made with the execution against the Economic Regulatory Strategy.



Attendance:

Dudu Hlatshwayo	1/1
Kate Matlou	1/1
Bonang Mohale	0/1
Pascalis Mokupo	1/1
Adv Sandile Nogxina	0/1

Skills



RNC REMUNERATION AND NOMINATIONS COMMITTEE

Committee chair: Deon Botha*

(* Was committee chair until his appointment as the acting Board Chairman on 13 April 2018)

Committee chair: Kate Matlou **

(** Appointed as committee chair on 7 September 2018, her term expired on 30 July 2019)

Description of the committee:

The committee assists the Board on matters of strategic remuneration by ensuring decisions are aligned to the Group's strategic objectives.

Composition and meeting attendance:

The committee comprises non-executive directors, the majority of whom are independent.

The CEO, CFO, COO and Group Executive:

Human Resources are permanent invitees to committee meetings.

Activities and focus areas:

The committee held six meetings during the year, three of which were special meetings convened to consider, among other matters, the recruitment process for a new CEO, the appointment of an Acting CEO and the establishment of an ad hoc committee to assist the Board in finalising the allegations of wrongdoing made against the former CEO.

The committee:

- Recommended to the Board executive and employee remuneration and awards-related policies.
- Recommended to the Board long-term incentives for the executives and airport managers.

- Recommended to the Board the composition of Board committees.
- Recommended to the Board the appointment of non-executive directors to serve on the Boards subsidiaries.
- Recommended to the Board a lead independent director.
- Considered the contract of the former CEO, Mr Bongani Maseko, and assisted the Board in the recruitment process for a new CEO.
- Recommended candidates to the Board to act in the CEO position while the recruitment process for a CEO was under way.
- Considered the succession planning for executive management.
- Considered and confirmed the training programme for directors for the 2019 calendar year.
- Considered the criteria and approach for the evaluation of the effectiveness of the Board and its committees.
- Monitored the performance of the Group in the area of human resources against internal targets and legislative imperatives.
- Considered the Group's performance management approach and employee eligibility for performance bonus payments, and advised management on best practice approach and philosophy to performance management.
- Noted the business plan and implementation plan for the commercialisation of the Training Academy.
- Recommended to the Board employee relations policies.

Attendance:

Deon Botha	2/6
Kate Matlou	6/6
Bonang Mohale	5/6
Adv Sandile Nogxina	2/2
Nosizwe Nokwe-Macamo	5/6
Irvin Phenyane	6/6
Yershen Pillay	6/6
Siyakhula Simelane*	N/A
Ntombifuthi Zikalala Mvelase	6/6

*Resigned on 20 April 2018

Skills



SEC SOCIAL AND ETHICS COMMITTEE

Committee chair: Bonang Mohale

Appointed on 7 September 2018

Resigned with effect from 1 July 2019

Description of the committee:

The committee monitors the Group’s activities related to relevant legislation, other legal requirements or prevailing codes of best practice in transformation, socio-economic development, good corporate citizenship, environment, health and public safety, consumer relationships, labour and employment, ethics and stakeholder engagement.

Composition and meeting attendance:

The Social and Ethics Committee comprises non-executive directors and the CEO, who is an executive director.

The CFO, COO, Group Executive: Governance and Assurance; Group Executive: Corporate Affairs and Group Manager: Transformation are permanent invitees to committee meetings.

Activities and focus areas:

The committee held three meetings during the year under review.

The committee:

- Considered the reach of ethics training and awareness throughout the organisation.
- Noted progress reports on anti-corruption activities.
- Noted the quarterly updates on declarations of interests and gifts in relation to executives and top management.
- Considered the results of the Ethics Risk Assessment which was conducted during the financial year and the

Ethics Management Plan which comprised an action plan to address issues identified in the Ethics Risk Assessment.

- Considered the organisation’s performance on B-BBEE and Management’s efforts to improve representation of black youth in senior management and representation of persons with disabilities.
- Noted the status update on projects and expenditure in line with the Group’s SED Strategy, and the noteworthy achievements in some of the key projects.
- Considered the impact of SED projects.
- Considered the quarterly dashboard with statistics on key safety, security, health and environmental incidents at the various airport sites, noting International Civil Aviation Organisation and legislative requirements.
- Noted the mechanisms adopted by management to prevent incidents.
- Noted media coverage in relation to the Group and issues that have had a reputational impact on the Group; and advised Management on ways to balance positive and negative media coverage.
- Noted the utilisation and content of the Group’s social media platforms.
- Monitored the Group’s standing in terms of the International Labour Organisation guidance on decent working conditions.
- Considered the Group’s contribution toward the educational development of its employees.
- Monitored the adequacy and effectiveness of the Group’s engagement and interaction with its stakeholders to ensure Group sustainability.

Attendance:

Deon Botha	1/3
Dudu Hlatshwayo	2/3
Bongani Maseko *	1/2
Kate Matlou	3/3
Bonang Mohale	2/3
Irvin Phenyane	3/3
Yershen Pillay	3/3

*Employment contract expired on 30 November 2018

Skills



ICTGC INFORMATION AND COMMUNICATION TECHNOLOGY GOVERNANCE COMMITTEE

Committee chair: Yershen Pillay

Description of the committee:

In October 2018 the Board established the committee to oversee IT governance, in accordance with the King IV Report. The terms of reference of the committee were approved on 11 December 2018 and members of the committee were appointed on the same day.

The key mandate of this committee is to oversee that the information and communication technology (“ICT”) policies and practices comply with best practice.

Composition and meeting attendance:

The committee held one meeting which was preceded by a workshop. The purpose of the workshop was to ensure that committee members were fully aware of their responsibilities in terms of the authority delegated to the committee, and to agree on the focus areas for the committee.

The committee comprises of non-executive directors. The CEO, COO, CFO, CIO and CAE are permanent invitees to committee meetings. The Group Executive: Governance and Assurance, Group Manager: Commercial Services and Group Manager: Enterprise Security attend meetings by invitation.

Activities and focus areas:

The committee’s primary function is to ensure:

- implementation of the Group’s overall ICT strategy
- robust information security and protection of intellectual property in ICT systems
- that the ICT innovation strategy and related policies are in place
- opportunities to improve performance and sustainability of the Group through the use of ICT are exploited.

The committee held one meeting during the year under review.

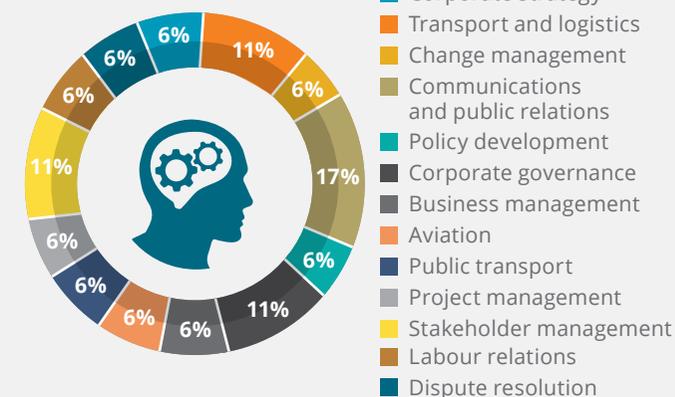
The committee:

- Held a workshop to ensure that the committee members are fully aware of their responsibilities.

Attendance:

Deon Botha	0/1
Kate Matlou	1/1
Irvin Phenyane	1/1
Yershen Pillay	1/1
Ntombifuthi Zikalala Mvelase	1/1

Skills



EXECUTIVE COMMITTEE



Bongani Maseko (51)*

CEO

*Mr Maseko's term expired 30 November 2018



Bongwiwe Mbomvu (52)

Acting CEO



Lindani Mukhudwani (36) *

Acting CFO

*Appointed 13 June 2019



Dirk Kunz (46)

Previous Acting CFO



Fundiswa Sithebe (40)

COO



Charles Shilowa (47)

Group Executive: Business Development

- Bachelor of Science (BSc) (Aviation Business Administration)

- Bachelor of Social Science (BSocSci)
- Bachelor of Laws (LLB)
- Master of Laws (LLM)
- Admitted Attorney of the High Court

- Chartered Accountant (SA)
- Certificate in the Theory of Accounting
- Bachelor of Commerce Honours (Accounting)
- Bachelor of Commerce (Financial Accounting)

- Bachelor of Commerce Honours (BCom Hons)
- Chartered Accountant (SA)
- Executive Development Programme (EDP)

- Bachelor of Business Administration (BBA)
- Post Graduate Diploma in Management (PDM)

- Bachelor of Science (BSc) (Chemistry)
- Bachelor of Science (BSc) (Chemical Engineering)
- Master of Business Administration (MBA)
- Higher Diploma (HDip) (Tax)
- Postgraduate Certificate (Mechanics of Project Finance)
- Postgraduate Certificate (Mechanics of Corporate Finance)
- Management Advancement Programme

Description of the committee

The Executive Committee deals with the general management activities which form part of leading and managing Airports Company South Africa in such a way as to achieve its core outcomes while upholding all applicable legislation and regulations.

