SPREADING OUR WINGS IN AFRICA AND BEYOND

AIR TRAFFIC & NAVIGATION SERVICES SOC LIMITED
INTEGRATED REPORT 2013

AIR TRAFFIC & NAVIGATION SERVICES

ATNS

Like any good tree that one would hope to grow, we must set our roots deep into the ground so that what is real will prosper...

Billy Corgan

Contents

INTRODUCTION

To prosper, we must understand two things: First, we need strong roots that will ensure we are able to weather storms, dig deep into our foundations for nourishment and provide strength for the future. Second, we must not be afraid to spread our wings, for it is only by taking that leap that we will find our place in the future.

There are two lasting bequests we can give our children: one is roots, the other is wings.
Hodding Carter

Our approach to reporting

Approach

As this is the first integrated report that ATNS is issuing, the company aims to link its strategy, governance, performance and future growth in such a way that stakeholders obtain a view of the economic, social and environmental context within which our operations are rooted. ATNS has committed itself to putting in place the relevant structures and processes to ensure that the company operates from an integrated framework and will be able to report as such during the three year journey.

Scope

This integrated annual report is ATNS's primary report. It covers our financial and operational performance for the financial year ended 31 March 2013. The report aims to provide stakeholders with the means to assess the company's ability to create and sustain value over the short, medium and long term.

The economic regulation regime is specified in Section 11 of the ATNS Company Act 45 of 1993. ATNS cannot levy an air traffic service charge unless it is in possession of valid written permission. The permission is issued by the regulator, which is required to balance the interests of the company and its clients, including promoting the safe, efficient, economic and profitable operation of the company. This encourages timely investment and ensures that the company is able to finance its obligations and has a reasonable prospect of earning a commercial return.

Reporting framework

In compiling this report, we have followed the guidance and recommendations of the King Code on Governance principles in South Africa and the structure set out in the discussion paper issued by the International Integrated Reporting Council (IIRC). ATNS applies the Global Reporting Initiative (GRI) G3 guidelines in terms of our sustainable development reporting process and to facilitate comparability with the reports of other organisations. This report has been compiled with reference to both King III integrated reporting and the GRI G3 standards. ATNS has continued to use a performance-based model which identifies Key Performance Indicators to determine the material content of the report.

Assurance

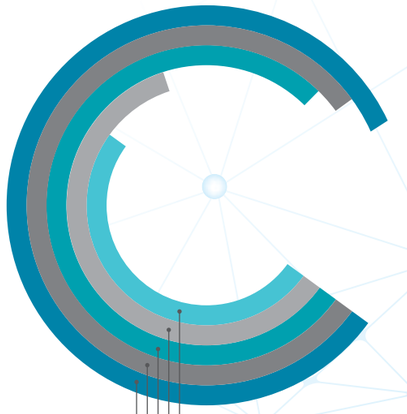
The company's Board has approved the issue of this report on 16 August 2013 and mandated the Audit and Risk Committee to take responsibility for the preparation of this report. The Audit and Risk Committee has recommended the annual financial statements for approval by the Board.

The Social and Ethics Committee is responsible for the sustainability issues in this report. While these issues have not been audited for the purposes of this report, a structure has been put in place to ensure a fair and accurate future sustainability audit.

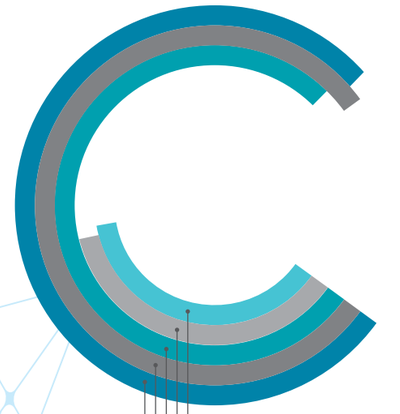
The Key Performance Indicators that have been used as the basis for reporting on the company's performance have been audited by the company's external auditors, KwinanaEquifin. The independent auditors have also provided an unmodified audit opinion on the fair presentation of the annual financial statements.

Key performance highlights

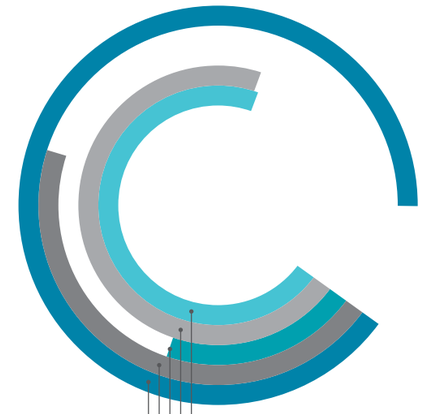
Turnover



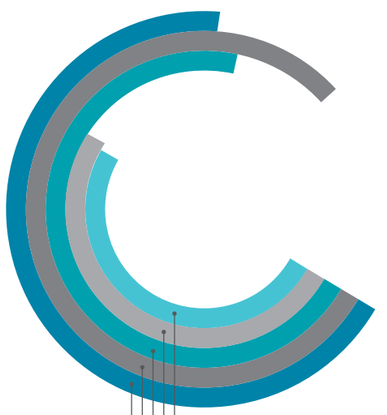
Net Profit (NP)



Capital Expenditure (CE)



Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)



Return on Capital Employed (ROCE)

Gearing Ratio (GR)

Letter from the Chairman

Mpho Mamashela
Chairman of the Board

I am pleased to present the first integrated annual report produced by Air Traffic and Navigation Services SOC Limited, for the financial year ended 31 March 2013. In compiling this report, we were inspired to adopt a theme around the concept of roots and wings, as the company has reached a point where we can no longer be satisfied with merely operating within a South African context, but must spread our wings into the rest of Africa and beyond.

To fully understand our reporting context, we must ask: why are we expanding our operations further into the Continent?

In principle, it is an issue of safety. If, together with our neighbouring states and other ANSPs on the Continent, we can take responsibility for ensuring that the skies over Africa are safe, we will be actively contributing to boosting tourism and business connections in South Africa. It is also about how we contribute to the growth of the Continent's safety and sharing our capacity and knowledge.

Currently, the potential market on the Continent is at least 1 billion, of which ATNS holds 10%. Our strategic plan is focused on increasing this market share to 30% by 2025. But how to go about it?

Following comprehensive research, ATNS has agreed that it is important to establish a subsidiary company to handle this expansion into the Continent and beyond. Currently, the process to obtain the necessary approvals is at an advanced stage. We anticipate that this matter will become material to all stakeholders during the 2014/15 financial year.

Other issues that became critical to us in our preparation for integrated reporting included sustainability; through the establishment of the Social and Ethics Committee, the Board intends to embrace the Global Reporting Initiative (GRI) and the IIRC guidelines on integrated reporting going forward. This journey is one that we are confident will assist the company in ensuring sustainability, as opposed to simple compliance. As a result of the processes and procedures we are systematically putting in place, we anticipate that we will achieve fully integrated operations and reporting by the 2014/15 financial year.

Environmental sustainability is fast becoming one of the key issues that the aviation industry must deal with. ATNS's strategy in this regard is discussed in more detail in this report under the section discussing our journey towards sustainability.

As a company, the majority of ATNS's business is fully regulated and dependent on the permission granted by the regulator. This permission effectively functions as our licence to operate. The permission cycle under which we are currently operating extends for a five-year period from 2010/11 to 2014/15. As a result, our coming financial year will be significantly informed by the new permission application process. We anticipate that this process will have a considerable impact on our capital and operating expenditure (CAPEX and OPEX), traffic forecasting, revenue and the Human Capital that will be required over the next five years. In preparation for the permission process, we have been actively engaging with our users, the Air Traffic Management community.

In the course of this integrated report, we have examined the company's performance as it relates to the Key Performance Indicators as agreed with the Department of Transport (DoT). I am pleased to report that, in terms of these KPIs, we have performed well. We have made good progress towards achieving our targets, and we feel encouraged to work even harder during the coming financial year to achieve and exceed our targets.

During the year under review, the Board has conducted an evaluation of its objectives and the qualitative results of this evaluation indicate that the report embodies the principles of King III.

The Board also anticipates the finalisation of the legislative framework in which we operate, as well as the economic regulation on ATNS and the Airports Company of South Africa (ACSA) under the leadership of the Department of Transport.

Finally, I would like to express my appreciation for the support of our Shareholder, the cooperation of all our users including the airlines, and also the Board, the Executive and all ATNS staff. Together, these make our company sustainable and put us in a position to invest in our future and the future of the aviation industry in South Africa, the rest of the Continent and beyond.

Mpho Mamashela
Chairman of the Board

Mr Mamashela is a qualified aviation Executive. He studied and trained for his commercial pilot's licence and flight operations management through Lufthansa PSA Flight School in Phoenix, Arizona. He later joined Lesotho Airways as an airline pilot, before moving to Anglo American Corporation/De Beers as flight operations manager for their west coast operations in Klienzee.

He was appointed as a member of the ICAO flight crew licensing panel to represent Africa - one of only 15 members worldwide.

In 1994, Mr Mamashela joined South African Airways, where he initiated Vulindlela, an aviation career awareness programme for the country's previously disadvantaged groups. He also established South African Airways' cadet pilot training programme, where the majority of SAA's black pilots were trained. He completed his airline management training at Henley University (UK).

Mr Mamashela is also a senior captain/pilot for South African Airways on the Airbus A340, and was a member of the 2010 Aviation Sub-sector Task Team charged with the nation's aviation preparations for the 2010 FIFA World Cup.

Letter from the Chairman

Statement of responsibility by the Board of Directors

The Directors hereby present their report and the audited financial statements for the year ended 31 March 2013.

The Directors are responsible for supervisory oversight of the preparation, integrity and fair presentation of the financial statements of Air Traffic and Navigation Services SOC Limited.

The financial statements presented on pages 86 to 140 have been prepared in accordance with International Financial Reporting Standards, the Companies Act, No. 71 of 2008, and the Public Finance Management Act, No. 1 of 1999. The guidelines of the King III Report on Corporate Governance, 2009, have also been taken into account. These financial statements have been prepared in accordance with appropriate accounting policies and include amounts based on judgements and estimates made by management. The Directors have supervised the preparation of information included in the integrated report and are responsible both for its accuracy and consistency.

The Directors considered the cash position of the company at 31 March 2013, the cash requirements for at least 12 months from that date, and incremental borrowing facilities available.

The Directors have every reason to believe that the company has adequate resources in place to be able to continue in operation for the foreseeable future.

Therefore, the Directors are satisfied that Air Traffic and Navigation Services SOC Limited is a going concern and have continued to adopt the going-concern basis in preparing the financial statements.

The External Auditors are responsible for independently reviewing and reporting on Air Traffic and Navigation Services SOC Limited's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 87.

During the year under review, the Board of Directors retained full and effective control over Air Traffic and Navigation Services SOC Limited and monitored management in implementing Board plans and strategies.

The Directors are of the opinion, based on the information available to date, that Air Traffic and Navigation Services SOC Limited's financial statements fairly present the financial position of Air Traffic and Navigation Services SOC Limited and the results of its operations and cash flow for the year ended 31 March 2013, and that the code of corporate practices has been adhered to.

Mpho Mamashela
Chairman

Thabani Mthiyane
Chief Executive Officer

JOHANNESBURG
16 August 2013

THE BUSINESS OF ATNS

Where would we be without strong roots? Without understanding where we come from, we cannot know where we are going. Let us take a journey together and learn about who we are, where we come from, and only then, let us tell ourselves: "now we can spread our wings, now we know where to fly."

One who has imagination without learning has wings without (roots).
Joseph Joubert

The business of ATNS

Our vision is to be the preferred supplier of Air Traffic Management solutions and associated services to the African continent and selected international markets.

Our mission is to provide safe, expeditious and efficient Air Traffic Management solutions and associated services.

Our values are:

Safety • Honesty • Openness • Quality service • Innovation • Equity • Teamwork

ATNS strategic imperatives

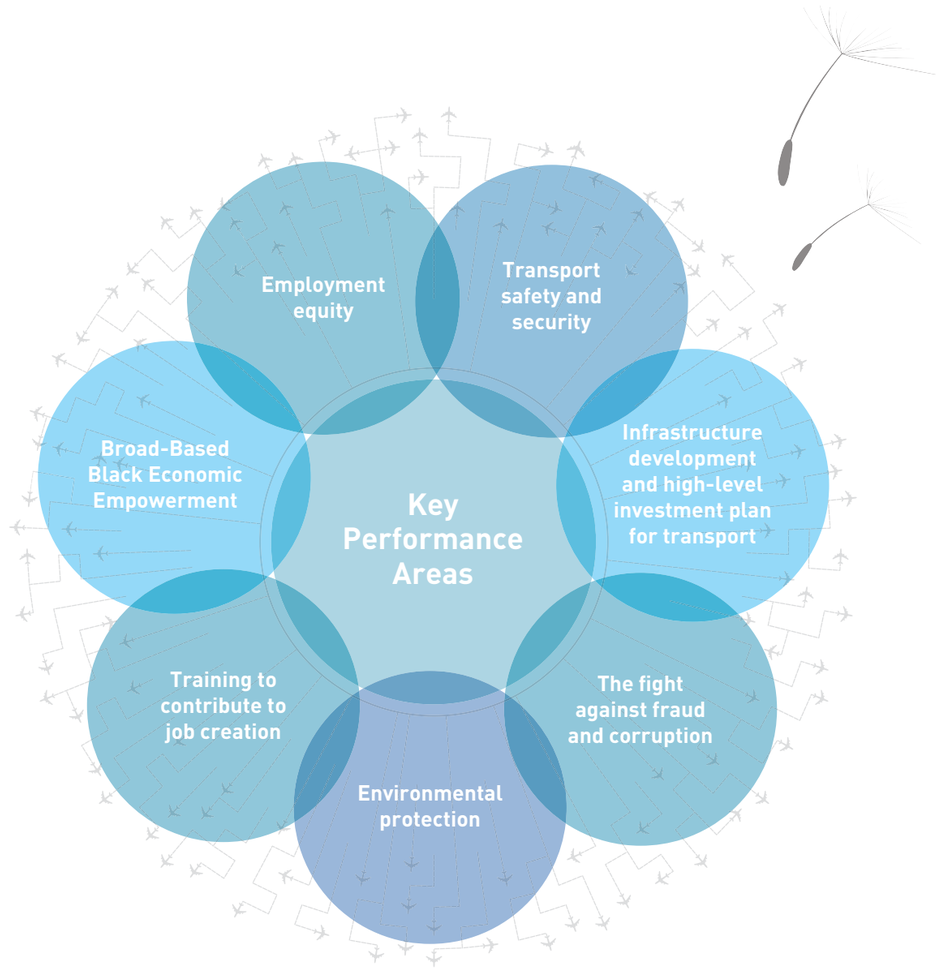
In 2008, ATNS embarked on a new journey involving a major shift from the product-driven strategy to an outward, market-driven strategy focus. The strategy was approved in 2010 and the implementation thereof took effect until the review of the strategy in May 2011. The current strategy is based on the understanding that the aviation industry plays a major role in driving sustainable economic and social development throughout the world.

Strategic imperatives are critical activities that, if we root our business in them, will give our strategic intent wings. ATNS has identified six strategic imperatives that are most critical in achieving our desired goals:

Deliver continuous improvement of our **safety performance.**	Become a **transformative organisation** that invests in its people.	Provide efficient **Air Traffic Management solutions** and associated services that meet the needs and expectations of the ATM community.	Maintain long-term **financial sustainability.**	Play a leading role in the **development** of Air Traffic Management on **the Continent** and selected international markets.	Deploy and use **leading technologies** to the benefit of the ATM community.