Activities and focus areas:

During the year under review Exco held 14 meetings, three strategy review sessions and a one-day workshop to discuss the security vetting and classification of information policies.

- Considered the results of the Ethics Risk Assessment and the Ethics Management Plan to address ethics risk areas.
- Conducted quarterly assessment of financial and operational performance.

- Reviewed the operating model to enable potential non-aeronautical revenue improvement opportunities.
- Considered the 2019-2023 Permission decision and its impact on delivery of the organisation's major projects.
- Drafted and recommended the 2020-2022 Corporate Plan to the Audit and Risk Committee.
- Reviewed and recommended to the Board the Delegated Levels of Authority Framework.
- Conducted an evaluation of the committee's effectiveness and drafted an action plan to address areas of improvement.
- Considered the commercialisation and of the Airports Company South Africa Training Academy.
- Reviewed the Company's strategy with specific focus on the successful implementation of Vision 2025.
- Finalised the Exco Leadership Pledge.

Attendance:

Pieter du Plessis	14/14
Girish Gopal	13/14
Dirk Kunz	14/14
Bongani Maseko	8/9
Badisa Matshego	11/14
Bongwiwe Mbomvu	14/14
Mthoko Mncwabe	10/11
Sithembiso Ngwenya	10/14
Charles Shilowa	13/14
Refentse Shinnars	13/14
Fundiswa Sithebe	11/14
Fulufhelo Tshikhudo	3/5
Andre Vermeulen	12/14

Gender diversity:



Demographics



Age





Girish Gopal (55)
Group Executive:
Technical Services and Solutions

- Bachelor of Science (BSc) (Electrical Engineering)
- Master of Science (MSc) (Electrical Engineering)
- Master of Business Administration (MBA)



Badisa Matshego (42)
Group Executive:
Infrastructure Asset Management

- Bachelor of Science in Civil Engineering (B.Sc Civil Eng)
- Executive Development Programme (EDP)



Andre Vermeulen (48)
Group Executive:
Airport Management

- Bachelor of Engineering (BEng) (Mechanical Engineering)



Fulufhelo Tshikhudo (41)
Acting Group Executive:
Governance and Assurance

- Bachelor of Commerce Honours (BCom Hons)
- Post Graduate Diploma in Accounting Science
- Post Graduate Diploma in Risk Management



Pieter du Plessis (58)
Group Executive:
Human Resources

- Bachelor of Psychology (Industrial Psychology)
- Master of Commerce (MCom)

Skills



Refentse Shiners (42)
Group Executive:
Corporate Affairs

- Bachelor of Technology (BTech) (Public Relations Management)
- National Diploma (NDip) (Public Relations Management)
- Management Development Programme (MDP) UCT



Mthoko Mncwabe (44)
Chief Information Officer

- Bachelor of Science (BSc) (Computer Science, Mathematics)
- Bachelor of Science (BSc Hons) Computer Science
- Master of Business Administration (MBA)
- Executive Development Programme (EDP)



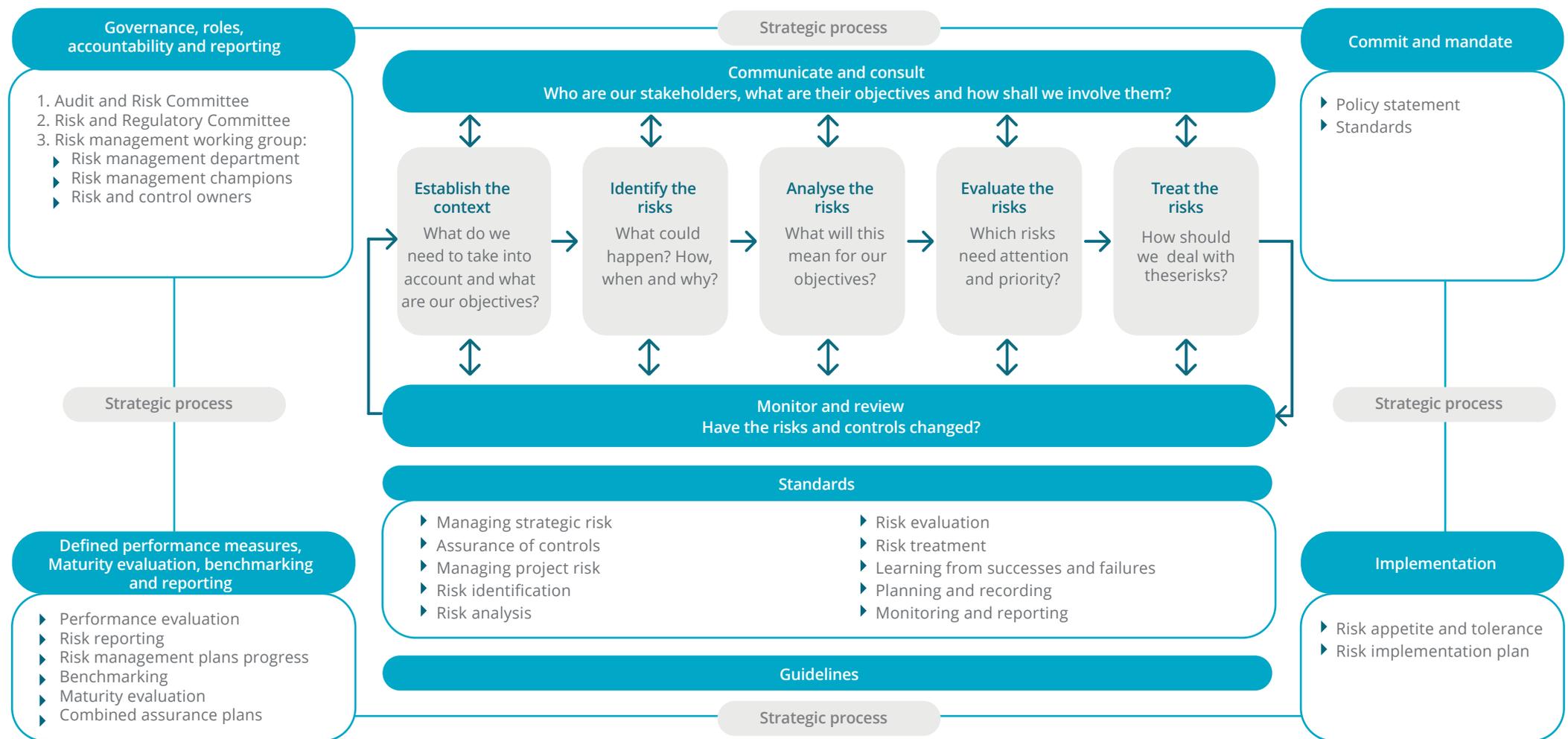
Sithembiso Ngwenya (36)
Chief Audit Executive

- Bachelor of Commerce Honours (BCom Hons) (Accounting)
- Chartered Accountant (SA)



GOVERNANCE FUNCTIONAL AREAS RISK AND OPPORTUNITY

While the Board maintains ultimate responsibility for risk management within the Group, the Audit and Risk Committee oversees the risk management function and makes recommendations to the Board for consideration and approval. Risk management, systems and performance are continuously monitored and reviewed and reported to the Executive Committee regularly, by the Risk and Regulatory Committee. The Risk and Regulatory Committee is constituted as a sub-committee of the Executive Committee which steers the integrated risk management framework. The committee and its members are accountable for the performance of the framework.



The committee directs and evaluates the effectiveness of the integrated risk management framework and standards, and reinforces accountability for risks, controls and tasks.

Airports Company South Africa's enterprise risk management is guided by an integrated enterprise risk management framework based on the following:

- Expressing a clear mandate and lines of management accountability
- Setting the performance requirements for risk management throughout the Group
- Promoting commonality of risk management processes and methodologies and a common language
- Organisation-wide requirements to gather and report risk information for governance purposes
- Compliance with applicable legislation
- Effective integration with corporate strategy and planning
- A leadership culture that embraces risk management

In developing the framework, the Group applied the principles of the PFMA, the Companies Act, 2009, the ISO 31000:2009 and guidelines of international risk benchmarks. The illustration on page 112 indicates the components of the integrated risk management framework. 

The following were among the projects rolled out during the year to enhance risk management in the Group:

- **Risk assessments:** Business risk assessments for infrastructure asset management, business development, airport management and, to a large extent, technical service and solutions were completed.

- **Subsidiary risk registers:** The process of assessing risk for subsidiaries was finalised.
- **Other future focus areas over and above completion of risk assessments and divisional and subsidiary plans include:**
 - o Competency training for enterprise risk management champions on the framework, standards, the approved risk management information system and conducting awareness training for all employees.
 - o Skills enhancement for facilitators and enterprise risk management champions, typically in risk assessment and root cause analysis.
 - o Line manager review: control assurance covering control design and control self-assessment.
- As part of the continuous integrated reporting process, we updated the material risk and opportunity register to reflect management's opinion on developments in strategic risks and opportunities.
- We conducted a strategic risk assessment with the Board and executive leadership, in addition to the Group-wide risk assessments conducted at operational level so as to improve decision-making and enhance the performance of the Group.

In addition to the annual audits conducted by Group Internal Audit, audits to ensure the effectiveness of enterprise risk management are initiated by the Group Executive: Governance and Assurance, the Audit and Risk Committee, business unit risk committees, or the Group Manager: Risk Management.

Integrated risk management process

The Group's integrated risk management process is intended to achieve an appropriate balance between realising opportunities for gain, while minimising

adverse impacts through Board, and Audit and Risk Committee oversight of risk governance.

Our key risks and opportunities are continuously monitored through our enterprise risk management process, which is reviewed annually.

The process is based on the outcomes of best practice reviews, annual maturity assessments and continuous interaction with our governance structures, including executives, Executive Committees, sub-committees and the Audit and Risk Committee. The FY2018/19 Internal Audit review indicated that internal controls and management activities require moderate management intervention and improvement in mitigating against the possible likelihood or consequences of the risks materialising.

The Group's revised governance framework and operating model have improved the integration of risk through the Group. We have implemented a Board approved integrated business continuity programme to strengthen the effectiveness of our identification of and response to internal and external risks.

The Board continuously assesses and monitors the treatment of strategic risks, including active engagement in the review of strategic risks and identification of mitigation activities for each.

The following table describes our top critical risks, year-on-year changes and reasons for the changes. Each risk is linked to the relevant material matters and our responses to mitigate risk or realise opportunity.

Ranking	Risk title	Risk description	FY2018/19 priority ranking	FY2017/18 priority ranking	2017 priority ranking	Response to risks and opportunities	Related strategy outcome	Related material matter
1	Sustainability	Potential loss of hub status, leading to erosion of airport sustainability	I	II	II	Airports Company South Africa has engaged continuously with network hubs and carriers. Through a process of air traffic development, the Group is implementing measures to attract more carriers and hub connections to remain a preferred connective point for travellers, for example, Latin America has become a gateway to the US, and Cathay Pacific and Singapore Airlines a gateway to the Asia Pacific region. The traffic development strategy is aimed at increasing both cargo and passenger traffic.	Long-term sustainable value creation	Competing countries
2	Diversification	Insufficient growth opportunities in non-aeronautical revenue	I	II	II	Commercialisation process defined in line with regulatory requirements. A decision was made for the Commercial division to be temporarily incorporated into the COO's office for improved focus and acceleration.	Long-term sustainable value creation	New growth opportunities
3	Aviation security	Unlawful acts of interference within airport operations, compromising airport security.	I	II	II	Implementation of smart security technology, continuous trend analysis, benchmarking against best airport practices globally, implementation of behavioural detection training, intelligence monitoring and gathering through relevant state agencies, participation in global forums, ongoing engagements through the National Aviation Security Committee (NASC) and with the relevant government agencies.	Passenger safety	Safety and security
4	Regulatory environment	Unpredictability of decisions by the Economic Regulating Committee, leading to regulatory uncertainty.	I	I	I	Active continuous contribution to the economic regulatory review process, including the introduction of an appeals mechanism in the Airports Company Act, and a review of the funding model.	Long-term sustainable value creation	Economic regulation
5	Brand and reputation	Loss of confidence in Airports Company South Africa and decline in reputation	I	II	II	The Group proactively responds and provides accurate and factual content where requested. Media policy developed with protocol.	Enhance our reputation	Brand and reputation

Risks are all ranked as Priority I (critical risks).

TECHNOLOGY AND INFORMATION

The Board is responsible for IT governance in the Group. The Executive Committee, supported by the IT steering management committee, implements the technology strategy.

ASSURANCE

The audit committee's legislated duties, which are set out in Section 94(7) of the Companies Act and the relevant best practice recommendations which are set out in Principle 8 of the King IV Report, outline in detail the oversight responsibilities that the audit committee must carry out to ensure adequate and effective governance is realised within the Group.

In addition, Regulation 27.2.5 of the Treasury Regulations, which states that "Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors", gives legislative authority to the IPPF of the Institute of Internal Auditors (IIA), and as such makes compliance with the IPPF a legislative requirement for all organisations required to comply with the PFMA and the Treasury Regulations.

The Group Internal Audit Services (GIAS), which carries out its work in line with the mandatory requirements of the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), exists primarily to enhance and protect Group value through the provision of reliable objective internal audit assurance and trusted advisory services. It achieves this by assessing and evaluating the adequacy and effectiveness of the processes of governance, risk management and internal controls.

Through performance of its objective assurance and advisory services, the GIAS serves as an enabler both to the audit committee and, ultimately, to the Board of directors, for achievement of adequate and effective corporate governance within the Group.

Combined Assurance

Combined Assurance refers to the integration, coordination and alignment of risk management and assurance processes to optimise and maximise the level of governance, control and oversight over the risk landscape. The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risks facing the Group. Our combined assurance model remains unchanged and supports this centralised approach.

King IV recommends that the audit committee should provide direction for the use of a combined assurance model and should be responsible for establishing and overseeing the combined assurance model that results in combining, co-ordinating and aligning assurance activities across the various lines of assurance, so that assurance has the appropriate depth and reach.

Standard 2050 of the IIA requires that "the chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts". Thus, according to this standard, the CAE is best placed to be the custodian of effective combined assurance processes within an organisation.

When considering the statutory requirements outlined in paragraph 27.2.5 of the Treasury Regulations, which

states that "Internal Audit must be conducted in accordance with the standards set by the Institute of Internal Auditors", it is a legislative requirement that the GIAS becomes the custodian and coordinator of all combined assurance processes.

The GIAS's combined assurance processes are aimed at:

- Fostering a shared view and understanding of the Group's key risks and opportunities;
- Understanding all the assurance providers, their roles and level of assurance they can provide;
- Aligning assurance to the critical risk exposures;
- Maximising risk and governance oversight;
- Maximising control efficiencies;
- Optimising overall assurance to the Audit and Risk Committee and to the Board of directors;
- Reducing assurance costs through elimination of possible duplication of audit effort;
- Promoting collaboration between internal audit and other assurance providers;
- Ensuring that the Group is in line with best practice with regard to improved governance and accountability;
- Enhancing the integrity of internal information and external reports; and
- Provide a basis for identifying, and appropriately responding to, any potential assurance gaps.

Internal Audit

In executing its Board-assigned mandate, Internal Audit follows a risk-based audit methodology in compliance with the Institute of Internal Auditors (IIA) and the International Standards for the Professional Practice of Internal Auditing. The main objective of GIAS is to assist the Board and Executive Committee with the effective discharge of their responsibilities by evaluating the adequacy and effectiveness of

risk management, the control environment and governance processes. The GIAS maintains its organisational independence by reporting functionally to the Audit and Risk Committee and administratively to the Group CEO.

The Internal Audit function is based at the Corporate Office and provides its services and support to all our airports. This includes services provided to our subsidiaries. Our internal auditors are members of the IIA and in conducting their work, comply with the IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

The detailed scope of work of the GIAS is outlined in the three-year strategic and annual internal audit plans, both of which are subject to the Audit and Risk Committee's review and approval on an annual basis. The GIAS's scope of work encompasses assessment and evaluation of the adequacy and effectiveness of the governance, risk management and internal control processes. Quarterly feedback on the progress of the annual plan is provided to the Audit and Risk Committee.

The nature of work performed by the GIAS, as is required by the IPPF, includes internal audit assurance and consulting services:

- a) Internal audit assurance services involve the GIAS's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the GIAS. Generally, three parties are participants in assurance services: (1) The Group's executive and operational management — the process owner, (2)

GIAS, and (3) the Board and its audit committee — the user.

- b) Internal audit consulting services are advisory in nature and are generally performed to the specific request of management. The nature and scope of the consulting engagement are subject to agreement with management, but must be approved or ratified by the Audit and Risk Committee, as circumstances may require.

Consulting services generally involve two parties: (1) the GIAS, and (2) Management. When performing consulting services, the GIAS should maintain objectivity and not assume management responsibility.

Results of internal audit findings

It is the opinion of Internal Audit that processes during the year under review were generally adequate and provide reasonable assurance that the environment shows the implementation of effective controls and requires limited improvement.