Key Performance Areas

In order to achieve our strategic objectives, it is critical that we set benchmarks of performance that will allow each department, business unit and individual within the company to effectively contribute to the success of the company, our sustainability in the marketplace and our growth and expansion. The Executive committee identified the following Key Performance Areas, which allow us to streamline our objectives and create a sustainable, effective organisation:

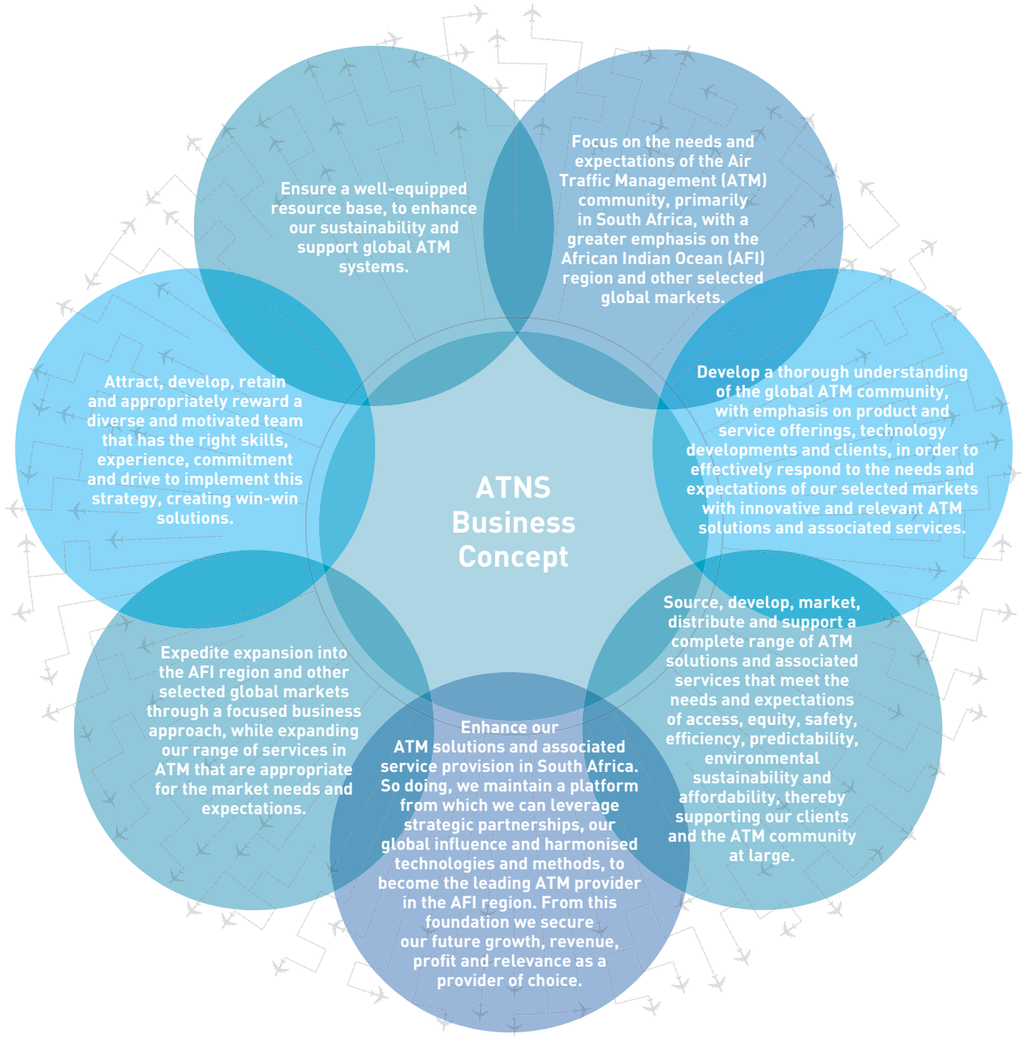


ATNS business concept

During the year under review, ATNS also clarified its corporate plan, a well-rooted strategic plan to ensure the long-term sustainability of the business, as well as to clarify and identify our plans for both the domestic and international market. This corporate plan includes a definition of our business concept, as explained here.

The term 'business concept' is largely synonymous with the terms 'strategic mission', 'mandate' or 'charter' that are used in other strategic approaches. A business concept can serve the organisation as a test bed for making consistent and intelligent decisions.

An important objective of a business concept is to define an entity's driving force, which determines the direction the company will take. The business concept statement serves as a strategic filter for management to use in shaping all strategic business decisions. ATNS has identified the following business concepts to give our direction wings:



Areas of excellence

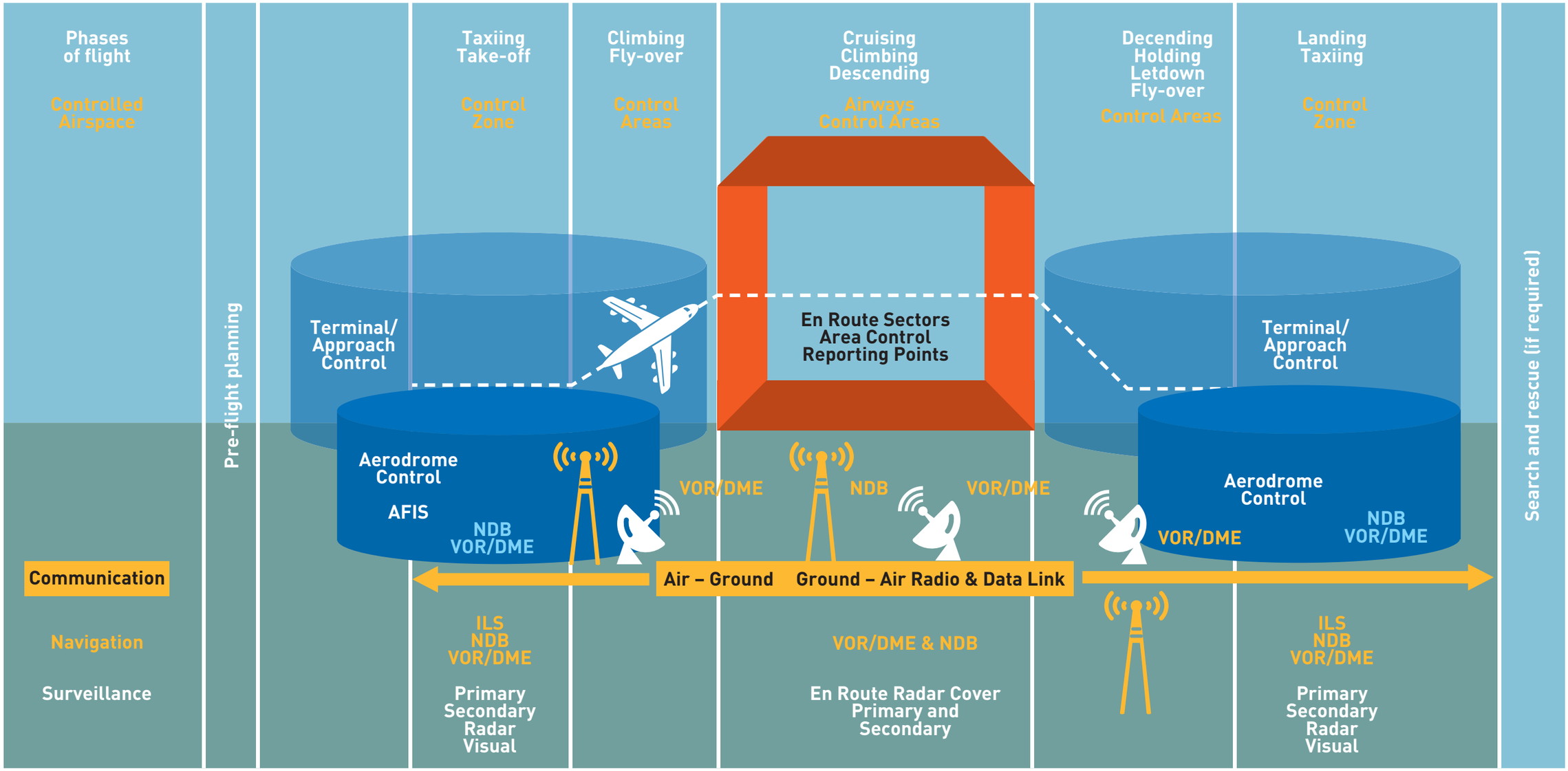
Areas of excellence are strategic skills or capabilities that support the driving force behind ATNS. These are the tasks we perform better than any other area. They make the strategy work and we invest maximally in the enhancement of these skills and capabilities. All these put us in a better position to ensure the safety of our users.

BUSINESS INTELLIGENCE
We excel at ensuring that we have **strategic far-sightedness**, **detailed insight** and **understanding** of global market dynamics, as well as readily available information on technological and business trends, suppliers, products, clients and competitors.

RELATIONSHIP MANAGEMENT
We excel at building **lasting relationships** with government and other strategic partners, including suppliers, clients, the ATM community and our people. These relationships must be built on **trust**, while being **flexible**, **relevant**, **supportive** and **robust**, and conducive to creating win-win situations.

MARKET EXCELLENCE
We excel at using **relevant technology** and **expertise** to maintain and develop our ATM solutions and associated services to ensure that they are **innovative**, of **high quality**, **reliable** and **affordable**. At the same time we ensure that our operations across the entire business are reliable, consistent, efficient and cost-effective, in order to exceed client performance levels, in accordance with the requirements, as the provider of choice.

ATNS services



The services provided by ATNS support seamless gate-to-gate operations. This concept encompasses the taxi out and departure, climb out, cruise, descent, arrival, landing and taxi in phases of a flight. The air traffic management service delivery component is enabled by an advanced air traffic management system deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units using enabling technologies such as communications, navigation and surveillance systems. The illustrated value chain is scalable across the total user demand in South African airspace. The service delivery process represents the leading edge of the ATNS efforts, supported by all the people of ATNS.

Permission application

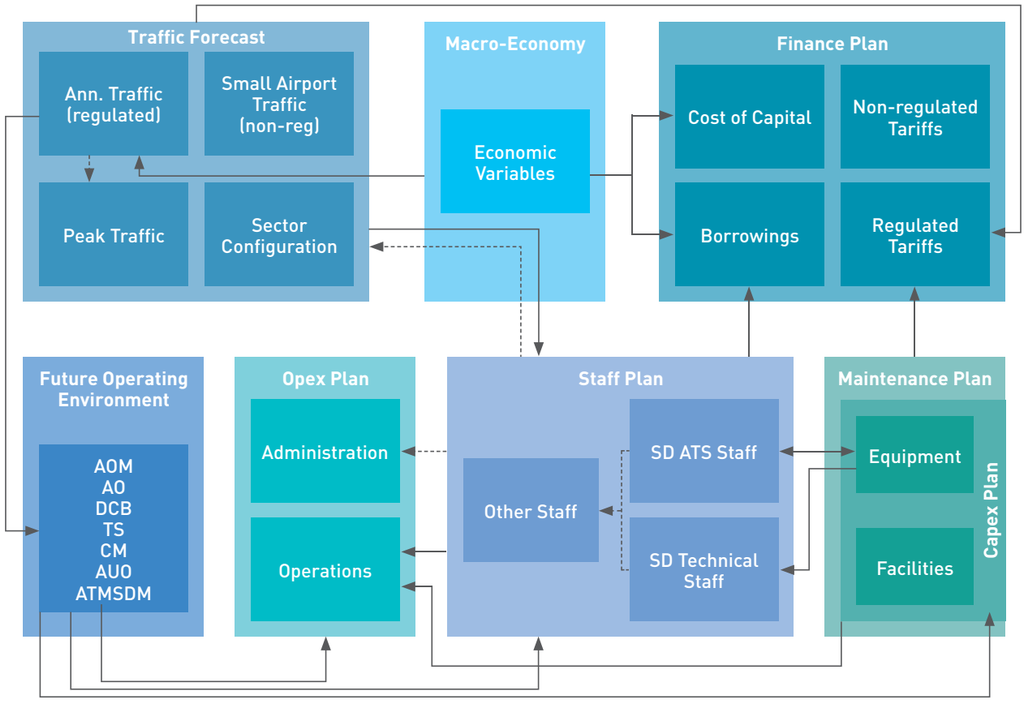
ATNS was incorporated in terms of the ATNS Act, 45 of 1993. Section 11 of the ATNS Act specifies the economic regulation regime for the company. This section makes it clear that ATNS shall not levy an ATS charge unless it is in possession of a valid permission. The current tariff structure is laid out on page 19 of this report.

Currently, the permission under which ATNS operates is the 2010/11 – 2014/15 permission. Each permission is valid for a period of five years. During the coming financial year, ATNS will be commencing the permission application process to ensure a valid permission from 2015 forward. The regulation committee is responsible for the monitoring and oversight of this process.

The future operating environment was traditionally captured in the CAPEX, Human Capital and traffic forecast modules. In preparing the permission it became evident that a separate module is required to address the future operating environment to avoid confusion and to focus on the ATM initiatives. The additional module will impact on other modules within the permission application.

The graphic below describes the new module interaction that will be utilised during the new process.

PROPOSED PERMISSION MODULE INTERACTION



Permission module overview

ATNS Macro-Economic Module
The overall direction of the company is determined by the macro-economic environment, as represented by the Macro-Economic Module. The macro-economy drives aggregate (annual) traffic, and also sets the pricing parameters (inflation, interest and cost of capital) for the company.

ATNS Traffic Forecast Module
The Traffic Forecast Module covers the demand for the core (ATC) services. Annual traffic, together with tariffs, drives revenue. Peak traffic and the related design and configuration of airspace sectors determine how the core (frontline) business is organised.

ATNS CAPEX Module
Peak traffic and the related design and configuration of airspace sectors determine the core of the capital expenditure requirements.

ATNS Operations and Maintenance Module
The annual traffic drives the total level of activity in the company, and therefore the operational expenditure. The Capex Module is at the same time the basis of the Maintenance Plan Module, i.e. the capital expenditure over time provides the capital base that needs to be maintained.

ATNS Human Capital Module
The frontline staff component of the Staff Plan Module flows from the traffic module, as well as from the equipment component of the Capex Module (i.e. the number and organisation of frontline staff depend on the sector configuration and the enabling technology environment). The other staff components flow largely from the frontline staff.

ATNS Administration Module
Administrative expenditures are largely driven by the staff organisation of the company, as well as statutory (governance, auditing, etc.) requirements.

ATNS Financial Module
The Finance Plan ties the other modules together, which in simple terms is purely the aggregate traffic divided by the company's expenditure base (revenue requirement).

The permission module informs how ATNS calculates the tariffs charged for the full range of ATM services.

ATNS charges for the following services:

An air traffic service charge is composed of the sum of variable costs (VC), business sustainability costs (BSC) and fixed costs (FC) for each distinct aerodrome, terminal manoeuvring area (TMA) access and area movement undertaken, according to the above mass categories and locations.

Each rand-value coefficient in the table above is multiplied by:
(a) 97% for a domestic flight;
(b) 100% for a regional flight: and
(c) 103% for an international flight,

except in the case of FCs for aerodrome and TMA access charges at FAJS for aircraft with MCM ≤ 5 000 kg where the coefficient as stated in the table applies.

Main mass category	Cost Component	Formulas & coefficients		Area charge
		Aerodrome charge	TMA access charge	
FAJS ≤ 5 000 kg	Variable Cost (VC)	R 26.47	R 26.47	
	Business Sustainability Cost (BSC)	R107.54/10 000.MCM	R107.54/10 000.MCM	
	Fixed Costs (FC)	R 56.74	R 104.82	
5 000 kg < MCM ≤ 15 000 kg	VC	R 26.47	R 26.47	R 26.47
	BSC	R107.54/10 000.MCM	R107.54/10 000.MCM	R107.54/10 000.MCM
	FC	R113.49/10 000.MCM	R20.96/1 000.MCM	R15.04/100 000.MCM.d
> 15 000 kg	VC	R 26.47	R 26.47	R 26.47
	BSC	R131.69/100.√MCM	R131.69/100.√MCM	R131.69/100.√MCM
	FC	R139.01/100.√MCM	R256.77/100.√MCM	R184.32/10 000.√MCM.d

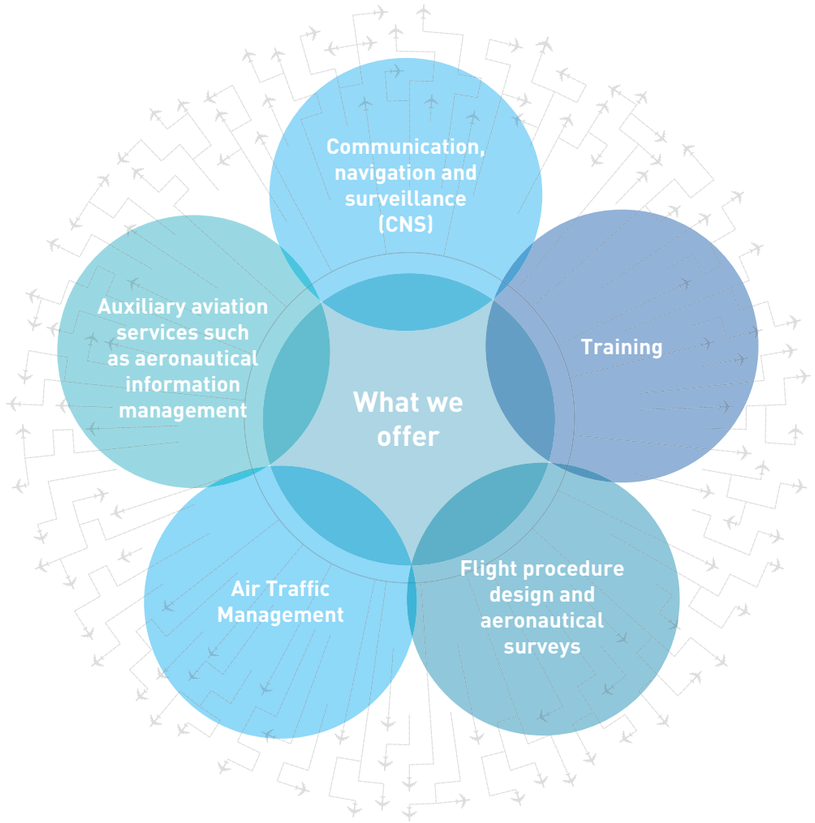
ATNS Profile

Who we are

ATNS is a commercialised state-owned company (SOC), established in 1993 in terms of the ATNS Company Act (Act 45 of 1993) to provide Air Traffic Management solutions and associated services on behalf of the state, in accordance with International Civil Aviation Oganisation (ICAO) standards and recommended practices and the South African Civil Aviation Authority (SACAA) civil aviation regulations and technical standards.

What we offer

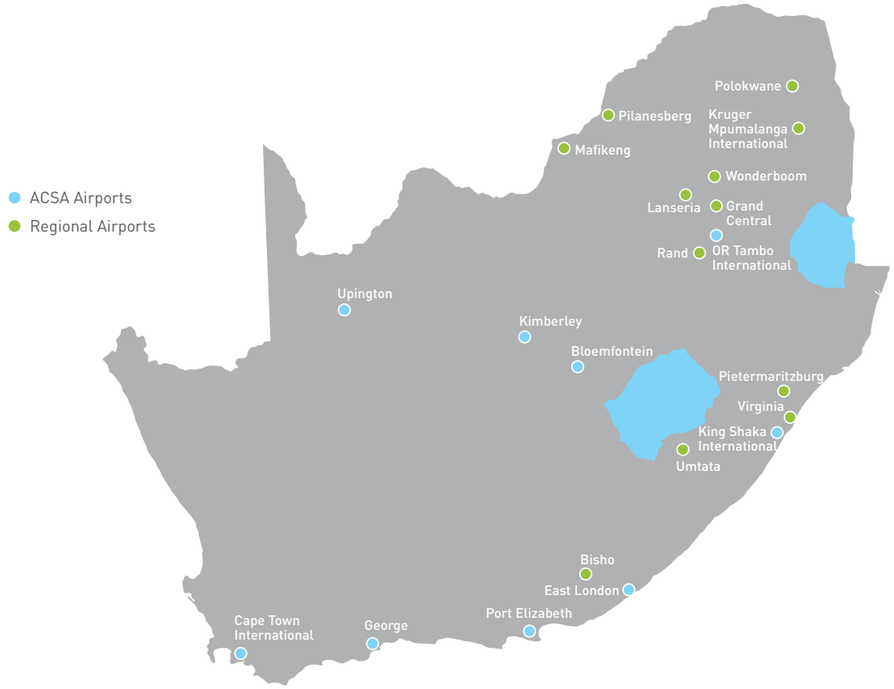
ATNS plans and operates safe and efficient services in the airspace for which the state is responsible as well as delegated international airspace. The company, as an air navigation service provider, offers services and products mainly in the following areas:



ATNS is the service provider of air traffic and navigation within South Africa's borders, rooted at 21 aerodromes across the country. In the year under review, ATNS provided services for over 600 000 aircraft movements across the country, while regulating 10% of the world's airspace. Our business has expanded significantly over the years and we now offer a number of products to both national and international markets:

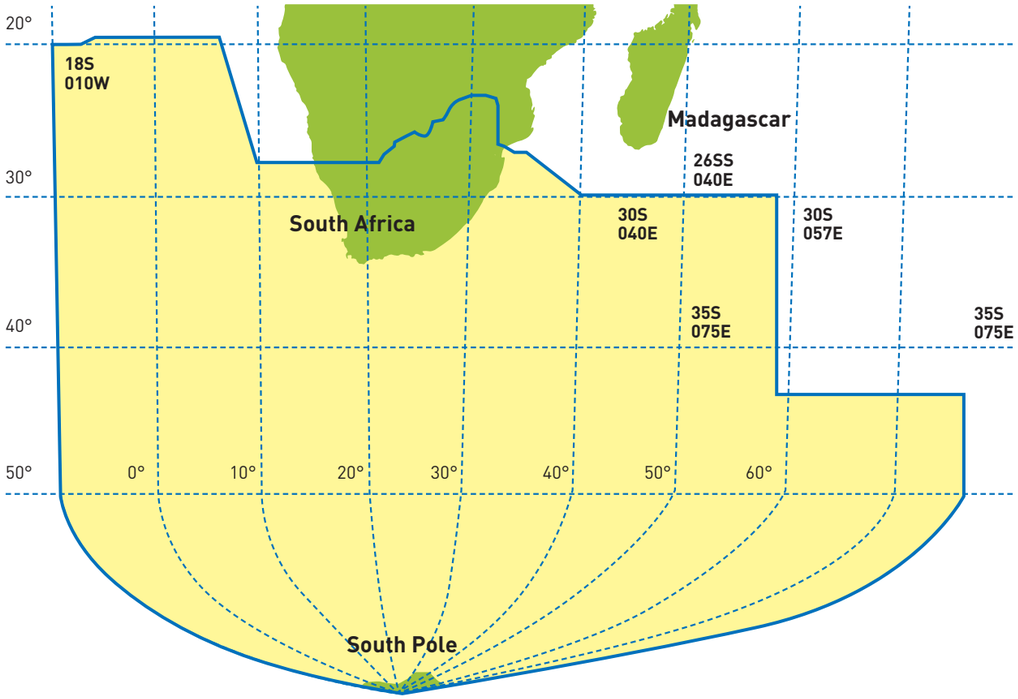
ATNS's presence in South Africa

ATNS provides services to nine ACSA airports throughout South Africa on a statutory basis, and to 12 regional airports on a contractual basis.

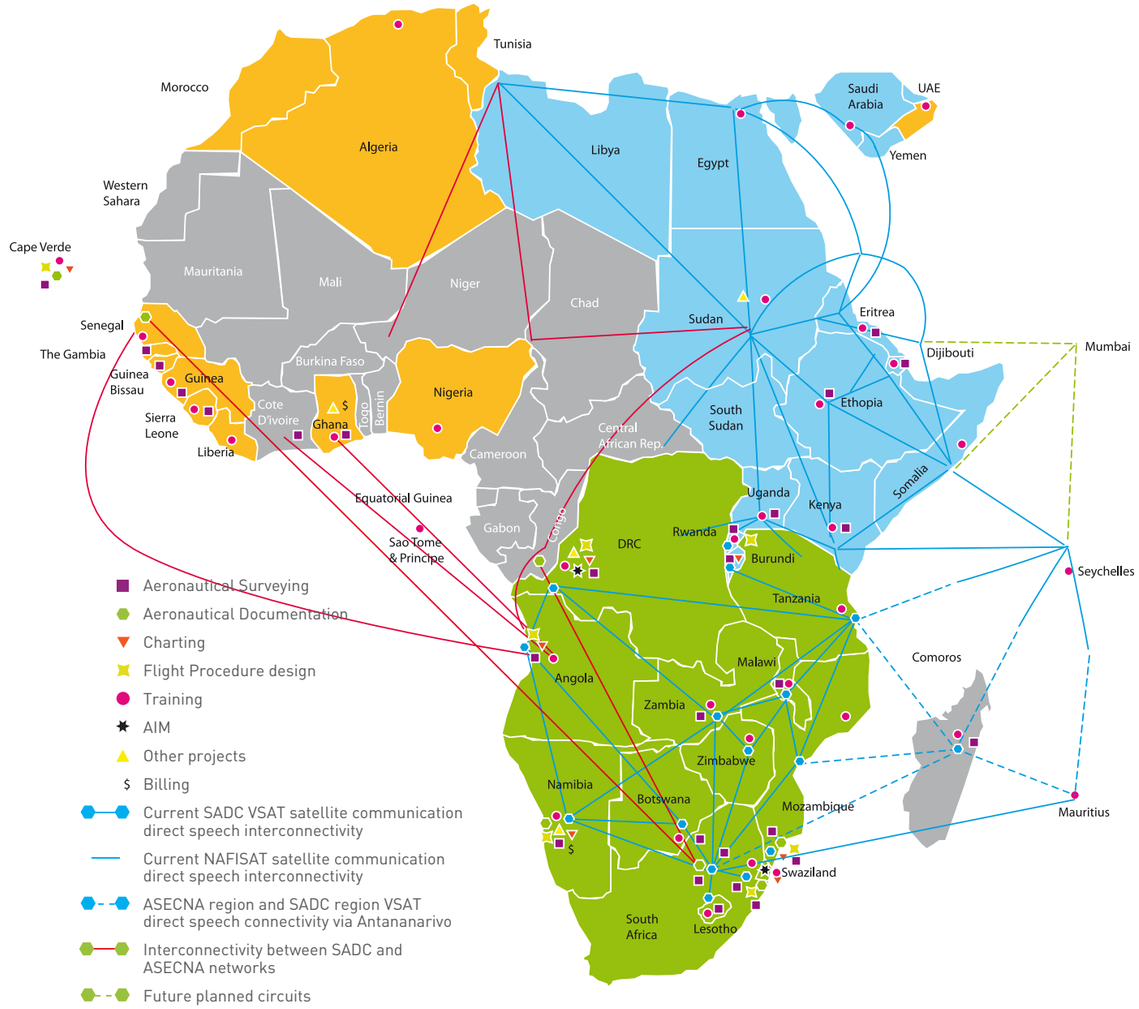


ATNS AFI airspace cover

ATNS is responsible for Air Traffic Management in approximately 10% of the world's airspace.



ATNS's extended services on the Continent and beyond



VSAT - Start and end period

SADC VSAT 1		SADC VSAT 2		NAFISAT	
Start date	End date	Start date	End date	Start date	End date
1998	October 2006	1 November 2006	March 2014	April 2007	March 2015

ATNS products and services

Initially, ATNS's business was rooted in providing air traffic control services to national airports, servicing all carriers entering and exiting South Africa and flying within the country's borders. However, our business has grown considerable wings over the years and we now offer a number of other products to both national and international markets.

Other products and services

No.	Current product offering	Future product offering
1	VSAT	ATNS CAD
2	UAC	Satellite training
3	Training	E-learning
4	Technical maintenance service	UACC
5	Procedure design	
6	Air space design	
7	Charting	
8	Documentation	
9	Regional airport	
10	WGS – 84	

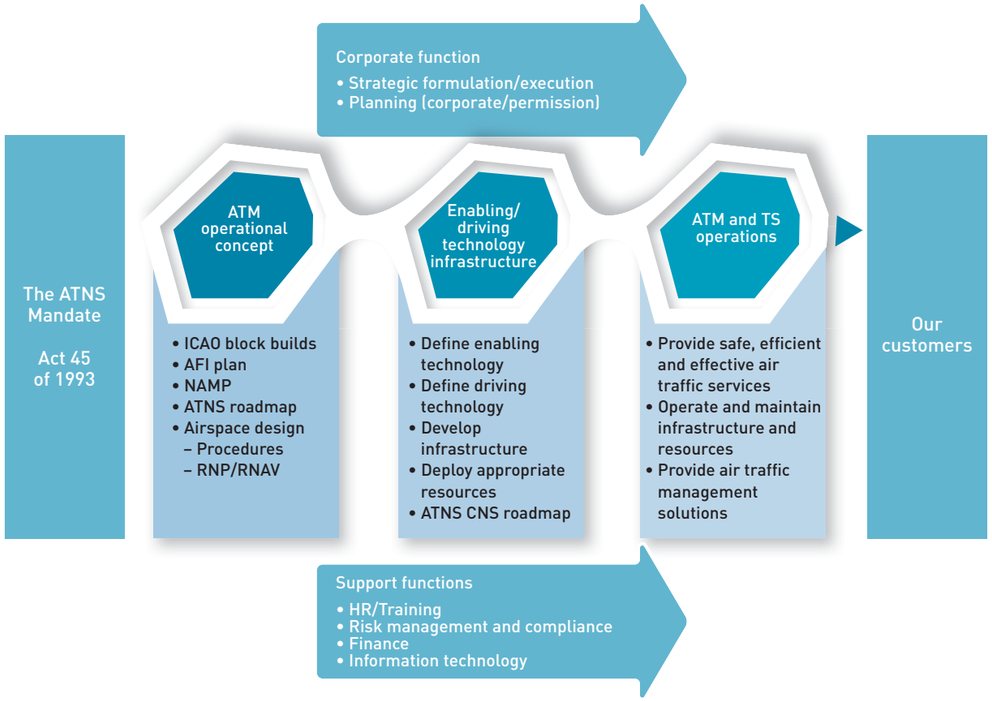
Operating structure

ATNS is a state-owned entity incorporated as a company comprising a Board of Directors appointed by the Minister of Transport to provide oversight and guidance on the implementation of the ATNS mandate. Based on the ATNS strategy, mandate and international conventions, standards and documents, such as the ICAO Air Traffic Management (ATM) Operational Concept, ATNS's structure facilitates the execution of the corporate strategy. The structure also affects the speed at which the company can adapt to changing environments.

The ATNS structure is based on our strategy and value chain, which comprises three main components:

- ATM operational concept
- Enabling/driving technologies, infrastructure and resources
- ATM and technical support operations

ATNS regulated business model – core and support functions



The operational components are supported by corporate and support functions. The corporate function determines the direction of the company, as mandated by the Board, through formulation and execution of the strategy by the CEO and his team. This function ensures that the Executives plan adequately and utilise resources as dictated by the three-yearly permission planning process. Planning for execution of the strategy is also driven by the departmental operational and business plans.

The support functions, such as Human Capital (HR and Training), finance, information technology, and risk management and compliance, provide the pillars, governance frameworks and the effective functioning of the operating environment.

ATNS Organisational Structure

ATNS Board

CEO

Company Secretary

Exec: ATM

Hennie Marais

Executive: Air Traffic Management

Hennie started his career in the South African Air Force in 1980, where he obtained aerodrome, approach, area procedural and radar accreditations. He has worked at various airports and air traffic control centres within South Africa and has served as a training instructor and validation examiner, then as the head of ATS training and manager of compliance and standards at the Aviation Training Academy. In 2004 he took up the reins as manager: standards assurance at the Isando corporate offices. In 2006 he was appointed senior manager: ATM planning, research and development. Hennie is currently a member of the ICAO ATM requirements and performance panel.

Exec: Operations

Peter Marais

Executive: Operations

Peter is a graduate electronics engineer, registered with the Engineering Council of South Africa. He was previously the principal radar engineer at the National Department of Transport, engineering manager at ATNS, Executive manager: training for ATNS and Executive manager ATM: communication, navigation and surveillance. Peter serves as chair of the South African Development Community's Upper Airspace Control Centre steering committee and represents ATNS on regional and international bodies responsible for planning communication, navigation and surveillance infrastructure in the region. Peter has completed the UNISA Business School's advanced Executive management programme.

Exec: Commercial

Rushj Lehutso

Executive: Commercial Services

Rushj is an MBA graduate from the University of Cape Town, and has extensive operational and Executive management experience with some of the world's most dynamic companies. He spent his formative and developmental years in the FMCG Beverage sector with firms like South African Breweries, Coca Cola and Brand House. He ran SAB's district in the Western Cape; served as a General Manager for United Distillers & Vintners Pty Ltd, and was later appointed Operations Director at Coca Cola Southern Africa. In the public sector, Rushj was Chief Operations Officer for the City of Cape Town before joining South African Airways as Commercial Director in 2006.