The internal audit function hereby declares that there were no instances noted during the 2019 financial year which would have compromised its independence and objectivity in the execution of its charter mandate.

Compliance

Adherence and compliance to applicable laws and regulations remains a Board responsibility. This includes non-binding rules, codes and standards. Our compliance framework is aligned with ISO 19600, a standard for compliance and best practice. Our alignment and development of the framework yielded the notable developments below.

Compliance processes

In effectively providing oversight and guidance to the Group, the Board remains acutely aware of various legislations and relevant codes of best practice, including, but not limited to:

- Airports Company Act, No. 44 of 1993
- Civil Aviation Act, No. 13 of 2009
- King IV
- Protocol on Corporate Governance for the Public Sector 2002
- PFMA
- Treasury Regulations
- Companies Act
- Income Tax Act, No. 58 of 1962
- Value Added Tax Act, No. 89 of 1991

Continuous reporting on non-compliance to the Executive Committee and the Audit and Risk Committee through a quarterly compliance status report escalates issues of non-compliance to the correct level within the Group. Processes exist to report and deal with new instances of non-compliance and to monitor and track completion of previous cases. Compliance processes are subject to internal audit, and the results are reported to the Board through the Audit and Risk and Board Economic Regulatory committees, which oversee the Board's discharge of its legal and regulatory responsibilities.

We have developed a compliance framework and strategy to strengthen governance over compliance, and monthly legislation updates are provided to affected departments. There were no changes in legislation that substantively affected the achievement of the Group's objectives in FY2018/19.

Various training programmes on the PFMA, Preferential Procurement Policy Framework Act, No. 5 of 2000, Treasury Regulations, Treasury Practice Notes, supply chain management policies and procedures and competition help to embed a culture of compliance at Airports Company South Africa.

Effectiveness of compliance is monitored through internal audit findings and recommendations made to the Audit and Risk Committee and the Board. No catastrophic audit findings were reported during the year. The Audit and Risk Committee reviewed and recommended for Board approval the implementation of a compliance policy as a mechanism to ensure effective compliance measures.

Non-compliance and non-conformance

The Group's non-compliance and non-conformance reporting systems for recording and reporting instances of non-compliance will be upgraded during the next financial year as we embed the use of systems in the Group. There were no catastrophic instances of non-compliance with legislation and regulations during FY2018/19 and no significant non-conformance to report.

Stakeholder management

A stakeholder engagement report is presented by management to the Board quarterly through the Social and Ethics Committee. Stakeholder engagement is managed by means of a stakeholder engagement management strategy developed and approved during the year. Internal assurance of engagement processes identified minor administrative improvements to our stakeholder engagement process. An action plan was developed to respond to identified gaps.

The Group's stakeholder management activities support our vision and strategic objectives of helping build coherent partnerships that are mutually beneficial between Airports Company South Africa and its stakeholders. This is also in line with best practice as outlined in the *King IV Report on Corporate Governance for South Africa 2016*, which requires organisations to adopt a stakeholder-inclusive approach.

King IV further mandates the Board to set direction on how stakeholder relations should be approached and conducted in the Group as well as establishing formal mechanisms for engagement and communication with stakeholders. The stakeholder relations function reports to the Board, through the Social and Ethics Committee, on a quarterly basis.

Strategic initiatives and key activities

During the year under review, we carried out a number of strategic initiatives and activities aimed at helping us to implement our strategy and fulfil our commitment to creating sustainable value for stakeholders:

RepTrak® survey

One of the Group's KPIs is increasing our reputation through demonstrated business excellence. It is against this backdrop that all the activities and initiatives undertaken by the Group are aimed at improving our reputation index.

The Reputation Index measure consists of the perceptions and the degree to which stakeholders admire, trust, respect and have an overall good feeling towards the Group. Airports Company South Africa uses an international corporate reputation measurement tool called RepTrak® to measure our reputation. The RepTrak® model was created

by the Reputation Institute®, a global reputation-based research and advisory firm headquartered in the United States, to provide companies with a standardised framework for benchmarking corporate reputation and to enable the identification of the factors that drive reputation. The reputation survey data is captured in the RepTrak® Pulse, and an outcome score from 0-100, with 100 being the best, is computed. Airports Company South Africa has used RepTrak® Survey in three different cycles of surveys (2013, 2017 and 2019).

The results in the past surveys have been the following:

- 2013 – 57.6 (Vulnerable Score)
- 2017 – 63.1 (Moderate Score)
- 2019 – 67.2 (Moderate Score, but closer to Strong Score)

The improvement in our reputation index of around 10 points since 2013, is a strong signal that stakeholder relations interventions in the business are producing good results.

Some of the initiatives and interventions we have introduced have resulted in positive outcomes and are outlined below. We introduced a five-pillar strategic focus that anchors all activities in stakeholder relations.

The five strategic pillars are:

1. Strategic stakeholder engagement plans
2. Stakeholder partnerships and events
3. Stakeholder communications
4. Stakeholder risk intervention portfolio
5. Government relations

CRM tool

One of the stakeholder relations projects that is being spearheaded at the Group is a Customer Relations Management tool, an IT-based platform that we will use to manage our relations with stakeholders. This will assist in managing and tracking the implementation of engagement plans by stakeholder owners. The project has passed design and scoping stages and is currently with supply chain management for the procurement of service providers.

There are a number of activities that were carried out under each strategic pillar:

1. Strategic stakeholder engagement plans

The stakeholder engagement plan is a strategic focus aimed at creating a culture of stakeholder engagement in the Group. It is through this pillar that the Group leaders are encouraged to become stakeholder owners and develop a deliberate and systematic mechanism and framework to engage those stakeholders. The engagement plans assist stakeholder owners/Group leaders to prioritise engagements with key stakeholders as well as evaluate the impact of their engagements.

Reporting dashboard

We also introduced a Stakeholder Engagement Dashboard, a reporting tool used to track if company executives were engaging as per their plans. The Dashboard framework captured the amount of engagements expected from each executive against the number of planned engagements.

Key engagements

Some of the key strategic engagements that happened in the year under review are as follows:

- Engagement with Department of International Relations and Cooperation (DIRCO).

This engagement led to the SA ambassador to Ghana facilitating a meeting between the Group and government ministers from Sierra Leone with the aim of exploring business opportunities for us to provide airport management services to the airport in Sierra Leone.

- Organising and managing the 2019 Investor Roadshows and Banks meetings.
- The CEO had engagements with key stakeholders including COMAIR, the Department of Education and Air Traffic Navigation Services (ATNS) with the purpose of establishing an Aviation Academy.
- A number of our Executives had an engagement with IATA's Africa and Middle East Regional team on strategic collaborations and partnership.
- Engaged with senior government officials from National Treasury on a number of issues such as procurement policies and audit.
- We had engagement with the Black Management Forum (BMF) to discuss partnership on transformation imperatives.
- A strategic planning meeting was held with the CEO of South African Tourism in preparation for the signing of the sister agreement between the Group and the Thailand Airport Authority.
- We had an engagement with Home Affairs to discuss the E-gates initiative for Cape Town International Airport.
- We also had an engagement with minority shareholders. The impact of this initiative was that communication with minority shareholders has improved as issues are being resolved.

2. Stakeholder partnerships and events

The following stakeholder partnerships and events are aimed at creating closer working relationships with external stakeholders. Some of the partnerships and events in the financial year under review are as follows:

- **Maiden arrival of Alitalia airline**
Coordination of a multi-stakeholder partnership that involved Alitalia, the Embassy of Italy, the Group, Gauteng Tourism, Ekurhuleni Metropolitan Municipality and South African Tourism to celebrate the return of Alitalia after 16 years of absence in South Africa.
- **Partnership with BARSА and AASA**
The Group continues to play a prominent role in partnerships with airline industry associations such as BARSА and AASA in their various conferences and summits.
- **ACSA CEO golf day**
The Group CEO's golf day has become a flagship stakeholder event where engagements and interactions happen in a relaxed environment. The golf day has been expanded to accommodate stakeholders from all the nine airports within our network.
- **25th anniversary stakeholder gala dinner**
In the year when Airports Company South Africa turned 25, we recognised the stakeholders who contributed to making the business the success it has become. We hosted a gala dinner that was aimed at recognising and appreciating the role played by stakeholders in the 25-year-journey of the Group.

3. Stakeholder communication

One of the key reputation drivers for Airports Company South Africa is communication.

It is against this backdrop that we introduced communication platforms in order to reach stakeholders with news and developments within the Group.

News Flash portal

Currently, we use the News Flash portal, a real-time communication platform that sends stakeholders Group news as it breaks, ensuring that stakeholders receive news ahead of other audiences such as media and the general public.