Acting Exec: Eng. & Tech. Services

Leago Takalani

Acting Executive: Engineering and Technical

Leago holds a MSc in technology management from the University of Pretoria and a BTech degree in electrical engineering from the University of Johannesburg. Leago joined ATNS as the senior manager: technical (R&D) and led the establishment of ATNS's technology research and development division. Prior to joining ATNS, she worked for Smile Communications Pty Ltd, Cell C, and as a system planning lead architect and senior specialist in the launch of Virgin Mobile in South Africa. She brings to ATNS significant experience in satellite communication, terrestrial transmission, software systems and billing systems. Leago is also a member of the IoD, advisory Board member at the UP department of electrical engineering and computer systems, as well as a member of the ATNS ethics committee.

Mpho Lecoge

Executive: Human Capital

Mpho Lecoge studied Science Education at the University of Botswana and Swaziland. She left the profession at the level of head of the Science Department to pursue programme development with the International Planned Parenthood Federation. In 1991, she changed her career path to Human Resources development and management at the De Beers Botswana operations. In 1993, she obtained a Diploma in Training and Development with the Maccauvlei Learning Academy. She later received training through the UNISA Business School. From 2001 she worked for Barloworld Equipment as well as Ernst and Young South Africa. Ms Lecoge was the Executive manager: Human Resources for the National Health Laboratory Service for three years prior to joining ATNS.

Exec: Human Capital

Tendani Ndou

Executive: Risk and Compliance

Tendani holds a BCom (Hons) in cost management accounting from the University of Venda, as well as a CIA from the Institute of Internal Auditors (IIA). She has served in various management positions, including general manager: internal audit at City Power, head of internal audit and risk management at SALGA, general audit manager at the Legal Aid Board, and cluster audit manager at Limpopo Provincial Internal Audit. She is also a member of the Institute of Internal Auditors. She serves in a number of Audit committees and is currently the chairperson of the South African Nursing Council Audit and Risk Committee.

Exec: Risk & Compliance

Dumisani Sangweni

Executive in the Office of the CEO

Dumisani Sangweni has worked in the airline industry, transport sector and broader corporate and public sectors as a business analyst, and at a consulting and Executive management level for a period of 15 years. He was appointed Managing Director and Chief Executive Officer of Air Tanzania Company Limited (ATCL) by the Board of that company in 2004. Prior to this, Dumisani had worked in a variety of commercial Executive roles for SAA. He graduated from Embry Riddle Aeronautical University, USA in 1991, with a BSc. Degree in Aviation Technology, and completed Post Graduate Diplomas in Transport Economics, and Business Administration (PBL) from RAU (1997) and Unisa (1999), respectively.

Exec: CEO's Office

William Ndlovu

Chief Financial Officer

Moshabe William Ndlovu is a Chartered Accountant South Africa CA(SA). He served articles at PricewaterhouseCoopers. He joined ATNS on October 2008 as head of internal audit and was part of the Executive team. Before joining ATNS he was a group risk manager for Kagiso Media Limited, a company listed on the JSE securities exchange. He was promoted to Chief Financial Officer in May 2011 and occupies the position to date. He is currently one of the Executive Directors and serves on the Board of Trustees for ATNS retirement fund. He is also in possession of a Global Executive MBA from both Georgetown University (McDonough School of Business) in the USA and Esade Business School in Spain.

CFO

VALUE CREATION

True glory takes root, and even spreads; all false pretences... fall to the ground; nor can any counterfeit last long.

Marcus Tullius Cicero

Our strength lies in the value that we create every day. We must ensure that everything we do will add real value, not only to our business, but also to the industry, to the country we live and work in, and to the people who rely on us daily for their safety, their growth and their livelihood.

Value creation through strategy

ATNS's strategic goals are rooted in the concept of outcomes and formulated to respond to national and industry needs. The goals will ensure that the company maximises its performance within the aviation industry, and will also give wings to national plans in order to meet government's expectations. ATNS has defined the following goals as high priority and critical.

ATNS critical issues

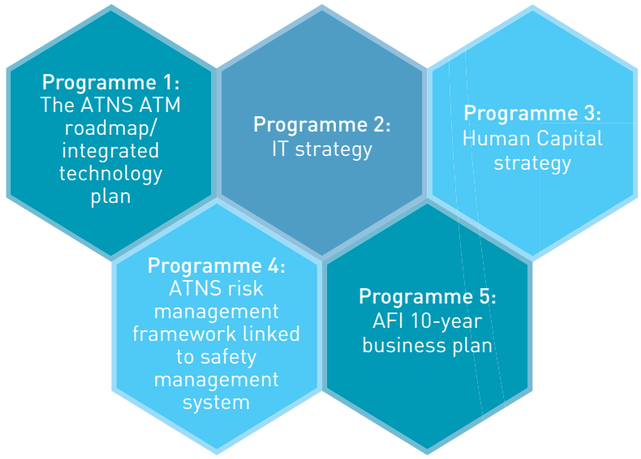
Critical issues are the bridge between the current profile and the future strategic profile of ATNS that management has deliberately decided to pursue. Below is the list of high-priority critical issues:

	High-priority critical issues
1	Develop a business plan and model for the non-regulated business in the AFI region, including tailored service packages.
2	Review and enhance safety improvement and safety maintenance plans.
3	Develop and implement VSAT and associated services plans, including CAFSAT replacement.
4	Review and enhance a talent pool for critical skills across the business, including succession planning.
5	Review and optimise the training model, including e-learning.
6	Develop, agree on and implement KPIs in line with strategy.
7	Develop, agree on and implement an ATNS corporate culture and values.
8	Develop and implement a process to secure and commercialise the IP, including trademark, copyright and patent.
9	Develop and implement an environmental sustainability plan and climate-change strategy.
10	Develop a feasibility study for GNSS, including EGNOS for regulated and non-regulated business.

ATNS core programmes

In response to industry dynamics and strategic challenges, ATNS has deeply rooted fundamental programmes that are central to the company strategy and the delivery of value to our Shareholder and other stakeholders. The plans are undertaken in the context of the ATNS mandate and are linked to other national priorities and corporate governance frameworks.

The core plans defined for ATNS are derived from the ATNS high-priority critical issues and are as follows:



The programmes are underpinned by the ATNS budget structure and integrated resource plans. The realisation and effective implementation of these programmes will have a direct effect on and give wings to the future strategy profile of ATNS.

PERFORMANCE REVIEW

How do we measure our performance? Do we look at the strength of our company's roots, determine whether we are strong enough to weather the storms of economic changes, and show what we have in our pockets? Or do we point to our wings and say "see these things we have done, look how they soar"? We do neither – or rather, we do both, for it is our roots, our core business, that gives us the strength to build, and it is our wings that allow us to be more than we ever envisioned.

When a team outgrows individual performance and learns team confidence, excellence becomes a reality.

Joe Paterno

Letter from the CEO

Thabani Mthiyane
Chief Executive Officer

ATNS is doing well. We are meeting our mandate, which is to provide safe, orderly, expeditious and efficient air traffic and navigation services. In addition, we are self-sustainable. Against all odds, we have managed to ride the wave of the 2008 financial crisis and recovered to the point where we have enough cash to sustain us for the foreseeable future. Globally, the industry is in pain, and one of the things we are looking at as an organisation is how to assist without compromising our sustainability and ensuring that services in South Africa proceed. Because of our unique position at the southern tip of the African continent, all aircraft entering our borders, for example from the north, are, by necessity, traversing a number of states before reaching us. It is in our interest to make sure that aircraft coming from Europe, the Americas and elsewhere across the world are safe.

Domestically, the aviation industry is matured, which means our local roots have been strong enough to ensure that we have had enough capacity to service this market over the last several years, and can sustain the business for the next several years. In order to sustain and improve the domestic market, we must start to look beyond our borders. As a State-owned Company, we take into account the government focus on the African Renaissance thinking, to give it wings. South Africa is at the forefront of technology in the Continent and that is the advantage to build on. Commercially, it is beneficial as well, as there is a huge market available on the Continent, which we can grow and develop.

We have developed a sustainable strategy that we must now focus on. This is a vehicle that will allow us to respond quickly to opportunities as they arise – in fact, we should be able to anticipate these opportunities before they even arise. It is for this reason that we are developing a subsidiary, for expansion into the Continent and beyond.

Thabani holds a BEng (Hons) in mechanical engineering from the University of Pretoria, a BSc Eng in electrical engineering from the University of KwaZulu-Natal and a National Diploma in electronic engineering from Technikon Natal. Thabani worked for Eskom's engineering division as well as the National Ports Authority of South Africa prior to joining ATNS as technical support manager (policy and development). Later, he was appointed senior manager of engineering projects before taking the position of Executive: Engineering and Technical services. Thabani currently serves as the acting CEO of ATNS. He is a registered professional engineer with the Engineering Council of South Africa and is a member of the South African Institute of Electrical Engineers.

Our major challenge, which is faced by most South African businesses, is skills shortage. We must actively address the limited and/or low supply of Air Traffic Controllers in the job market. This is a global phenomenon.

We have stemmed the tide of employees being headhunted to ANSPs outside South Africa by reviewing our remuneration model and we are almost there. On the technical side, we are facing the challenge of losing staff trained specifically for ATNS to other industries in the country. We are addressing this by providing training to these industries to address the skills inefficiencies, as well as ensuring our people are properly equipped for the job they need to do here.

We are also constantly asking ourselves what the state of the aviation industry will look like in 10 years' time. We are trying to answer that question and at the same time are preparing ourselves for that. This is being done though a combination of ensuring that our technology is the best possible available and ensuring top-quality education for our people – including sending several people abroad to obtain further education, which knowledge is then brought back into the country to improve the education capabilities of more of our people.

One of the biggest projects we have undertaken in recent years is the upgrading of SAAATS to the CAATS project, which will enhance our efficiencies and capabilities. This is a timely investment intervention. We are looking forward to implementing this during the coming financial year.

We have been aligning our operations with international standards, aviation industry operators and with IATA requirements, including the amount of time aircraft spend in the air. In November, ICAO held the Air Navigation Conference, held only once every 10 years. This conference primarily defines the path of aviation for the next decade. As it stands today, we are on par with what is required globally.

A recent development is the understanding that Upper Airspace Management can be consolidated and that there are fewer players handling those controls. This is important for us as an organisation. We are currently putting plans into place to start the process in the SADC region. The objective is to have a single control centre. It would not be owned by South Africa, but in the event that we host this facility, it will assist in creating seamless travel across the Continent, and be aligned with our expansionary efforts.

We are also working on ensuring the continuation and expansion of our satellite communications network. Currently, this network covers the whole of Africa and two countries in the Middle East, but we would like that network to be extended.

Presently, we are only charging a tariff for aircraft above 5 000kg. However, we are busy reviewing and assessing the current model, with a view to charging similar tariffs to smaller aircraft. This exercise needs to be balanced with much consideration of a myriad of factors that include, but are not limited to, additional resources, cost efficiency and expansion into non-ACSA airports. It is a given that there is not much scope for growth in terms of our non-regulated business. Once we can successfully manage to expand our international business, this venture will be a reality.

While we have not yet reached our target of 2 incidents per 100 000 movements, at 2.24 we are almost there. We have seen a sustained reduction in this number since we started putting bold initiatives in place to ensure that we reach the set target. In most instances, we have found that the human factor is a key variable.

Everything at ATNS is informed by safety considerations, which is why we are constantly

Letter from the CEO

working on initiatives to improve our safety record. We do not compromise on safety.

Other notable achievements during the past year include a significant reduction in delays and wait times for aircraft. Our Central Airspace Management Unit (CAMU) system has allowed us to do a lot of pre-tactical work, ensuring that we reduce hold times, thereby reducing emissions and fuel burn. These have resulted in both improved environmental sustainability and financial benefits for all stakeholders. We have improved our routings and have seen a significant reduction in noise pollution around airports.

A major proportion of our expenditure during this year was around the SAAATS project. However, as this has been finalised, the next financial year will see us in a better position, and being able to expand our expenditure on BBBEE initiatives. We are looking at localising most of our contractors, which will support economic empowerment. In terms of employment equity, we have not yet reached our desired targets, but we have come a long way. For example, in terms of people with disabilities, we are well above the national average. We are realistic about what we can achieve, and this is an ongoing process.

We are doing a lot of focused training in line with the government's mandate to assist with job creation. We have partnerships with Universities of the Witwatersrand and and Pretoria respectively. This allows us to not only recruit quality people, but also provide quality education and training for candidates, who may not necessarily end up working at ATNS, but can take positions in other departments and/or organisations in the country, where they would provide much-needed skills.

The Department of Transport (DoT) has been interrogating the availability of a one-stop centralised aviation training institution. ATNS has a strong training institution, the Aviation Training Academy (ATA) – even though this currently focuses on Air Traffic Management. This will help us to improve the management of the airports and services offered by the aviation industry in South Africa. This will also entail the development of a new academy, especially as the current academy has already reached its capacity.

With regard to the fight against crime and corruption, we have an effective whistle-blowing policy in place. Fortunately, there have been no significant matters reported. We believe that the structures and internal controls that are in place within the company are more than adequate to enable us to prevent any corruption or fraudulent activity.

Our risk management is very matured and effective.

From a permission perspective, it is going to be a challenge to move forward. Increased tariffs have a negative impact on airlines and so do fuel increases. The more we provide them with well-structured permission efficiencies, the more they will save on fuel and other related costs. We do not expect much change in terms of the permission, though. We have made some refinements and many of the issues contained therein have been agreed with the industry already. The fact of the matter is that we must still undergo the process. Whatever happens with our next permission will mainly be extending on what we currently have.

In hindsight, I do not foresee any major challenges in the coming year. The industry knows what to expect from us and we want to keep it that way.

Lastly, I would like to thank our Shareholder and our stakeholders, including the media, industry partners, our committed staff, the Executive and the Board, for their unwavering support during the year.

Thabani Mthiyane
Chief Executive Officer

Financial overview by the CFO

William Ndlovu
Chief Financial Officer

The aviation industry continued to be affected negatively by the global economic downturn. Private individuals travelled less for recreation or vacation. Similarly, companies cut costs where they could and utilised technologies such as video conferencing where possible instead of travelling for business meetings. This has resulted in a sharp decrease of 7% in air traffic movements compared to our projections.

Despite this, we find ourselves in a financially stable position. We achieved both our income and expenditure targets. Turnover increased by 3% to R1.2 billion while operating costs increased by 8% to R944 million and our net profit after tax decreased by 7% due to impairment on some of our receivables.

As reported in our past financial year, we reprioritised the SAAATS upgrade project. The contract to acquire the new system was concluded during the period under review, at a final cost of R318.8 million including support costs, compared to the initial projected cost of R500 million. The conclusion of this contract enabled us to catch up with the capital expenditure backlog we were experiencing due to reprioritisation.

In the annual report for 2011/2012, we reported that we would be undergoing a regulatory review of the permission process. This did not occur due to the incoming Economic Regulator Committee requesting more time. Therefore, we did not undergo the interim three-year review of the permission as in the previous years, and the current permission will continue until the 2014/2015 financial year. In terms of the current permission, the tariff increase for the next year will be zero. The reserves that ATNS built over the past permission period will come in handy at that point to ensure continued financial sustainability until the new permission, which will take effect in 2016.

In terms of contributing to Broad-Based Black Economic Empowerment (BBBEE), we are in a process of developing a BBBEE strategy which will be used,

Moshabe William Ndlovu is a Chartered Accountant South Africa CA(SA). He served articles at PricewaterhouseCoopers. He joined ATNS on October 2008 as head of internal audit and was part of the Executive team. Before joining ATNS he was a group risk manager for Kagiso Media Limited, a company listed on the JSE securities exchange. He was promoted to Chief Financial Officer in May 2011 and occupies the position to date.

He is currently one of the Executive Directors and also serves on the Board of Trustees for ATNS retirement fund. He is experienced in audit, risk, financial management and governance.

He is also in possession of a Global Executive MBA from both Georgetown University (McDonough School of Business) in the USA and Esade Business School in Spain.

among others, to drive the preferential procurement and enterprise development in our area of influence. At the time of reporting we were lagging behind in terms of our capital expenditure target and we believe that a strategy will assist to be focused and innovative in improving and optimally contributing to BBBEE initiatives.

In the reported financial period, our debt-equity ratio decreased from 17% to 8.6%. This put us in a good position to be able to raise debt to fund the imminent capital expenditure. Given the subdued market conditions under which we operate, our debt equity target will range between 10% and 45% going forward. Our scenario calculation shows that this is a range within which financial distress risk could be managed, should the downward trend on traffic movements continue. In terms of covenants with current financiers, a 60% debt-equity ratio is the maximum available.

The current contracts for SADC VSAT and NAFISAT come to an end in 2014 and 2015, respectively. Plans are already in place to continue managing these networks beyond these dates and engagement with relevant stakeholders is at an advanced stage.

The intention to increase our non-regulated revenue from the current 10% is still top of our agenda. Our goal is to increase this to at least 30% in the not so distant future.

We are actively engaging with various stakeholders to investigate better ways of providing ATC services. By positioning ourselves at the forefront of innovation, ATNS hopes to gain a greater market share on the Continent.

We look forward to the challenges that the coming financial year will bring, particularly in terms of achieving our KPI targets. I am confident that, with persistence and by working smart, ATNS will continue to thrive, despite difficult economic times. We are prepared to meet the future head-on.

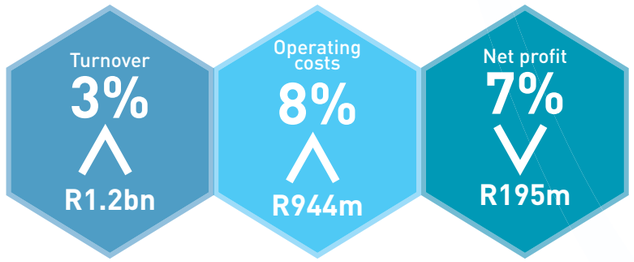
Economic outlook

In the coming financial period ending 31 March 2014 and the first half of the financial year ending 31 March 2015 the company will be busy with the permission application process. As explained in the various parts of the document, the permission allows ATNS to charge tariffs to the users for services rendered. The application process is anticipated to be completed by September 2014. The consultation process with our stakeholders has already started.

In an attempt to position the company to increase its non-regulated revenue to 30% over time as explained, the current configuration will be re-assessed and improved, where necessary. The coordination of the improved configuration will be undertaken as well to ensure efficient implementation of the strategy.

Further to Capital Expenditure committed before the financial year end, other Capital Expenditure programmes to improve our technology will be carried out in the coming year. The effort to implement our Capital Expenditure programme at the lowest cost possible will continue. We believe this will go a long way to alleviate our customers in the aviation industry.

William Ndlovu
Chief Financial Officer



Key Performance Areas and Indicators

As a state-owned company, ATNS is answerable to the Minister of Transport and, as such, has a responsibility to reach the set Ministerial outcomes as agreed upon with the President of South Africa. In line with these outcomes, the Department of Transport developed key outcomes, four of which are relevant to the aviation environment. Based on these outcomes, ATNS has developed seven Key Performance Areas and Indicators (KPIs) by which the company measures its performance.

These KPAs are at the root of our performance. Achieving our goals based on these indicators will mean that our company has the wings to soar in the industry and branch out into the Continent, in line with our strategy.

Organisation Key Performance Indicators

Key Performance Area (KPA) 1: Transport safety and security

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
1.1	Safety service provision	Reduce the ATNS safety event rate	Number of safety events per 100 000 air traffic movements Inclusive of all movements	2.60 safety events per 100 000 air traffic movements.	2.0 safety events per 100 000 air traffic movements	2.24 safety events per 100 000 air traffic movements
1.2	Airspace capacity and efficiency	Increase airspace capacity in line with runway throughput jointly determined by ATNS and ACSA	Airspace capacity increases Runway throughput	FAJS = 60 FALE = 24 FACT = 30	FAJS = 60 FALE = 24 FACT = 30	FAJS = 60 FALE = 24 FACT = 30
1.3	Operational efficiency	Achievement of SLA for equipment availability	Average availability as per SLA	C: 99.60% N: 97.78% S: 99.96%	C: 99.67% N: 98.65% S: 99.77%	C: 99.51% N: 98.11% S: 99.95%
1.4	Ensure commercial sustainability	Ensure financial stability	Meeting financial targets as per the budget	D/E = 17% C/A = 2.78:1 ROCE = 24.99%	D/E = 21% C/A = 3:1 ROCE = 15%	D/E = 9% C/A = 4.1:1 ROCE = 27.62%

Commentary

Key Performance Indicator (KPI) 1.1

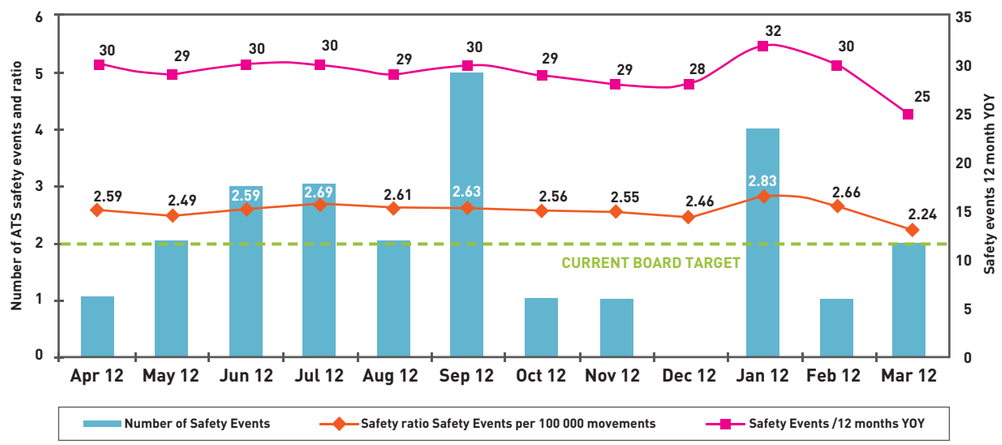
The quarterly safety service provision for the 12 months ended 31 March 2013 is shown in the table below:

Q1	April – June 12	2.59 per 100 000 movements
Q2	July – September 12	2.63 per 100 000 movements
Q3	October – December 12	2.46 per 100 000 movements
Q4	January – March 13	2.24 per 100 000 movements

The target set for safety service provision is 2.0 safety events per 100 000 air traffic movements. For the fourth quarter ending March 2013, the Air Traffic Service (ATS) related safety events per 100 000 were calculated at 2.24 per 100 000 movements. This demonstrates steady progress in improvement from the previous quarters as shown in the table above.

The graph below depicts the ATS safety events per 100 000 movements during the period April 2012 to March 2013.

ATNS SAFETY EVENTS PER 100 000 MOVEMENTS



ATNS anticipates that safety performance as measured by the safety ratio will continue to improve, given the various safety improvement interventions that are currently underway and those that have been completed. This demonstrates that the interventions put in place are yielding results. The interventions are focused on identifying and reducing systemic safety risks, while recognising that human error is a risk that must always be monitored and mitigated. The organisation has embarked on safety initiatives, such as the Normal Operations Safety Survey (NOSS), human factors, and approach safety initiatives, among others, at identified air traffic control units to improve safety performance. ATNS has also introduced a new monitoring technique to ensure that we move towards the set target.

KPI 1.2

The runway throughput target for the fourth quarter ending March 2013 was achieved at the three major airports, OR Tambo International, Cape Town International and King Shaka International Airports.

KPI 1.3

The communication, navigation and surveillance (CNS) service level availability (SLA) for the financial year ending 31 March 2013 was as follows:

Infrastructure	Q1 Apr-June 12	Q2 Jul-Sep 12	Q3 Oct-Dec 12	Q4 Jan-Mar 13	Full year average	Target
Communication	99.56%	99.43%	99.51%	99.60%	99.60%	**99.67%**
Navigation	97.08%	97.45%	97.61%	97.78%	97.78%	**98.65%**
Surveillance	99.74%	99.80%	99.86%	99.96%	99.96%	**99.77%**

The communication and navigation SLA was considerably below the set targets, due to the unavailability of third-party telecommunication services, as well as endemic factors as a result of vandalism on the navigation equipment. As a result, ATNS is expanding its own domestic communication network to further reduce reliance on third-party service providers. Furthermore, plans are currently underway to replace affected equipment in order to ensure the recovery on the CNS availability figures.

It is, however, to be noted that the overall services could still be rendered through the redundant systems, even though the primary systems were affected. Therefore, the figures in the table above represent the systems availability and do not take into account the service availability, which was at 100% throughout.

The surveillance figures exceeded the company's set target. The CNS infrastructure continues to demonstrate reliability.

KPI 1.4

The financial budget targets for the year ending 31 March 2013 were as follows:

Financial imperatives	Q1 Apr-June 12	Q2 Jul-Sep 12	Q3 Oct-Dec 12	Q4 Jan-Mar 13	Full year average	Target
Debt-equity ratio (D/E) – gearing	21%	13%	12%	9%	9%	**21%**
Current ratio (C/A)	3.1:1	3.87:1	3.86:1	4.1:1	4.1:1	**3.1**
Return on capital employed (ROCE)	8.14%	14.3%	21.5%	27.62%	27.62%	**13.7%**

Although the company projected that debt would be raised during the financial year, this did not occur and therefore ATNS did not achieve the gearing ratio target of 21%. However, this should not raise concern, as a lower gearing ratio of 9% indicates a strong balance sheet, which will make it significantly easier for the company to borrow in the coming year.

The current assets and current liabilities as at the end of the quarter were R881.5 million and R215.4 million respectively. This gives us a current ratio of 4.1:1.

The organisation's return on capital employed (ROCE) at the end of the fourth quarter was 27.62% against the target of 13.7%.

KPA 2: Infrastructure development and high-level investment plan for transport

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner	Adoption and approval of CAPEX Implementation of CAPEX 2012/13: • strategic plan • roadmap • operational plan	Compliance with the acquisition and implementation of milestones of the CAPEX plan	R92.4 million	R190 million	R199.91 million
2.2	Operation of the satellite communication networks: SADC VSAT 2	Optimise revenue and ensure network availability	Achievement of revenue and network availability as per SLA targets	Revenue = R21.9 million SLA = 99.97%	Revenue = R23.7 million SLA = 98.5%	Revenue = R26.85 million SLA = 99.87%
2.3	Operation of the satellite communication networks: NAFISAT	Optimise revenue and ensure network availability	Achievement of revenue and network availability as per SLA targets	Revenue = R23.9 million SLA = 99.98%	Revenue = R20.7 million SLA = 98.5%	Revenue = R25.01 million SLA = 98.84%

Commentary

KPI 2.1

During the year under review, ATNS's priorities were focused on reinforcing public confidence in the safety of air travel. In pursuit of this goal, the company invested in a R190 million infrastructure programme which will give us a strong technological foundation for at least the next two decades. Simultaneously, this programme needed to support continued growth and job creation for South Africans. The capital expenditure (CAPEX) figure as at the end of the fourth quarter was R199.91 million against a target of R190 million. Our aim is to ensure that we implement the CAPEX plan in line with our objectives as set out in our strategic and operational plans, and to manage our suppliers closely and in turn receive value for our money. The current projections, including cash outflows and expected commitments, indicated that a capital expenditure budget of R190 million would be achieved in the current permission cycle of 2009/10 – 2014/15.

Infrastructure development	Q1 Apr-June 12	Q2 Jul-Sep 12	Q3 Oct-Dec 12	Q4 Jan-Mar 13	Full year average	Target
CAPEX plan implementation	R3.9 million	R10.4 million	R15.12 million	R199.91 million	R199.91 million	**R190 million**

KPI 2.2 and KPI 2.3

ATNS supports national priorities for regional integration and realises that the improvement of transport infrastructure is also vital to ensure safe skies within the African Indian Ocean (AFI) region. The service level network availability for both SADC VSAT II and NAFISAT networks was 99.87% and 99.84%, respectively, for the fourth quarter ending 31 March 2013. The satellite communication networks revenue was R26.85 million and R25.01 million for SADC VSAT II and NAFISAT networks respectively. ATNS has exceeded both the revenue and SLA targets for the two networks.

Infrastructure development	Q1 Apr-June 12	Q2 Jul-Sep 12	Q3 Oct-Dec 12	Q4 Jan-Mar 13	Full year average	Target
SADC VSAT 2 revenue	R6.2 million	R13 million	R19.9 million	R26.85 million	R26.85 million	**R23.7 million**
SADC VSAT 2 SLA	99.5%	99.96%	98.5%	99.87%	99.87%	**98.5%**
NAFISAT revenue	R6.3 million	R13 million	R19.7 million	R25.01 million	R25.01 million	**R20.7 million**
NAFISAT SLA	99.5%	99.79%	98.5%	98.84%	98.84%	**98.5%**

KPA 3: The fight against fraud and corruption

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
3.1	Comply with relevant legislation, regulation and standards	100% compliance	Reports with no material findings from auditors Sound internal control systems	Internal control systems are reviewed by internal audit as per the audit plan. Where witnesses are identified, corrective measures are put in place for implementation	Unqualified audit report Zero material non-compliance findings	No material non-compliance findings were reported in the period under review
3.2	Fraud and whistle-blowing policy	Fighting corruption and promoting good governance	Matters investigated as per policy timelines	All reported matters were resolved within 30 days	Resolution of all matters raised within 30 days	All reported matters were resolved within 30 days

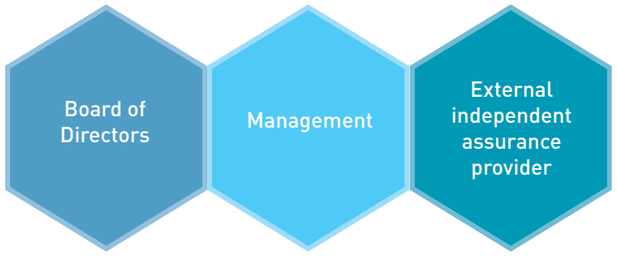
Commentary

KPI 3.1

ATNS continues to comply with relevant legislation, regulations and standards. No material findings were reported during the fourth quarter as per internal audit reports.

KPI 3.2

ATNS has a robust whistle-blowing policy in place, and we encourage all staff to be constantly vigilant for any behaviour that could be considered unethical, fraudulent or corrupt. The company also complies with all relevant legislation, regulations and standards, and this is constantly monitored using our 'three levels of defence' model. This model stipulates that all risk is managed on three levels:



KPA 4: Environmental protection

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
4.1	Implementation of environmental plan	Minimise gaseous emissions Economic initiative Human Resources/ Training Performance assessment	Carbon footprint measurement (industry and corporate) Efficient use of resources, e.g. water and energy Environmental climate-change educational programmes developed at ATA Stakeholder engagement policy on S&CC issues	The sustainability and climate strategy was developed in August 2011 The environmental plan was formulated in February 2012. We are currently in the implementation phase of the plan.	Percentage reduction in current carbon footprint Percentage reduction in energy Fully-fledged training programme developed and offered at ATA EXCO-approved communication plan	The implementation of the environmental and sustainability plan is underway. The work accomplished thus far includes the calculation of ATNS's carbon footprint and the energy management audit. ATNS still awaits the measurable targets from the DoT

Commentary

KPI 4.1

During the previous financial year, ATNS, with the assistance of Deloitte, underwent a strategic exercise to identify, clarify and map ATNS's current and future sustainability initiatives. As a result, ATNS has identified a series of considerations for action, including:

- Measuring ATNS's carbon footprint – to understand ATNS's carbon liability to emerging sustainability and climate-change legislation and regulations.
- Energy management assessment – to analyse liabilities and energy price risk posed, especially with regard to incoming climate-change legislation and regulations.
- Carbon tax risks and opportunities assessment – to mitigate risk and gain optimal benefit from the opportunities identified.
- Engaging employees in sustainability and climate-change awareness learning programme.

To date, the company does not have any set targets for this KPI, but we accept and acknowledge that this is a vital element for ensuring the sustainability of the company, the industry and the environment. During the coming financial year, we hope to crystallise our environmental strategy and implement programmes that will, in due course, ensure that we are a responsible corporate citizen in this field.

This will be further detailed in this report in the section on our journey towards sustainability.

Human Capital Key Performance Indicators

The following three Key Performance Indicators all speak to how we deal with the Human Capital of our organisation and are intrinsically linked with one another. For example, while we contribute to job creation by providing training and education – let's say, by providing engineering training – we simultaneously contribute to employment equity by actively seeking out candidates from previously disadvantaged groups. This extends to transforming the organisation from within, for example through the women's development programme, which identifies and provides training and education for women who are already within the organisation.