Ground-Up quarterly external newsletter:

The Group also publishes a quarterly stakeholder newsletter called Ground-Up, which captures all major developments and activities in the business. This digital newsletter has become one of the interesting reads for stakeholders as they anticipate its circulation to keep themselves abreast of the latest news from the Group.

4. Stakeholder risk intervention portfolio

The fourth strategic initiative is the stakeholder risk intervention portfolio. This is a new initiative aimed at addressing high-risk matters affecting the business by employing strategic stakeholder relations and engagements. Through this portfolio we identify matters which require urgent stakeholder intervention to be resolved. This portfolio guards against litigations, negative media publicity and potential reputational damage to the Airports Company South Africa brand. During the year in review, some of the advisory services provided through this portfolio included:

- **Top 20 retailers round table breakfast**

We met the top 20 retailers across our airports to manage reputational risk following the cancellation of the retail tenders. The engagement was aimed at alleviating uncertainty amongst the current retailers and assuring them of our plans. After the engagement, the retailers were aligned with our approach and were satisfied.

- **Airports Company South Africa and IT ESD panel**

The Group engaged 23 IT Enterprise and Supplier Development (ESD) appointees who had complained about the lack of “promised” business from the Group. The ESD companies posed a reputational risk to the business as they raised complaints about our apparent failure to provide them with business, which could have led to litigation or negative media publicity. The engagement brought about positive outcomes and assurances from the Group concerning a commitment to work with the service providers.

- **Cape Town International Airport and Department of Home Affairs**

We are working with the Department of Home Affairs to agree on a plan to increase their staff complement to meet Cape Town International Airport’s operational requirements. The department was required to increase the number of their personnel at the airport through a partnership with the Group and the Western Cape government wherein the costs of the staff would be shared.

5. Government relations

We facilitated the following activities:

- Interactions with government on the renaming of airports project.

- Presentation to the Parliamentary Portfolio Committee on Transport (PCOT) on our FY2018/19 strategic direction at the Annual Performance Plans (APP).
- Participated in the budget vote by the Minister of Transport in May 2018. As part of the budget vote, we exhibited and invited five SED beneficiaries to attend the vote. The Minister acknowledged them in his speech.
- We facilitated an airports operations oversight visit by the Joint Standing Committee on Intelligence to O.R. Tambo International Airport. Members of the committee were well received by the Airports Company South Africa team and government agencies based at the airport. This was a follow-up assessment on the Integrated Multi-Disciplinary Tactical Security Plan formalised by the Minister of Police.
- Participated at government/cabinet lekgotla to advance the agenda of aviation within government.
- Presented at the parliament inquiry led by the Portfolio Committee on Home Affairs regarding fixed-base operations at airports.

We monitor sentiments expressed in public or in the media about our areas of business, including employee relations, financial administration, innovation, products and services, corporate social responsibility, trust and corporate governance.

Most sentiment was related to ongoing critical litigation predominantly affecting ground handling services, and information regarding contracting issues divulged at commissions of enquiry during the year. We are satisfied that the Group has taken all necessary action to deal with these issues during the year under review.

REMUNERATION

BACKGROUND STATEMENT

Given that the attraction and retention of skills at Airports Company South Africa has been highlighted as a strategic priority, our remuneration philosophy aims to support the human resource and business strategy by offering competitive total rewards and promoting a high-performance culture. This report aims to demonstrate the total rewards approach used to stimulate performance at individual and Group level to help Airports Company South Africa execute its Vision 2025 objectives. This strategy, in combination with an improvement in branding and marketing, is in line with our goal of becoming and remaining an employer of choice.

Our remuneration policy and implementation report received a 96.99% favourable vote at our AGM.

The Board approved the employee remuneration policy, considering the following internal and external factors:

- Affordability
- Economic pressures
- Industry changes
- Applicable legislation
- Market remuneration data

The Board, acting on the recommendations of the Remuneration and Nominations Committee of the Board and supported by management, is ultimately accountable for our remuneration philosophy and its policy application which includes remuneration governance, skills attraction and retention, succession planning, disclosure, benefits, conditions of employment and performance-linked remuneration.

We conduct total rewards benchmarking against external comparatives, which inform our remuneration policy and practice by providing an indication of equitable market-related remuneration.

Our employees are a key component to achieving our strategic objectives, we therefore monitor pay parity and remuneration practices in line with competitive market practices.

We provide enhanced benefits such as housing and transport, which remain a focus area. Our housing scheme assists employees to become homeowners which improves their living conditions, financial security and potential of owning a tangible asset. There has been a significant increase in employee participation in the scheme (refer to page 85).  An employee transport programme to provide employees with safe and reliable transport commenced in FY2018/19 as a further benefit to improve employee working conditions and morale. (Refer to page 85) 

A project to re-align the executive total reward offering was approved in 2018 and now aligned with our business objectives and 2025 strategy. For the year under review, the Remuneration and Nominations Committee focused on reviewing and recommending the executive incentives scheme, employee remuneration and recognition-related policies to the Board. These reviews were based on the remuneration policy, aligned with the organisational strategic drivers, values and individual contributions linked to short-term and long-term strategic outputs.

The Remuneration and Nominations Committee will continue to monitor the effective implementation of these improvements to the total reward offering.

Overview of the remuneration policy

The Airports Company South Africa's total reward framework allows for remuneration consisting of both fixed and variable pay, aligned with appropriate legislative frameworks, wider external factors and business strategy. Our guiding principles in the application of the remuneration policy are:

- Equity, fairness and consistency in the remuneration of employees in accordance with the value of their work, competence and performance
- Market-related remuneration to enable market competitiveness in the attraction and retention of scarce and relevant skills, behaviours and competence
- Good governance in the management of remuneration

Our remuneration mix is made up of three elements:

1. Guaranteed pay and benefits
2. Variable pay: Short-term incentive (STI)
3. Variable pay: Long-term incentive (LTI)

GUARANTEED PAY AND BENEFITS

Employees receive guaranteed pay as well as benefits such as medical aid and risk benefits as regular compensation in exchange for their work. The guaranteed pay and benefits structuring and eligibility is explained further below.

Guaranteed pay

Our pay philosophy is to benchmark to the median of the market (50th percentile), and we benchmark annually to ensure that our total reward remains aligned and competitive to the market. We use PwC REMchannel® (National All Industries circle) and bespoke peer group benchmarking for the purposes of benchmarking executive pay. For the purposes of the peer group benchmarking, we use two distinct peer groups, as follows:

- The first peer group consists of JSE-listed companies considered to be of comparable size, complexity and performance; and
- The second peer group consists of comparable state-owned entities.

Employee guaranteed pay is reviewed annually, considering CPI, market trends, employee and Group performance, internal parity and Group affordability. The Group has a culture of awarding increases above CPI percentages, considering the cost of living relating to the Producer Price Index ("PPI") in order to ensure fair and responsible remuneration.

In addition, for the following employee categories, the following measures are also considered:

Executives	Senior management, middle management and professionals	Skilled and general workers
<ul style="list-style-type: none"> a. Internal parity b. Individual and Group performance 	<ul style="list-style-type: none"> a. Internal parity b. Individual and Group performance 	<ul style="list-style-type: none"> a. National negotiations b. Internal parity <p>13th cheque forms part of the guaranteed pay</p>

Benefits

Employees are contractually obliged to belong to an approved medical and retirement fund, inclusive of risk benefits. Our benefit policy is structured in a way that promotes the employee financial wellness.

Executives, senior management, middle management and professionals	Skilled and general workers
<ul style="list-style-type: none"> a. Employees contribute 100% towards medical and retirement fund (inclusive of risk benefits) b. Long service awards 	<ul style="list-style-type: none"> a. Retirement fund: 13% employer and 8% employee contribution b. Medical aid: 50% employer and 50% employee contribution c. A once-off capital grant of R75 000 is offered to first-time homeowners d. A monthly housing subsidy is offered to salaried employees f. Employees are provided with branded uniforms g. Long service awards

Circumstantial allowance

Circumstantial allowances paid are aligned to legislative requirements and operational effectiveness.

Executives, senior management, middle management and professionals	Skilled and general workers
<p>The following allowances are paid based on job-specific requirement:</p>	
<ul style="list-style-type: none"> a. Acting allowance (paid in line with the policy to employees who are required to act in roles that are higher than their designated roles) b. Demand and capacity c. Relocation 	<ul style="list-style-type: none"> a. Shift b. Standby c. Overtime d. Relocation

VARIABLE PAY SHORT-TERM INCENTIVE

The variable pay for the Group consists of two elements, short-term incentives (STI) and long-term incentives (LTI). The two schemes are applied as follows:

Group STI plan

The short-term variable pay element of the pay mix is determined according to the Group Short-Term Incentive Plan (STIP). The STI is designed to drive short-and long-term goals through short-term performance incentives and is designed in accordance with a hybrid approach, which combines a 'bottom-up' formulaic calculation with an incentive pool 'cap'. The incentive pool is distributed based on Group, divisional and individual performance.