KPA 5: Training to contribute to job creation

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
5.1	Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate	ATS bursaries and engineering learnerships	Trained ATS and engineering learnerships	ATS bursars/ trainees = 69 Engineering learnerships = 17	ATS = 60 Engineering learnerships = 10	ATS bursars/ trainees = 47 Engineering learnerships = 17
5.2	Manage the training pipeline for ATS and technical staff	Adoption and approval of HC plan as per budget ATS and TS training plan Operational or implementation plan	Achievement of numbers as per budget Adoption and approval of training plan Compliance with the milestones of the plans	ATCO 3 = 212 ATCO 2 = 32 ATCO 1= 88 ATSO = 113 AIMO = 44	ATCO 3 (PATC) = 203 ATCO 2 (SATC) = 47 ATCO 1 (ATC) = 98	ATCO 3 = 190 ATCO 2 = 42 ATCO 1 = 116

Commentary

KPI 5.1

One of ATNS's business objectives is to address the root causes of key societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate. In this context, ATNS has the ATS bursars and engineering learnership programmes at the Aviation Training Academy. At the beginning of the fourth quarter (ending March 2013), ATNS had trained 43 ATS bursars/trainees and 17 engineering learners. A further 17 ATS trainees commenced training at the beginning of January 2013, giving a total of 59 trainees at the end of the financial year.

KPI 5.2

***The reported number of ATS staff and validated number of ATS staff may vary as a consequence of administrative processes following validation and the change in status being reflected in payroll.**

For the fourth quarter ending March 2013, the number of ATCO3 (principal Air Traffic Controllers) was 203 against a target of 203. Actuals for ATCO3 were revised to 203, to include the following:

- 4 validations in January and March 2013 only reflected in April payroll
- 4 ATCO3 incorrectly classified as ATCO1 in CPT
- 2 ATCO3 incorrectly classified as ATCO1 in JHB
- Movements of 3 ATCO3 from the operations environment to other departments

As at the end of the fourth quarter, the number of ATCO2 (senior Air Traffic Controllers) was 42 against a total target of 47. The total target of 47 was revised to 41, after Richards Bay was relinquished. The four ATCO2 that provided services at Richards Bay are currently on validation training to be deployed dependant on operational requirements.

The number of ATCO1 was 105 against a target of 98 as at 31 March 2013. ATCO1 is the feeder pool for future ATCO2 and ATCO3 positions and therefore the targets were exceeded to ensure sufficient numbers.

Lastly, ATNS ended the financial year with 70 engineering technicians against the target of 65. The target was exceeded to enable ATNS to employ a further 5 African females.

KPA 6: Broad-Based Black Economic Empowerment

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
6.1	Achieve BBBEE targets Achieve preferential procurement targets as set by the Transport Charter	Percentage of discretionary spend on BBBEE Total discretionary OPEX budgeted Total CAPEX budgeted	Achievement of BBBEE targets as per the Transport Charter	OPEX spend = 66% CAPEX spend = 15%	OPEX spend = 65% CAPEX spend = 45% Obtain first BBBEE rating	OPEX spend = 91% CAPEX spend = 24%
6.2	Local content procurement	Increase the proportion of local spend against foreign spend Consideration to be given to Transport Charter requirements	Percentage of expenditure of local content	33% of total CAPEX	15% of total CAPEX	35% of total CAPEX

Commentary

KPI 6.1

Regarding Broad-Based Black Economic Empowerment (BBBEE), the organisation achieved 91% for operational expenditure (OPEX) and 24% for CAPEX against the target of 65% and 45%, respectively, as at the end of the fourth quarter. ATNS has embarked on an exercise to analyse its OPEX expenditure that would involve appraisal of the current database to ensure that the suppliers registered on our database are BEE compliant.

KPI 6.2

The local content procurement as at the end of the financial year was 35% of total CAPEX against the target of 15%. Furthermore, ATNS obtained the first of the required BBBEE rating certifications in March 2013.

KPA 7: Employment equity

Item no.	Business objectives	Objective measures	Annual performance indicators	Actual as at 31 March 2012	Targets 2012/13	Actual as at 31 March 2013
7.1	Review and implement the HR plan to recruit, develop, retain, and reward employees across all disciplines	Development programmes for employees, with emphasis on AIC and women	Number of employees enrolled in development programmes	100%	Two percent (2%) of rand value of salary bill	2% rand value of salary bill
7.2	ATS EE targets	Achieve representation towards alignment of company staff profile with the demographics of the country	Six percent (6%) increase – African Seven percent (7%) increase – females	ATS AIC – 49.03% ATS female – 34.84%	Achieve a target of 55% ATS AIC Achieve a female target of 40% ATS	ATS AIC – 52.33% ATS female – 35.70%
7.3	ATNS EE targets	Increase representation of black (AIC) racial grouping, with a particular focus on African and female representation, towards creating alignment with the demographics of the country	Six percent (6%) increase – African (based on YTD) Nine percent (9%) increase – females (based on YTD) One percent (1%) increase – people with disabilities (based on YTD)	ATNS AIC – 60.96% ATNS female – 37.41% ATNS PWD – 3.09%	Achieve a target of 66% AIC Achieve a company target of 46% female representation Achieve a company target of 3.5% for people with disabilities	ATNS AIC – 63.37% ATNS female – 38.52% ATNS PWD – 2.91%

Commentary

KPI 7.1

The rand value of the salary bill for the fourth quarter was 2% against the target of 2%. ATNS has achieved its target for this financial year.

KPI 7.2

The air traffic services (ATS) African, Indian and Coloured (AIC) figures were at 52.33% against the target of 55% as at 31 March 2013. It should also be noted that the organisation started the financial year from a low base of 49.03% achieved at the end of March 2012.

As at 31 March 2013, the ATS female figures were 35.7% against the company target of 40%. The organisation has experienced a challenge in securing enough representation of females in this area, however, Human Capital will continue to focus on attraction and selection of females for the ATS environment.

The overall attraction of females continues to be a challenge. Efforts are being made by Human Capital to attain gender equality. ATNS historically has been struggling to attract and retain female employees as can be seen from the 37.41% achieved in 2012 against the target of 43%.

KPI 7.3

As at 31 March 2013, the ATNS AIC figures were 63.37% against the company target of 66%. The set target was not achieved due to non-availability of skilled recruits and an inability to retain people with the right skill sets.

As at 31 March 2013, ATNS female figures were 38.52% against the company target of 46%. This area continues to be a challenge for ATNS. Efforts are being made by Human Capital to attain gender equality to address this challenge. As a retention strategy, ATNS has launched the Women's Development Programme to develop and promote females in the organisation.

As at 31 March 2013, the ATNS figures for People With Disabilities (PWD) were 2.91% against the company target of 3.5%. Having said this, ATNS is well above the national target.

SERVICE PROVISION

When our children ask us what we do, how do we answer them? Do we give them a long, complex answer, or do we simply tell them, "I keep people safe"? For at our core, this is what we do, who we are, and it is what we must always keep at the forefront of our business plans.

The best way to find yourself is to lose yourself in the service of others

Mahatma Gandhi

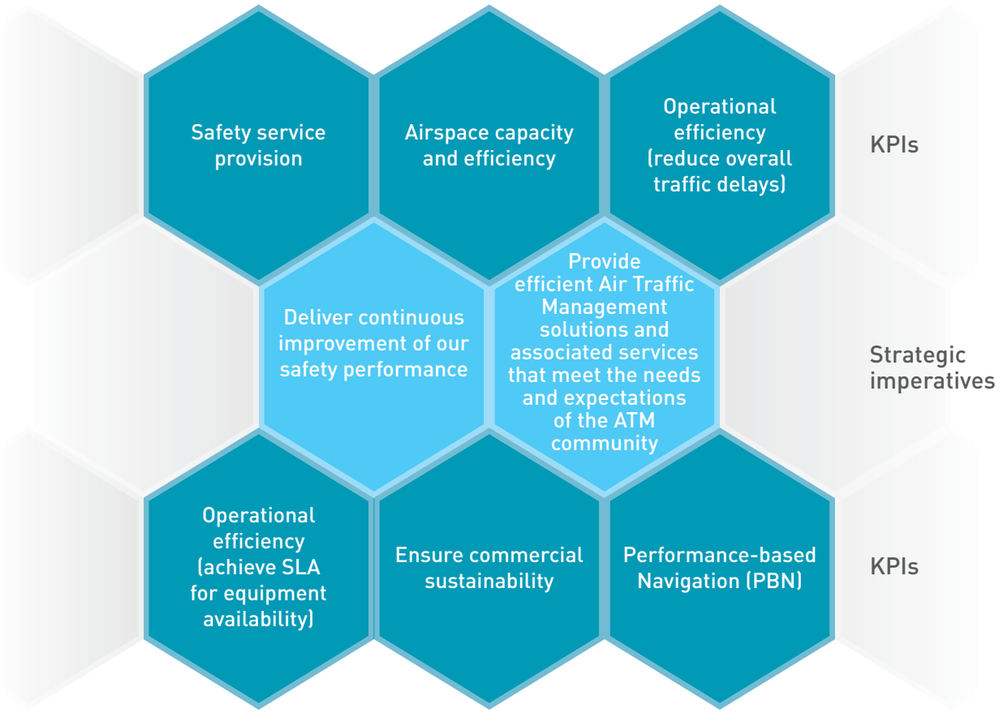
Service provision in South Africa

At ATNS, our primary goal, above all others, is safety. There is no other goal that is more important. During the year under review, our set target was no more than two incidents per 100 000 movements. Unfortunately, we did not achieve this goal, reaching only 2.24 incidents per 100 000 movements. While this figure does represent a decrease in incidents from 2.59 in the previous period, we must continuously strive to reach our stated target.

The loss-of-separation severity classification index (SCI) scheme is based upon loss of separation of aircraft in flight i.e. IFR/IFR or IFR/VFR. The following is a brief description of the classification system:

- A – standard separation severely compromised and only up to 34% of required separation achieved. In the aerodrome environment, this is when there is less than 2NM and 600'.
- B – standard separation compromised, however, between 35% and 75% of required separation achieved.
- C – standard separation compromised, however, between 76% and 89% of required separation achieved.
- D – separation compromised, however, between 90% and 99% of required separation achieved.

In addition to our primary mandate, we have a number of key strategic imperatives as well as the Key Performance Indicators, both of which have been discussed in some detail throughout this document. In striving to achieve our safety targets, we must also strive to achieve our strategic goals and performance targets. Consequently, during the year under review, ATNS has put considerable effort into creating structures that allow us to achieve all our goals simultaneously.



Safety service provision

In order to ensure that we are providing our primary product – safety – ATNS undertook numerous initiatives during the year under review. We have outlined some of these below:

NOSS

The normal operations safety survey (NOSS) is a method of collecting specific safety data during normal air traffic control operations and is based on the threat and error management (TEM) framework. The aim of NOSS is to describe the threats and errors that Air Traffic Controllers have to manage on a daily basis during normal operations. This also includes the identification of operational strengths. The associated safety action plans for NOSS 1 have been implemented, while the safety action plans for NOSS 2 will be finalised in the coming financial year.

Human factors intervention

We believe that the main factor that influences safety performance is the human factor, which is why ATNS has prioritised the identification and elimination of factors that negatively influence our people while they are on the job. We have conducted a number of surveys and interventions and are in the process of utilising the information gathered from these in order to improve our safety performance.

African Regional Monitoring Agency

The African Regional Monitoring Agency (ARMA) hosted by ATNS has achieved a number of successes in the field of reduced vertical separation minima (RVSM) safety monitoring in the AFI, including, among others:

- a gradual reduction in the AFI RVSM total vertical risk as well as the risk at air traffic service route crossing points;
- a reduction in non RVSM approved aircraft in AFI RVSM airspace from 104 aircraft to 46 aircraft;
- reduction in large height deviations;
- 62 aircraft successfully height monitored;
- the AFI RVSM height-keeping performance monitoring system monitored aircraft as far afield as Mauritania, Mauritius, Madagascar, Rwanda and Congo, including SADC aircraft operators; and
- air traffic control coordination failures between South Africa and one neighbouring state significantly reduced from 41 to 23 events, thus enhancing RVSM safety.

Safety initiatives

During the year under review, the safety and regulation assurance section achieved significant safety initiative targets, including hosting and participating in the annual CANSO standing committee. Other initiatives included the conversion of the SACAA standards and practices manual into an operations manual specifically for ATNS; the development of a user requirement specification for an integrated safety management system (this requirement went out to tender and ATNS is busy with tender evaluations); and research and development of a risk-based safety metric pertaining to ATNS-related safety events was completed and presented to the Exco and Board for acceptance and inclusion into the safety management system.

Safety performance initiatives also included:

- implementation of the integrated electronic safety management system (IE-SMS) and the associated training and change management;
- completion of the review and gap analysis of the Civil Aviation Regulations part 65 and part 172 and submission to SACAA for consideration;
- launch of phase 1 of the maintenance resource management programme to technical staff;
- development of a team based intervention for operations conflict management and brainstorming skills to improve safety behaviour; and
- the continued publication of 'Safety-net'.

Infrastructure development

ATNS's flagship project for the year under review is the replacement of the Air Traffic Management system, due to obsolescence. This project, known as SAAATS, has been successful to date, and ATNS looks forward to implementing this new system. The company also completed the transition from AIS to AIM in creating the centralised aeronautical database – a project which we believe will stand us in good stead for the future. We look forward to this system becoming operational during the coming financial year. In the coming year, ATNS will also be replacing a number of radars, representing a considerable investment for the company.

At the moment, ATNS uses third-party service providers for our communications network. However, as these are vulnerable, the company is in the process of deploying a proprietary, satellite-based network, known as AFISAT. Technical services are also conducting trials on new surveillance technology and hope to improve the communications and surveillance systems dramatically.

We are taking our environmental responsibilities very seriously, and many of the new technologies that ATNS is investing in will assist us in reducing the emissions of aircraft, mainly by reducing wait times and circling dramatically. We understand that sustainability is crucial, both financially speaking and environmentally speaking, and, if we hope to remain viable as a business, and to expand our business offerings, we must be able to contribute positively to the planet's wellbeing.

Airspace capacity and efficiency

Taking into consideration the volume of aircraft that utilise our airports daily, it is in our best interests to increase the capacity of the available airspace and to do so in a safe, efficient manner. With this in mind, and through the Memorandum of Understanding between the US and SA Departments of Transport, the US Trade Development Agency (USTDA) assisted ATNS with a study in airside capacity enhancement. The study provided ATNS with a roadmap for improving our airspace capacity and efficiency and we look forward to implementing these recommendations in the coming year.

From the USDTA study in airside capacity and efficiency:

"A rise in productivity in firms outside the aviation sector comes through two main channels:
through the effects on domestic firms of increased access to foreign markets and increased foreign competition in the home market; and through the freer movement of investment capital and workers between countries. Finally, air transport is a technology-advanced industry heavily involved in the production of high-specification products which drives research and development in a number of areas. This focus on research and innovation across the sector not only leads to more efficient aircraft technology and operational practices – with associated environmental benefits – but also helps build research capacity at universities and skills across society. The benefits to society of research and development spending by the aerospace industry are estimated to be much higher than in manufacturing as a whole – every $100 million of investment into research eventually generates additional $70 million in GDP year-after-year."

Operational efficiency

Slot coordination is vital to the efficiency of ATNS's operations. This involves the accurate, efficient coordination of available slots for taxiing, take-off, approach and landing for all aircraft under our control. The slot coordination workgroup drafted the slot coordination regulations that were approved by CARCOM and ratified by the Minister of Transport, and promulgated in February 2013.

ATNS has embarked on a project to align the South African fixed route structure to support Performance-based Navigation (PBN) implementation. The project is aimed at reducing track miles for aircraft operating in the en-route environment, which reduces fuel burn, emissions and improves environmental sustainability. The project plan has been finalised and work packages have been determined.

The important ICAO initiative of Aviation System Block Upgrades (ASBU) in facilitating a seamless global air navigation system has been collectively embraced by ATNS and South Africa as a state. In support of the ASBU initiative, ATNS, through the aviation industry-sanctioned ATM roadmap, has rolled out several ongoing initiatives to facilitate compliance with Block 0 as detailed in the ASBU framework.

Key initiatives are currently being applied to address the performance improvement areas (PIAs) for 2013 and beyond into Block 1. These include traffic forecasting and capacity declaration through collaborative initiatives such as the USTDA airside capacity study; facilitation of the flexible use of airspace; and air traffic flow management

A further initiative in line with the ASBU Block 0 upgrade is the implementation of PBN. Envisaged milestones in achieving the PBN initiative include revised terminal area procedures for several airports such as Lanseria, George, East London and Port Elizabeth. These revisions are aimed at enhancing the flexibility and efficiency of both departure and descent profiles for airspace users, thus addressing several PIAs, including the environmental- (greener airports) and efficiency- (flexible flights) related parameters associated with air travel.