Before STI payments are considered, the Group must be deemed profitable, as determined by our profit/loss after tax.

The following outlines the application of the STI with reference to the principles that determine the incentive pool and how the pool is distributed to each participant.

Group modifier

The STI structure is aligned to the KPI framework weighted on our business (41%), our people and society (53%) and our environment (6%) as reflected below:

Our business (41%):

- An efficient, competitive and responsive economic infrastructure network

Our people and society (53%):

- Decent employment through inclusive economic growth

Our environment (6%):

- Protect and enhance our environmental assets and natural resources

The group modifier is based on the Group's performance in line with the KPI framework, determined based on the group performance accumulative sliding scale.

Incentive pool determination

The bonus pool is based on 3% to 5% Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (the Sharing Percentage) which is subsequently modified against the performance of the Group score card.

The following is applied when determining the threshold for FY2018/19 pool provision:

- The sharing percentage shall be reviewed by the Board on an annual basis.
- The group modifier shall contain key performance indicators (KPI) from the Shareholders' Compact and shall be measured based on the following performance accumulative sliding scale of:
 - Threshold of 50%;
 - Target of 100%;
 - Stretch of 150%.

The calculation of the incentive pool is based on Board-approved percentage (between 3% - 5%) of EBITDA. The incentive pool is further dependent on the level of the KPI's objectives met.

In determining the final Group performance score (i.e. the percentage of KPI objectives achieved), significance is placed on the weighting of the objectives.

This method therefore recognises a scale of achievement in which weighted scores for each of the KPIs are added to calculate the overall performance score of the business.

Board discretion in final payments

There is no automatic entitlement to an STI, payment of an incentive bonus is at the discretion of the Board and dependent on the annual financial results of the Group and/or any other factors as determined by the Group from time to time.

The incentive pool cap is determined as follows:

Actual EBITDA achievement of the financial year x (multiply by) by range between 3% - 5% (depending on company performance) x (multiply by) group modifier

EBITDA	Sharing %	Group modifier	STI pool
Earnings before interest, taxation, depreciation and amortisation	A Board-approved sharing percentage ranging between 3% - 5%	A business modifier ranging from 33% – 150%	Total cap to fund the Group's annual STI plan

At the end of each financial year, the Board, through the Audit and Risk Committee, verifies actual performance against approved targets. STI payment consideration will be disqualified if the Group obtains a qualified audit opinion from the external auditors.

The incentive pool is distributed to individuals as follows:

Total guaranteed pay / Basic salary and 13th cheque	STI eligibility on-target bonus percentage	Individual modifier	Incentive potential
Annual total guaranteed package received by an employee.	The STI on-target bonus percentage is determined by the employee's Paterson grade level.	The three elements: <ul style="list-style-type: none"> • Group • Divisional • Personal 	Potential incentive that an employee could receive.

STI on-target bonus percentages are allocated to each grade level (according to the Paterson grades) and expressed as a percentage of the total guaranteed pay or annual basic salary plus 13th cheque. The on-target bonus percentages are as follows:

Executives	Senior management	Middle management	Professionals	Skilled and general workers
F3: 60% FL: 55% EU: 50%	Airport General Managers: 45% E1 - E3: 30% DU: 25%	DL: 20%	CU: 15%	CL: 15% A to B: 8.33%

VARIABLE PAY LONG-TERM INCENTIVE

LTI cash plan

Airports Company South Africa operates an LTI plan that is cash-settled and based on the financial and non-financial growth of the Group. The LTI cash plan aims to align the Shareholder’s Compact with the Group Vision and 2025 strategy (refer to page 118) and individual performance to grow the business sustainably over the long term. The primary purpose of the LTI cash plan is to:

- Incentivise eligible employees to achieve the long-term objectives of our strategy and corporate plan
- Stimulate eligible employees to achieve sustainable performance, instil a culture of performance excellence and grow the business
- Align the Shareholder’s Compact to eligible employee performance objectives
- Reward eligible employees for significant discretionary efforts and achievements within their performance areas

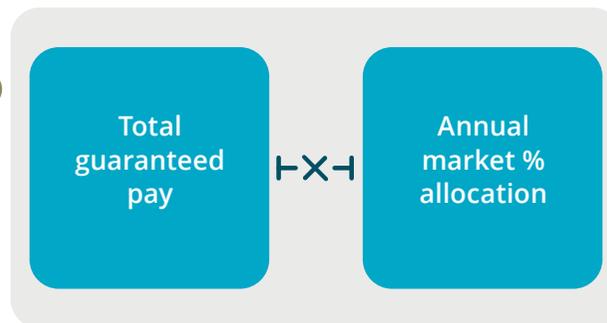
The LTI cash plan is based on the following principles:

Eligibility to participate

The LTI rules provide for Board discretion and approval in the participation of executives in the LTI cash plan. The Board is responsible for approving all award allocations, considering the grade, individual performance and the length of service of an individual. The employee must have demonstrated consistent performance and have received a performance rating which exceeds a rating of 3 in the previous performance management cycle.

Award allocation

The LTI is awarded annually in line with the allocation terms and conditions, and is allocated according to the expected value based on the following calculation:



The annual market percentage allocation is the on-target percentage of an employee’s total guaranteed pay which will be used to determine the allocation value of the LTI award. This percentage will be dependent on the employee’s grade, which is determined by the Board from time to time based on, inter alia, the prevailing market trends. The Board has the discretion to apply a multiple to the allocation if they determine that annual allocations will not be made, to recognise a quantum appropriate for more infrequent awards. However, this is not currently applied, as annual allocations are made.

Performance assessment and vesting

For each performance condition, at the point of assessment, the achievement percentage will be determined with reference to the table below:

Performance target	Achievement %
Threshold	30
Target	100
Stretch	125

Board discretion in final payments

The Board has ultimate discretion in the payment of any LTI awards. This includes the ability to reduce, remove and/or defer LTI award payments. Factors considered by the Board in the application of its discretion include, but are not limited to:

- The Group being in a cash-negative position
- Fulfilment of the free cash flow condition
- Malus and clawback provisions
- A qualified audit opinion
- If the payment would result in the breaching of debt covenants

The LTI cash plan aligns with the Shareholder’s Compact to instil a culture of performance excellence and growth sustainably over the long term.

Eligibility and annual percentage (%) market allocation

Position grade	Position eligible	On-target LTI (% OF TOTAL GUARANTEED PAY)
F3	CEO	60
F2	CFO	50
F1	COO	50
EU	Group executives	30
EL	Airport general managers only	25

The applicable financial and non-financial performance conditions for the FY2020 awards are outlined below:

	Performance measure	Threshold (% vesting)	Target (% vesting)	Stretch (% vesting)
Financial performance conditions (60% weighting)	ROE (30% weighting)	ROE	ROE + 2-3%	ROE + 5%
	ROCE (30% weighting)	Weighted Average Cost of Capital ("WACC")	WACC + 1-2%	WACC + 3-5%
	Cumulative annual growth rate in non-tariff revenue (40% weighting)	Pax growth rate	Pax growth rate + CPI	Pax growth rate + CPI + 5%
Non-financial performance conditions (40% weighting)	Transformation (35% weighting)	48%	59%	70%
	ASQ (35% weighting)	4,1	4,3	≥4,5
	Reputational index (30% weighting)	60	65	≥70

The LTI cash plan rules will be made available upon request

Fair and responsible remuneration

We are focused on ensuring that fair and responsible remuneration remains a top priority. The values that we drive through our fair and responsible remuneration philosophy are:

- Transformation;
- Promoting employment equity;
- Job creation;
- Equal pay for work of equal value;
- Minimising the gender gap in leadership roles/Group-wide.

The factors that are considered to ensure that the Group remunerates fairly includes, but are not limited to, the following:

- Individual performance;
- Financial profitability of the Group;
- Economic environment;
- Market pay benchmarking.

Termination of employment

To determine how an employee or executive's incentives are handled upon termination of employment, we have determined two categories of termination of employment, i.e. good leavers and bad leavers.

Good leavers are employees/executives whose employment was terminated due to no fault of their own, including but not limited to: death, retrenchment, ill-health, injury, retirement, disability or change in control. Employees/executives whose employment is terminated as a result of any of the above reasons will qualify for a pro-rata share in the STI and LTI based on the number of months served under the financial year and the performance conditions that have been met.

Bad leavers are employees/executives whose employment was terminated for any other reason than 'good leaver'. Employees, executives whose employment is categorised as a bad leaver will forfeit all rights to LTIs and STIs.