Through these initiatives ATNS, in collaboration with other relevant stakeholders, aims to be recognised as the benchmark in ASBU implementation on the African continent, along with other globally recognised leaders in the field of air navigation service provision.

Training

Awards and recognition

The Aviation Training Academy (ATA) is an International Air Transport Association (IATA) Regional Training Partner. In 2012 the ATA received, for the second year running, the IATA Worldwide Regional Training Partner Award. We take pride in the fact that the ATA is recognised as a world-class training institution by the international aviation community.

The Aviation Training Academy also received ICAO Trainair Plus associate membership in 2012. The development of standard training packages is core to increasing the product portfolio of the ATA and Full Trainair Plus Membership will be pursued vigorously in 2013.

The Aviation Training Academy was successfully audited by various international Civil Aviation Authorities and has received preferred training service provider status for a number of these authorities. Lasting training relationships have been established with, among others, Ghana Civil Aviation Authority, Angola Civil Aviation Authority, Seychelles Civil Aviation Authority and Nigeria Civil Aviation Authority.

Development programmes

The Women's Development Programme provided training opportunities for female employees within the organisation, who would otherwise not have had such opportunities. Two such programmes included a mentorship programme and a management development programme (MDP). Both these programmes catered solely for female employees. The mentorship programme provided an opportunity for women to be co-trained with mentors from the organisation. The WITS Aviation MDP is an NQF Level 7 qualification designed specifically for ATNS.

2012 saw the launch of the ATNS Management Development Programme. This programme is aimed at entry-level junior managers to enhance the leadership capacity within the organisation.

2012 also witnessed the graduation of the first ATC trainees who were recruited through the e-Sure Select ATS recruitment and selection tool. This group completed their AT/AIM Core Content course on 13 April 2012, with an average of 85%. Significantly, no failures were recorded and all the participants passed their examinations on the first sitting.

The introduction of the newly acquired 3D Aerodrome Control Simulator as a training tool also occurred in the year under review. The successful launch of the first course followed months of training scenario and exercise preparation and development, as well as ATA instructor and simulator support officer training.

During the year under review ATNS, through the ATA, introduced the safety management system (SMS), through which personnel will be trained in this system. The SMS has been designed to enhance airspace capacity and contribute significantly to the ATNS safety service provision.

Leadership blueprint programme

ATNS has developed a leadership blueprint programme that charts the leadership development platform for management and staff in the organisation. In 2012, all management underwent assessments to determine leadership competencies. This forms the foundation for all future leadership initiatives within ATNS. Current development initiatives that form part of the leadership blueprint programme are:

- Executive coaching;
- the Women's Development Programme;
- 9 Conversations in Leadership; and
- the ENAC Masters Programme.

The introduction of the newly acquired 3D Aerodrome Control Simulator as a training tool also occurred in the year under review. The successful launch of the first course followed months of training scenario and exercise preparation and development, as well as ATA instructor and simulator support officer training.

TETA accreditation of ATA bursar and ET learnership programmes

The ATA can now proudly offer SAQA-approved qualifications in the form of national certificates. These pertain to the engineering and air traffic services disciplines. This is the culmination of several years of hard work. Students attending certain courses at the ATA can now obtain credits towards a national qualification

Regional training partnerships

The ATA has successfully negotiated partnerships with the following organisations:

- Embry-Riddle Aeronautical University,
- IATA, and
- SACAA (ICAO GSI courses).

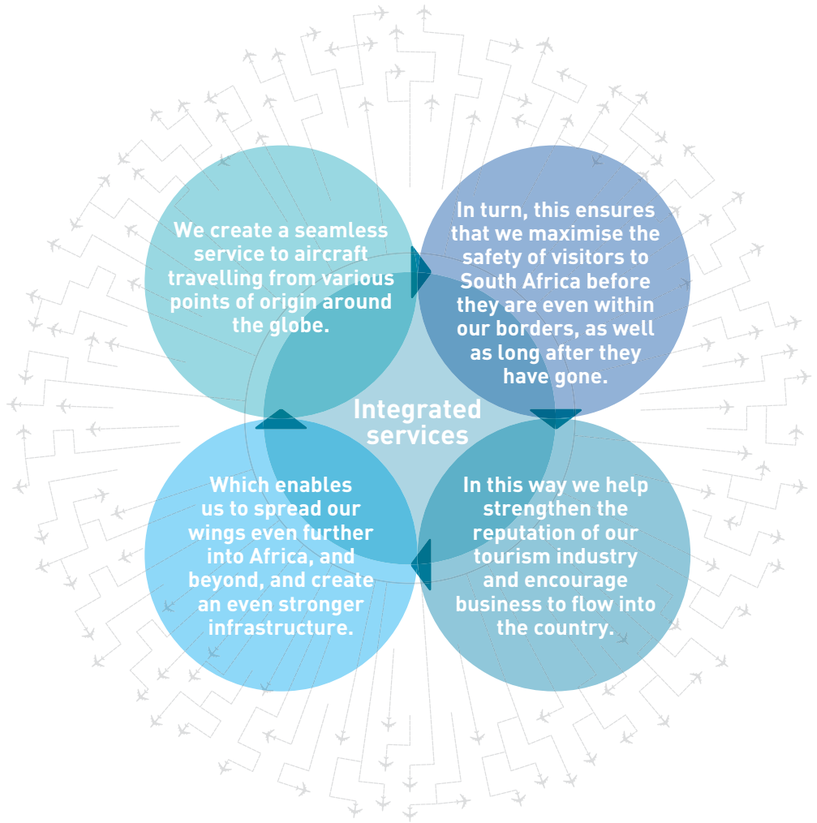
These partnerships afford us an opportunity to expand our product offering. Embry Riddle Aeronautical University is the premier international provider of aviation degrees.

Service provision on the Continent and beyond

Integrated services

As an air navigation service provider (ANSP), it is critical that we, as an organisation that is dedicated to safety, take responsibility for ensuring that our systems achieve interoperability with those of our neighbouring countries and the rest of the Continent.

In working closely with the Civil Air Navigation Services Organisation (CANSO) and other ANSPs throughout Africa, and by providing a number of services to countries outside our own, we are achieving a number of goals:



The company has been conducting its business with other ANSPs in the AFI and surrounding region for more than a decade. Our growing non-regulated international business operations have contributed positively towards the company's annual financial results.

The majority of ATNS's international revenue and profits have historically come from the two regional satellite communications systems operated by ATNS – the SADC VSAT II and NAFISAT – and these continue to do so.

VSAT/NAFISAT

The SADC VSAT Network has been operational since 1998 and has eliminated all communication deficiencies in the SADC region. This network fulfils the region's communication requirements in terms of the ICAO Africa Indian Ocean (AFI) plan. It has succeeded in integrating a regional communications network, contributing to increased communication, allowing for greater safety on air traffic movements, and is financially sustainable.

ATNS's non-regulated business has proven to be sustainable over the last decade, with significant revenue contributing to the company's bottom line. Based on the AFI market potential study that was completed during 2010, we have identified opportunities for the company to expand its operations outside South Africa. As a result, the Board, management and employees feel that the time is opportune to establish a separate entity to exploit these opportunities while at the same time assisting with ensuring the safety of the AFI's regional airspace.

On 31 January 2012, the ATNS Board of Directors approved the AFI 10-year business plan and the establishment of a subsidiary to manage all ATNS's growth into the African continent. The AFI 10-year business plan defined the strategy and business plan for expansion into the Continent.

AIS Documentation

ATNS Aeronautical Information Services provides a professional consultancy and production service in Aeronautical Documentation. The division provides a complete Integrated Aeronautical Information Package to ICAO Standards, and to the customer's requirements.

Billing services

ATNS can offer billing services to individual States for collecting aircraft movement fees from non-IATA member airlines, enhancing a State's ability to maintain the ATM infrastructure. The ATNS billing system allows for setting up a separate user-customisable billing environment, and for capturing and processing aircraft landing records and en-route information, in order to bill appropriately.

Flight procedure design

The division offers design and verification of Flight Procedures and Airspace Development. It aims to add value by designing safe and efficient instrument and non-instrument procedures that will allow operation capabilities optimisation. This service is conducted in accordance with ICAO Standards and Recommended Practices as complemented by ISO9001:2000 Quality Standards. ISO 9001:2000 Certification was achieved in 1998, and is maintained.

WGS-84 Survey

ATNS Aeronautical Information Service (AIS) has the operational and technical capability to provide a professional consultancy and surveying service in the field of Aeronautical WGS-84 surveying. This service is conducted in accordance with ICAO Standards and Recommended Practices (SARPs) as complemented by ISO9001:2000 Quality Standards. ISO 9001:2000 Certification was achieved in 1998, and is maintained.

Upper Airspace Management

The objective of the UACC is to provide for the seamless regional provision of CNS/ATM services above 24 500 feet. The concept of the regional centralisation of these types of services has been successfully tested and implemented overseas. ATNS can provide Upper Airspace Management to various states on the Continent, with harmonised infrastructure.

Engineering services

ATNS plans, specs, acquires and implements the South African national aeronautical communication, navigation and surveillance system. We offer professional consultative services to other air navigation services providers in support of their national development programmes. These services can be provided on an hourly, job, or turnkey basis:

- Communication, navigation and surveillance system design
- Coverage planning and site selection
- Radio frequency planning
- Communication, navigation and surveillance system specification
- Acquisition management services
- Project management services

Training

The Aviation Training Academy (ATA) utilises computer-based training, radar simulators, engineering laboratories and 2D/3D aerodrome simulators to the highest industry and safety standards. Since April 2000, the ATA has trained more than 8 365 international and local delegates. Various training programmes are offered to prepare graduates for a successful professional career in Air Traffic Services and Engineering Support are the caps necessary?

The Aviation Training Academy

- offers comprehensive and cost-effective quality training in all air traffic management disciplines;
- presents all listed training courses as an entity or as refresher training;
- is committed to upholding aviation safety standards, legislation and practices;
- rigorously trains and upgrades safety knowledge and skills;
- puts people and safety first;
- complies to world-class training – ISO 9001:2000 certified;
- subscribes to ICAO Standards and Recommendations Practices and Requirements; and
- is accredited to various domestic and international institutions

These systems are not our only source of international revenue. Besides VSAT II and NAFISAT, we also offer a number of additional services, all of which are heavily reliant on the competency and skill of our most valuable resource – our staff.

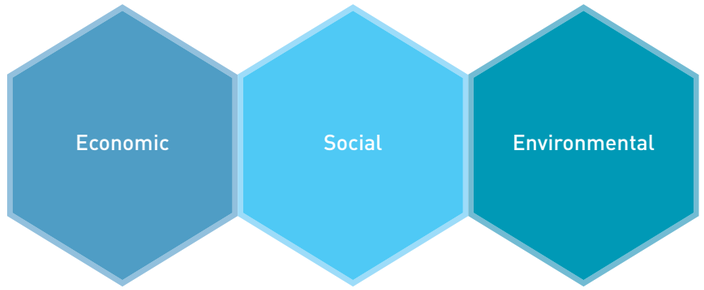
SUSTAINABILITY JOURNEY

We cannot, and must not, look at sustainability as merely a reporting measure. We must embrace it, make it part of who we are. If sustainability is just a word we will falter, but when we make the culture of sustainability part of our roots, our wings will be strong and able to spread wide... they will be able to hold us aloft as we soar to great new heights.

The first rule of sustainability is to align with natural forces, or at least not try to defy them.
Paul Hawken

Journey towards sustainability

In pursuit of a culture of sustainability, ATNS has identified three key areas that must be addressed to ensure that our business is viable and relevant for the future:



If we ensure that each of these areas is well-rooted, we will ensure that our business continues to thrive in a changing world.

For ATNS, this is a journey that we have embarked upon. We are cognisant that we have not yet achieved the levels of sustainability in all these areas that we are striving towards, and which is expected from us as responsible corporate citizens. However, it is a responsibility that we take very seriously – not simply from a reporting standpoint, but also from the perspective that sustainability is crucial to our corporate wellbeing. We are pleased to report that we have made considerable strides towards achieving these goals and look forward to reporting back with significant progress in the next financial year.

The Social and Ethics Committee is the Board Committee responsible for managing our sustainability issues. The committee reports back to the Board, who in turn keep our Shareholder informed as to our progress on these matters.

Economic sustainability

Elsewhere in this report, we have gone into detail about our expansion plans and growth into the Continent. We are confident that these plans will enhance and strengthen ATNS's economic outlook and revenue generation for the future. However, economic sustainability should not be only about our own revenue. As a responsible corporate citizen, we must ensure that the environment we operate in is economically viable and strong.

With this in mind, we have started to put in place key structures within the company to assist in growing the economic strength of South Africa:

Broad-Based Black Economic Empowerment, enterprise development and local content – as a state-owned company, ATNS falls within the Presidential mandate to shift our expenditure in favour of black-owned and BBBEE-rated companies. While we did not achieve our targets during the year under review, it is worth noting that this is as a result of a great proportion of our expenditure being utilised for our infrastructure development programme. We are confident that the coming financial year will allow us to focus our efforts on supporting local business at a much greater level. We believe that this will also assist local companies to develop their own roots and spread their own wings.

Social sustainability

South Africa is a land of great diversity, great hope and great potential. It is also a land of great need and it is up to the corporate citizens of this country to put a genuine, sustainable effort into developing the potential that exists.

Corporate social investment
As part of ATNS's efforts to create a culture of sustainability within the organisation, the Social and Ethics Committee has put into place the new ATNS corporate social investment (CSI) directive. In terms of this directive, the responsibility for identifying and recommending CSI projects is placed in the hands of each and every ATNS employee. Staff are encouraged to recommend projects close to their hearts; these projects are then evaluated and, where appropriate, supported by ATNS.

ATNS has approved and provided support for the following projects with a total of R813 000 spent for the 2012/13 financial year. The projects included:

- Ngotshe High School
- Merrydale Primary School
- Thandanani
- Mandela Book Drive 2012
- Casual Day 2012
- 702 Walk the Talk
- Women of Worth
- St Francis Care Centre

Training and education
Through the Aviation Training Academy, our Human Capital department has developed a number of programmes to support the development of people in South Africa. Among these programmes are: the active recruitment of new candidates, especially from previously disadvantaged groups; our women's development programme; and other initiatives to educate and empower new and existing staff.

Employee engagement
ATNS has one recognised trade union, Solidarity, which represents all employees across three bargaining units. These bargaining units are air traffic services, Engineering and Technical services and administration. All employees on a Peromnes Grade 9 and lower (9 – 19) form part of collective bargaining. ATNS and the union have successfully negotiated all labour and remuneration issues that arose throughout the year under review without any threat of industrial action. Together, we introduced satisfactory substantive benefits. A workplace forum agreement was negotiated and agreed to during this financial year. We continue to strive to ensure our employees are adequately compensated for the valuable work that they perform.

Environmental sustainability

The government of South Africa is currently in the process of investigating the implementation of carbon tax. Due to the nature of our business, we anticipate that such implementation will have a considerable effect on ATNS. Consequently, we are actively working on ways to reduce the impact of such tax on our business, while simultaneously entrenching good corporate citizenship throughout the organisation through our ATM route map and sustainability strategy.

ATNS has embarked on a journey to assist the Air Traffic Management community and stakeholders, particularly airlines, in reducing CO_2 emissions through programmes such as flight procedure design, random routing and the implementation of Performance-based Navigation.

The company's most significant expenditure over the course of the financial year was the upgrade to our infrastructure programme. At its roots, this development was designed to improve our efficiency and our handling capabilities. A significant additional benefit to this programme, however, is that it also assists us in the implementation of programmes such as communication, navigation and surveillance (CNS) and Performance-based Navigation (PBN). Both CNS and PBN have proved to be valuable in reducing fuel consumption, thereby showing a considerable reduction in CO_2 emissions.

In line with the ICAO initiative to save fuel, ATNS, as a stakeholder in the aviation industry, will be putting in place a series of targets to measure, monitor and report on targets in 2014/15. Additionally, we will be investigating and putting into place a number of internal measures to reduce energy consumption and lower our environmental impact.

Stakeholder engagement

We believe that it is important to the ongoing sustainability of our business to engage actively with all our stakeholders, as these relationships will help us build a strong company that is able to feed back into the various communities we operate in. We consider our stakeholder engagement to fall under one of our areas of excellence – relationship management – and therefore we ensure that considerable effort is put into building and maintaining these relationships.