Malus and clawback

The Board has the discretion to apply malus or clawback to any incentive award made under its remuneration policy at the occurrence of certain trigger events. In terms of the Group's malus and clawback policy the following events can be described as triggered events, but should not be seen as an exhaustive list: -

- the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Group or the audited accounts of any member of the Group; and/or
- the assessment that any Performance Condition(s) or condition was based on error, or inaccurate or misleading information; and/or
- the discovery that any information used to determine the amount of an incentive award was based on error, or inaccurate or misleading information; and/or
- action or conduct of an employee which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct; and/or
- events or behaviour of an employee have led to the censure of a member of the Group by a regulatory authority or have had a significant detrimental impact on the reputation of any member of the Group, provided that the Board is satisfied that the relevant employee was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to him/her.

Executive employment contracts

The following are the types of employment contracts which will be offered to executives:

- The CEO and CFO will be appointed on a five (5) year fixed-term contract in line with the Memorandum of Incorporation (MOI) and the Board of directors' recommendation to the Minister of Transport for approval.
- The executives will be appointed on permanent basis by the CEO.
- The employment contracts for executives on fixed-term contract will have a six (6) month probation period while executives on the permanent employment contract will have a three (3) month probation period. Fixed-term and permanent executives will be eligible for guaranteed pay, short-term performance bonus (where the key performance areas will be determined and evaluated annually) and long-term incentives (where performance conditions will be measured over a rolling three (3) year period).
- Permanent employment contracts until the retirement age of 60 years.

Non-executive directors

The non-executive directors' ("NED") service contracts are for a period of three (3) years and the NED fees are determined through a special resolution approved by shareholders based on recommendation from the Minister of Transport. The NEDs do not participate in our variable pay schemes and are remunerated on a retainer basis with specified meeting and ad hoc fees. The Group's policy precludes the payment of termination benefits to directors.

Non-executive director fees are benchmarked using the same JSE-listed peer group as for the executives. This is generally performed once every two years.

IMPLEMENTATION REPORT

Executive management remuneration is set out in the following table. There were no deviations from the remuneration policy approved by the Board.

R'000	Guaranteed pay	Guaranteed pay	Medical aid contribution	Medical aid contribution	Pension fund contribution	Pension fund contribution	STI	STI	Other fees and allowances	Other fees and allowances	Total	Total
	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18
**CEO - Acting	863	0	46	0	80	0	0	0	335	0	1 325	0
*CEO	3 150	3 631	110	129	287	331	1 911	2 309	0		5 458	6 400
**CFO - Acting	2 003	1 882	100	74	185	172	972	598	690	124	3 950	2 851
COO	2 961	1 919	72	66	267	631	695	631	0	5	3 995	2 795
Group Executive: Governance and Assurance	1 656	2 150	87	123	153	200	963	1 362	2	0	2 862	3 835
Group Executive: Human Resources	2 603	2 151	56	63	234	1 377	983	1 377	45	0	3 921	3 786
Group Executive: Technical Services and Solutions	2 511	2 127	147	141	234	1 205	1 000	1 205	0	64	3 892	3 737
Group Executive: Infrastructure Asset Management	2 566	2 081	88	82	234	1 145	924	1 145	0	0	3 812	3 498
**Group Executive: Governance and Assurance - Acting	1 632	0	39	0	147	0	399	0	167	0	2 384	0
CIO	1 935	0	77	0	177	0	0	0	500	0	2 690	0
CAE	2 272	2 034	0	0	200	179	886	0	0	0	3 358	2 213
Group Executive: Business Development	2 653	2 161	0	0	234	1 194	915	1 194	0	0	3 802	3 545
Group Executive: Corporate Affairs	2 581	2 064	78	61	234	187	944	1 273	15	0	3 851	3 587

R'000	Guaranteed pay	Guaranteed pay	Medical aid contribution	Medical aid contribution	Pension fund contribution	Pension fund contribution	STI	STI	Other fees and allowances	Other fees and allowances	Total	Total
	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18	FY2018/19	FY2017/18
Group Executive: Airports Management	2 728	2 540	88	82	248	231	1 133	1 390	0	23	4 197	4 266
Subtotal for 12 executives	32 044	29 321	988	920	2 915	2 667	11 725	16 063	1 828	379	49 497	49 350
Senior management	171 410	149 467	8 136	7 279	15 359	13 632	34 889	42 327	3 557	6 699	233 351	219 405
Middle management	213 533	168 323	13 367	10 986	19 297	15 582	29 177	35 321	5 902	4 887	281 276	235 100
Subtotal for management	384 943	317 790	21 503	18 265	34 656	29 214	64 066	77 649	9 459	11 586	514 627	454 505
Professionals	125 336	107 258	10 020	8 339	12 840	11 329	14 092	19 047	10 256	8 939	172 544	154 911
Subtotal for professionals	125 336	107 258	10 020	8 339	12 840	11 329	14 092	19 047	10 256	8 939	172 544	154 911
Skilled and general workers	488 829	442 323	55 827	50 601	59 285	53 935	41 452	49 760	12 5709	111 088	771 102	707 707
Subtotal for skilled and general workers	488 829	442 323	55 827	50 601	59 285	53 935	41 452	49 760	12 5709	111 088	771 102	707 707
Total	1 031 152	896 692	88 338	78 125	109 696	97 145	131 335	16 2519	147 252	131 992	1 507 770	1 366 473

* B Maseko

Mr B Maseko, the former CEO, entered into a five (5) year fixed term contract of employment which ended on the 18th of May 2018 and was duly extended till the 30th of November 2018. At the end of B Maseko's term, the Board took a decision in line with the LTI scheme vesting conditions to accelerative the vesting of the allocated LTI of R 3 108 370 which is pro-rated for eight (8) months of 36 month allocation period. The pro-rated vesting amounts to R690 749, and will be paid once the performance conditions associated with the payment verified through the external audit for the FY ending 31 March 2019. The payment shall be processed in 2019 after the outcome of the business external audit.

** B Mbomvu – Acting CEO

** D Kunz – Acting CFO

** F Tshikhudo – Acting Group Executive: Governance and Assurance

NON-EXECUTIVE DIRECTORS' SERVICE FEES

Non-executive directors	Appointment date	Termination date	Directors' fees (R'000)	Directors' fees (R'000)
			FY2018/19	FY2017/18
S Nogxina	November 2018		279	-
B Mohale	September 2018		286	-
N Zikalala Mvelase	September 2018		422	-
N Nokwe-Macamo	September 2018		260	-
Y Pillay	September 2018		338	-
I Phenyane	September 2018		342	-
P Mokupo	September 2018		428	-
D Botha	July 2013		533	602
D Hlatshwayo	June 2018		404	-
K Matlou	March 2015	April 2019	427	454
Dr M Mabela	March 2015	April 2018	0	678
S Simelane	March 2015	April 2018	0	841
Total for 12 (2018: 9) non-executive directors			3 719	2 580

STATISTICAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand thousand	FY2018/19	FY2017/18	FY2016/17	FY2015/16	FY2014/15
GROUP					
Operations					
Aeronautical revenue	3 809 093	3 583 866	5 389 852	5 194 636	4 925 899
Non-aeronautical revenue	3 316 454	3 169 428	3 175 417	3 111 129	2 848 037
Revenue	7 125 547	6 753 294	8 565 269	8 305 765	7 773 936
EBITDA	2 864 514	3 003 478	5 082 219	5 209 306	4 836 115
Profit before tax	614 519	1 220 885	2 599 780	2 633 832	2 355 937
Profit for the year	226 773	552 422	2 005 882	1 844 704	1 627 750
Depreciation and amortisation	-1 422 202	-1 247 477	-1 268 516	-1 307 885	-1 476 962
Dividends paid	-145 681	-353 452	-338 641	-270 882	-296 819
Capital expenditure	1 047 059	913 992	-893 161	-1 163 363	-830 233
Financial position					
Capital and reserves	22 092 290	21 734 255	19 346 555	17 515 005	14 953 552
Non-current liabilities excluding deferred tax	5 846 816	5 884 159	8 362 490	8 010 141	10 181 255
Deferred tax	1 671 329	1 597 953	1 250 084	2 010 573	1 365 207
Property and equipment, investment property and intangible assets	26 108 198	26 651 226	25 483 092	24 394 393	24 093 716
Investment in joint ventures	190 669	170 862	175 221	147 734	127 942
Investment in associates	1 073 321	1 564 315	998 527	1 761 660	1 348 026
Other non-current assets	238 402	225 308	241 551	331 771	95 021
Non-current assets held for sale	785 570	-	-	-	-
Current assets	3 151 454	4 669 431	4 351 985	3 236 066	2 946 970
Current liabilities	1 937 179	4 064 774	2 291 247	3 350 836	2 111 662
Cash flow					
Net cash inflow from operating activities	2 934 714	2 884 751	4 160 026	4 640 982	3 930 762
Net cash inflow/(outflow) from investing activities	2 488	-1 514 469	-1 780 532	1 763 784	-266 281
Net cash outflow from financing activities	-3 187 399	-1 717 465	-2 028 039	-2 734 196	-3 452 423
Net increase/(decrease) in cash and cash equivalents	-250 197	-347 183	351 455	143 002	212 058
Profitability					
Earnings per share (cents)	45.90	111.82	406.02	383.201	329.48
Dividends per share (cents)	29.49	71.54	68.55	55.491	60.00
Productivity					
Number of employees	3 110	3 067	2 898	2 841	2 932
Revenue per employee (R)	2 291	2 201	2 956	2 924	2 651
Departing passengers per employee	6 790	6 794	6 902	6 820	6 086
Cost to income (%)	61	56	41	38	38

OTHER KEY STATISTICS

	FY2018/19	FY2017/18	FY2016/17	FY2015/16	FY2014/15
GROUP					
Other key statistics (in numbers)					
Aircraft landings					
International	38 948	38 632	37 722	36 803	36 573
Domestic	135 738	140 784	142 230	141 978	133 093
Regional	12 613	13 064	13 138	13 080	12 157
Unscheduled	71 870	71 977	88 613	92 424	91 519
	259 169	264 457	281 703	284 285	273 342
Departing passengers					
International	6 026 514	5 971 517	5 680 282	5 360 767	5 198 086
Domestic	14 483 061	14 242 494	13 692 647	13 401 807	12 036 117
Regional	548 047	560 569	565 804	540 530	531 211
Unscheduled	60 642	62 272	63 228	71 225	79 136
	21 118 264	20 836 852	20 001 961	19 374 329	17 844 550
Number of airlines					
International	46	44	44	43	50
Domestic	11	10	9	9	8
	57	54	53	52	58
Aeronautical tariffs (R)					
Passenger service charges					
Domestic	75.44	71.93	111.40	111.4	111.4
Regional	157.02	148.51	230.70	230.6	230.7
International	207.02	195.61	303.51	303.6	303.5
Landing fees (based on an aircraft with a maximum take-off weight of 60 000kg)					
Domestic	3 287.47	3 107.27	5 491.62	4 966.6	4 817.3
Regional	4 795.49	7 820.17	7 820.17	4 439.4	7 027.2
International	10 944.52	9 236.37	9 236.37	28 258.1	9 236.4
Operational volume (in numbers) aircraft landings					
O.R. Tambo International Airport	109 758	110 286	111 232	112 177	108 792
Cape Town International Airport	49 338	51 497	49 663	50 127	45 587
King Shaka International Airport	25 571	27 058	27 495	26 190	24 693
Port Elizabeth International Airport	22 655	26 992	30 256	32 516	31 720
East London Airport	12 427	13 521	15 004	14 998	15 897
George Airport	21 509	17 051	27 999	29 161	27 722
Bram Fischer International Airport	9 440	9 936	9 053	8 780	8 418
Kimberley Airport	4 892	4 445	4 851	5 044	5 915
Upington International Airport	3 579	3 671	6 504	5 292	4 598

GROUP INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

Country of incorporation and domicile	South Africa	
Company registration number	1993/004149/30	
Directors		
Non-executive directors	D Botha	S Nogxina
	D Hlatshwayo	N Nokwe-Macamo
	M Mabela	I Phenyane
	K Matlou	Y Pillay
	B Mohale	S Simelane
	P Mokupo	N Zikalala Mvelase
Executive directors	B Maseko	
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008	
Postal address	PO Box 75480 Gardenview	
Bankers	Standard Bank Nedbank	
Secretary	Fefekazi Sefara	
Nature of business and principal activities	Airports Company South Africa is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function.	

AIRPORT CONTACT DETAILS

Use the contact information below to engage with us on airport specific inquiries

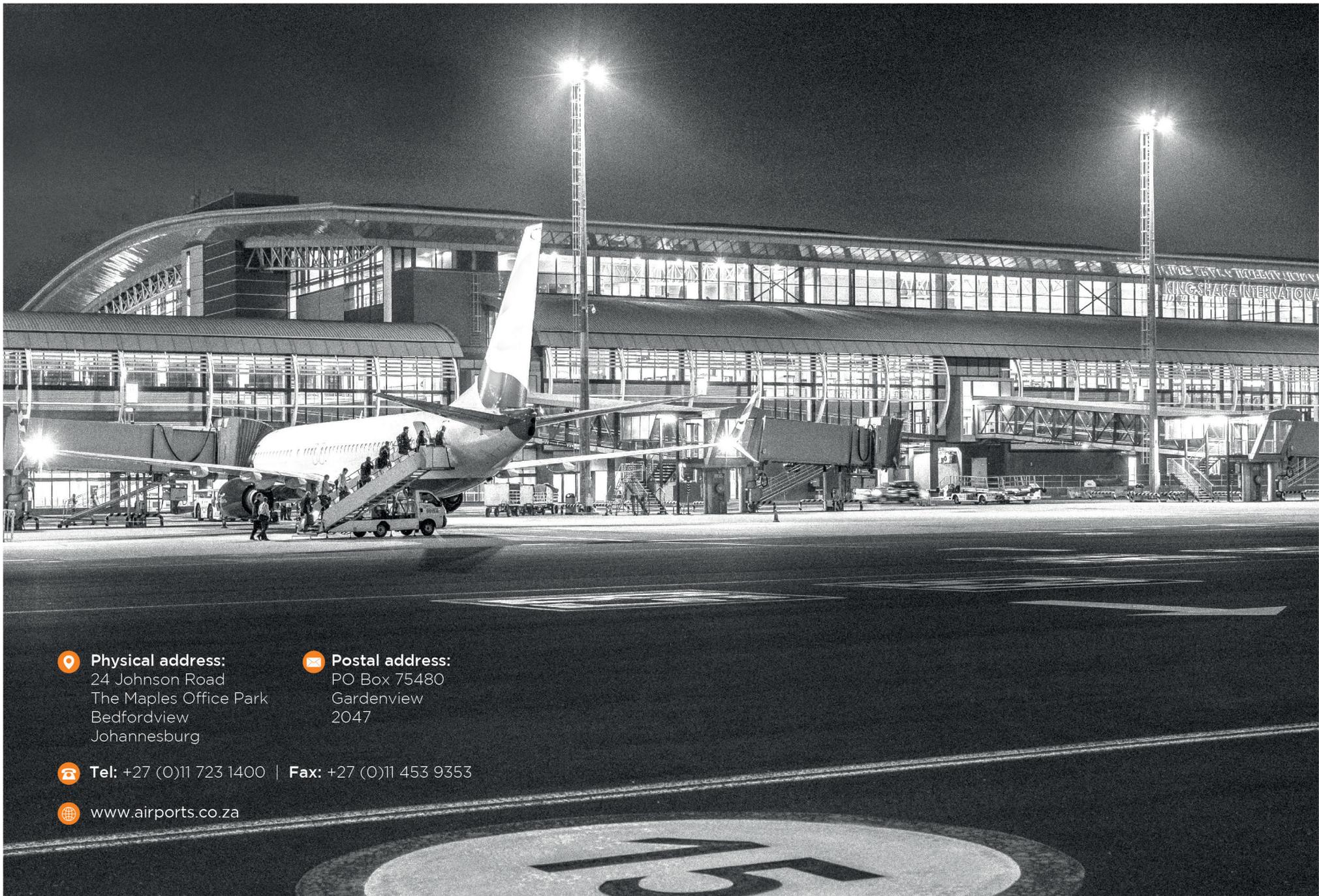
Airport	Direct web address	Telephone number
O.R. Tambo International Airport	 www.airports.co.za/airports/or-tambo-international	011 921 6262
Cape Town International Airport	 www.airports.co.za/airports/cape-town-international	021 937 1200
King Shaka International Airport	 www.airports.co.za/airports/king-shaka	032 436 6000
Port Elizabeth International Airport	 www.airports.co.za/airports/port-elizabeth	041 507 7348
East London Airport	 www.airports.co.za/airports/east-london	043 706 0306
George Airport	 www.airports.co.za/airports/george-airport	044 876 9310
Bram Fischer International Airport	 www.airports.co.za/airports/bram-fischer	051 407 2200
Kimberley Airport	 www.airports.co.za/airports/kimberley	053 830 7106
Upington International Airport	 www.airports.co.za/airports/upington-international	054 337 7900

For all queries, visit www.airports.co.za or email us at customer@airports.co.za.  For integrated report comments or queries, email Refentse Shinnars, Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.



AIRPORTS COMPANY
SOUTH AFRICA

2019
[INTEGRATED REPORT]



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