Variance reporting
A variance report is submitted to the regulating committee annually. The committee uses this report to review company performance against the permission and reasons for variance. This information is used by the committee to determine the correction factor, if any.

Air Traffic Management community engagement
ATNS actively participates in a number of conferences, workshops and knowledge sharing events in conjunction with other members of the ATM community. We report bi-annually to the regulating committee in respect of our service standards. Quarterly operational performance reports are prepared, presented and discussed with our major domestic users. The operational user consultation committee (OPSCOM) formally engages with the ATM community on an annual basis to discuss and agree on ATNS achievements and future plans.

Shareholder
As a state-owned company, ATNS reports directly to the Minister of Transport, who is the sole Shareholder in the company. The Board reports back to the minister on a regular basis and engages in terms of planning, regulation and our permission process.

International engagement
The international air navigation services provider (ANSP) community is one that needs to work closely with one another in order to ensure interoperability of systems and to safeguard our users and the lives of people who entrust their safety to them. As such, ATNS is in constant communication with other ANSPs to share knowledge and innovations. We also have strong relationships with such organisations as the ICAO, which is responsible for the entire international aviation community, and the South African Civil Aviation Authority (SACAA). SACAA is the regulatory body within South Africa, responsible for aviation in the country, from licensing of pilots to air traffic services, conducting audits and accident investigation.

Going forward, ATNS is actively formulating an even more inclusive, comprehensive stakeholder engagement plan and we anticipate being able to report back on this in the coming financial year.

ATNS Board of Directors

CORPORATE GOVERNANCE

In today's business world, we cannot look past good corporate governance. It is as essential to the modern organisation as good leadership – in fact, governance and leadership must go hand-in-hand to ensure that the company is accountable, responsible and sustainable.

The real mechanism for corporate governance is the active involvement of the owners.

Louis Gerstner

Corporate governance

Air Traffic and Navigation Services SOC Limited (ATNS) is committed to sound corporate governance practices, which are continuously reviewed to ensure best practice as applicable to a state-owned company and as recommended in the King III.

ATNS, as a state-owned company, is governed in terms of the Companies Act and the PFMA. Section 52 of the PFMA requires that the Shareholder and the Board of Directors conclude a Shareholder's Compact, which includes Key Performance Indicators. In relation to these KPIs, the Shareholder monitors the Board's performance through the submission of quarterly reports. In addition, Directors are required to submit the corporate plan to the Shareholder. During the year under review, the Board has complied with these statutory requirements.

In terms of the Promotion of Access to Information Act 2002, the Board has only received one request to access information. This information was requested by the media and was provided as requested. The individual involved has not granted ATNS permission to divulge the information that was disclosed to the media in the context of this integrated report.

Governance structures

ATNS is governed by skilled non-Executive Directors who are drawn from diverse backgrounds with a range of knowledge, experience and professional skills. The Board of ATNS comprises eight non-Executive Directors appointed in terms of the ATNS Act, as amended. In order to execute its duties, the Board is guided by the Shareholder's Compact, corporate plan and Memorandum of Incorporation.

The Board is assisted in performing its role and duties by four committees:

- Audit and Risk,
- Human Resources,
- Procurement, and
- Social and Ethics.

These committees are governed by terms of reference, which are reviewed on an annual basis. These committees meet on a quarterly basis and report back to the Board quarterly and to the Shareholder annually at the annual general meeting.

In terms of the Articles there shall be at least three but not more than ten Directors, of which non-Executives would be appointed by the Shareholder in terms of the ATNS Act and the articles of association. Only individuals with sound ethical reputations and business or professional acumen will be considered for appointment to the Board. The company has a unitary Board structure of nine Directors, comprising one Executive Director and eight non-Executive Directors. There is a clear definition between the roles and responsibilities of the Managing Director and Chairman. The Board appoints the Managing Director. The Managing Director provides Executive leadership and is accountable to the Board for the implementation of the strategies, objectives and decisions of the Board within the framework of the delegated authorities, values and policies of the company.

Company Secretary

The Board has unrestricted access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with good corporate governance, statutory requirements, and the policies and procedures of the company as required. The Company Secretary assists in the process of Board appointment, orientation and training, as well as performance evaluation of the Board, committees and of the individuals. The Company Secretary is responsible to ensure that the Board charter and committees' terms of reference are reviewed annually and approved by the Board. The Company Secretary ensures that meetings are conducted smoothly and are compliant with statutory requirements.

Role and function of the Board

The Board of Directors is an accounting authority of the ATNS in terms of Public Finance Management Act as amended. Therefore the Board provides strategic direction to ATNS relating to leadership, good corporate governance, social and ethics, agreeing on policies, and determining the organisation's performance criteria. Furthermore, the Board delegates the planning and implementation of policies to the Executive committee.

The Board has a responsibility to monitor the internal control systems of ATNS and a continuous review of operations through the Audit and Risk Committee. The Board further gives guidance on the preparation and fair presentation of the annual financial statements of ATNS.

The Board of Directors is entitled to obtain independent professional advice should they deem it necessary, at ATNS's expense.

Board governance

Corporate governance
The company is managed ethically according to prudently determined risk parameters in compliance with laws and regulations. The Board undertakes to act in the best interest of the company by ensuring that individual Directors adhere to the legal standard of conduct and are permitted to seek independent advice in connection with their duties.

Materiality
Levels of materiality regarding capital expenditure and changes in the operation of the business have been determined with all matters falling outside these parameters requiring formal Board authorisation. These matters are monitored and evaluated on a regular basis through the Procurement Committee.

Access to information
The Board has unrestricted access to all company information, records and documents. Detailed information (agenda and supporting documents) must be circulated at least one week prior to each Board or committee meeting and any additional information is supplied promptly by management.

Conflict of interest
Board members are required in terms of Articles, Companies Act and Common Law to make full disclosure of their interests and, in particular, any real or perceived conflicts of interest in any contract or proposed contract with the company.

Risk assessment
The Board is continuously informed of risks facing the business. The Audit and Risk Committee has been established to assist the Board with ensuring that there is an effective risk-based internal audit and governance of risk reports on risk governance, and internal audit will be made to the Board on a regular basis by the committee.

Obligation to stakeholders
The Board is cognisant of its obligations to all stakeholders. In this regard the Board is committed to the sustainability of non-financial aspects of performance, including safety, health and environment. In furthering these aspects, the company will ensure that it acts in a responsible manner and will seek to find a balance in serving the interests of the various stakeholders, because stakeholder perception affects the reputation of the company.

Directors' induction and Training

A formal induction programme is established for new Directors, which gives them an opportunity to understand ATNS's legislative framework, ATNS's governance framework and its operations. The training needs of the Board are identified and formal training is conducted in consultation with the Chairman of the Board.

ATNS Board

ATNS Board

Hlengiwe Makhathini

After completing her articles, Ms Makhathini joined Standard Bank Retail Division as a Management Accountant for the Business Operations Division. Ms Makhathini is currently a Divisional Executive: Venture Capital and Corporate Finance at the National Empowerment Fund, a position she was appointed to on 1 April 2011.

Ms Makhathini joined the National Empowerment Fund in October 2005 to work as an Investment Associate where she was involved in funding various black businesses and entrepreneurs. In 2006 Ms Makhathini was appointed to head the Pre-Investment Department, which was a new department. In 2009 she was appointed to head the Umnotho Fund, which currently has a portfolio of over R1 billion. Ms Makhathini is a Director of Air Traffic and Navigation Services appointed by the Cabinet in 2008.

Thandeka Mgoduso

Thandeka Mgoduso holds a Master's degree in Clinical Psychology from Wits University and a BA Honours from the University of Fort Hare, and has also been a Research Fellow in Psychotherapeutics and Psycho-diagnostics at the Free University, Berlin, Germany, as well as attending various senior Executive programmes in SA and abroad. She has held positions at the University of Johannesburg, Ayavuna Women's Investments, Imperial Logistics, Freight Dynamics, Transnet, Wesbank, and as a Clinical Psychologist at various institutions such as Chris Hani Hospital, Valkenberg/Groote Schuur Hospital and Maudsley Institute in London. Ms Mgoduso is the previous Executive Director of Human Resources and Strategic Transformation at Buildmax Limited and holds Directorships at the following companies: Ayavuna Women's Investments, Reserve Bank of South Africa, chair of REMCO, Tongaat Huletts and BIOSS, SA. Ms Mgoduso is the Executive Chairman of Jojose Investments (Pty) LTD.

Sindi Zilwa

Sindi Zilwa is the CEO of Nkonki Inc., a registered firm of auditors established in 2003. She qualified as the second black woman Chartered Accountant in South Africa and in 1998 she was South Africa's Business Woman of the Year, awarded by the Executive Women's Club, now known as BWA. In 2008 she was awarded an A Woman of Substance award by the African Women Chartered Accountants' Forum. Sindi is also a non-Executive Director of the following listed companies: Aspen Limited, Discovery Limited, Rebosis Limited and Woolworths Limited.

Mpho Mamashela

Mr Mamashela studied his commercial pilot's licence and flight operations management through Lufthansa PSA Flight School in Phoenix, Arizona. He later joined Lesotho Airways before moving to Anglo American Corporation/De Beers as flight operations manager in Klienzee. He was appointed as a member of the ICAO flight crew licensing panel to represent Africa. In 1994, Mr Mamashela joined South African Airways and initiated Vulindlela, an aviation career awareness programme for the country's previously disadvantaged groups. He also established the cadet pilot training programme, where the majority of SAA's black pilots were trained. He completed his airline management training at Henley University (UK). Mr Mamashela is also a senior captain/pilot for SAA, and was a member of the 2010 Aviation sub-sector Task Team charged with the nation's aviation preparations for the 2010 FIFA™ World Cup.

Kgathatso Tlhakudi

Kgathatso Tlhakudi holds a BSc (Engineering) degree from the WITS and an MBA from UCT. He also completed further studies in Air Transport Management at the Royal Aeronautical Society, Oxford, England; and was a Gatsby Scholar at Wolfson College, University of Cambridge, England. He holds diplomas in project management and acquisition management from the University of North West. He is a Deputy Director General, Manufacturing Enterprises at Department of Public Enterprises, responsible for shareholder oversight over Denel Group of Companies, South African Forestry Company Limited and Alekor Diamond Mining Company. Until December 2012, Kgathatso was Head of Aircraft Systems Acquisition at ARMSCOR. Kgathatso has also worked for Volkswagen South Africa and Denel and has extensive experience in the aviation, defence and automotive industries.

Fabian Msimang

Major General Fabian Zimpande Msimang is currently the Chief of Airforce Designate – South African Air Force. He was a member of the armed wing of the African National Congress, Umkhonto We Sizwe (MK), and was integrated into the South African National Defence Force after the first democratic elections in 1994 as a qualified pilot on the Mi 8 and Mi 25 helicopters. In 2005, Maj Msimang was appointed as the first officer commanding of the Helicopter Flying School at Air Force Base Bloemfontein. He was later appointed as the first African officer commanding, Air Force Base Bloemspruit and promoted to the rank of Colonel. He was transferred to the Air Force Command in June 2007, appointed as Director of Helicopter Systems and promoted to the rank of brigadier general. In November 2010 Maj Msimang was appointed as chief Director of Air Policy and Plans and promoted to the rank of major general responsible for air force strategy, policies, capabilities and resource allocation.

Nomfanelo Magwentshu

Nomfanelo Magwentshu has held a number of Executive positions in, among others, ABSA Bank, the 2010 FIFA™ World Cup Organising Committee South Africa, SAA, Standard Corporate and Merchant Bank, Department of Public Enterprises and Metrorail. She is currently serving as a non-Executive Director and chair of the Board of Directors for the South African Forestry Company Limited (SAFCOL). She also serves as an independent non-Executive Director on the Nampak Board and the Eastern Cape Development Cooperation Board, and as an independent non-Executive Director and member of the Audit Committee to the Peregrine Holdings (Pty) Limited Board.

Sipho Mseleku

Sipho Mseleku holds a BA (Hons), LLB, LLM (Tax Law), H.Dip Co Law (Witwatersrand), F.Inst.D Attorney of the High Court of South Africa; he was admitted as an attorney in 1999. He currently holds the following positions: Executive Chairman of Sakhumnotho Group Holdings; Chairman of Sakhumnotho Capital; president of the Pan African Chamber of Commerce and Industry; president and Chairman of the Global Business School of Entrepreneurship; Director of Ecobank Group; Chairman of Oakhurst Insurance Company Limited; Director of Camsecure, PMG Education, Cylon Technologies, Sulzer Pumps South Africa Limited, and ASKY Airlines Limited. Mr Mseleku has served in a number of additional organisations, including NAFCOC, the Black Business Council, CHAMSA, BUSA and NEDLAC, to name a few.

Board Committees

Audit and Risk Committee

The Audit and Risk Committee comprises three non-Executive Directors. The Chief Executive Officer, Chief Financial Officer and head of internal audit attend by invitation only.

The committee's main role and responsibilities include the following:

- Reviewing the effectiveness of the internal control systems regarding finance, accounting, legal compliance and ethics that management and the Board have established.
- Overseeing the risk management process and the significant risks facing the company.
- Overseeing the auditing, accounting and financial reporting processes generally.
- Providing an open avenue of communication amongst the independent auditors, financial and senior management, the internal auditing function and the members of the Board.
- Reviewing and appraising the audit efforts of the company's external auditors and the internal audit function.
- Serving as an independent and objective party to monitor the company's financial reporting process.

The Audit and Risk Committee meets at least four times per year to consider annual and interim financial statements, accounting policies and the safeguarding of assets, audit plans and the findings of external and internal auditors.

Human Resources Committee

The Human Resources Committee comprises four non-Executive Directors and is chaired by a non-Executive Director of the Board. The Executive: Human Capital attends by invitation.

The purpose of the HR committee is to assist the Board in fulfilling its responsibility to:

- ensure that Executive, management and ATNS staff in general are appropriately rewarded for their work in a manner that will ensure the recruitment, retention and motivation of people with the skills that the company needs;
- ensure that the actions of Executives, management and ATNS staff are directed towards the long-term benefit and best interests of the organisation's stakeholders;
- oversee the implementation of the ATNS strategy aimed at developing the Human Capital to support the delivery of quality services;
- oversee the development and implementation of a competitive Human Resources strategy which is able to attract, retain and develop the best possible talent to support superior organisational performance;
- oversee the design and implementation of a sound labour relations strategy which fosters good relations between ATNS as an employer, employees and organised labour; and
- oversee the functioning of the HR department.

Procurement Committee

The Procurement Committee (Procom) comprises three non-Executive Directors and is chaired by a non-Executive Director of the Board.

Procom assists the Board by:

- establishing a reporting framework for acquiring goods and services for ATNS as required by legislation as well as the application of the best practice supply chain strategies;
- overseeing SCM to ensure that there is uninterrupted flow of goods and services in accordance with the SCM policy and applicable legislation;
- approving the role, responsibilities and accountabilities for employees involved in the procurement process that are prepared by the CEO;
- ensuring that stakeholder relationships are maintained to ensure effective and reliable SCM;
- contributing to the promotion of Broad-Based Black Economic Empowerment through preferential procurement; and
- monitoring compliance with the PFMA significance and materiality framework, as agreed with the Executive authority.

Social and Ethics Committee

The Social and Ethics Committee is a new Board Committee that was constituted during the year under review in compliance with Companies Act requirements. Its primary functions are to monitor the company's activities and prevailing codes of best practice with regard to:

- social and economic development;
- good corporate citizenship;
- labour and employment;
- the company's employment relationships and its contribution towards the educational development of its employees;
- drawing matters within its mandate to the attention of the Board when required; and
- reporting, through one of its members, to the Shareholder at the company's annual general meeting on matters within its mandate.

Board evaluation

A Board evaluation of its committees was undertaken during the year under review to comply with the requirements of good corporate governance principles. This is recommended to assess the effectiveness of the Board by conducting a Board appraisal using an external facilitator to ensure objectivity and independence in the process. In this case the Institute of Directors in South Africa (IoDsa) facilitated the Board evaluation process.

General overview

It is encouraging to note that all six performance areas scores ranged from 3.1 (lowest score) to 3.5 (highest score).

All six key attributes (Board composition, Board responsibilities, committees of the Board, relationship of Board with management, relationship with the Shareholder, and other stakeholders and Board meetings) were rated above 3. The Board has significantly more areas that are viewed as performing well and should be commended for this. The vast majority of areas, namely 38 out of 45 (84%), were rated 3.0 or above, ranging from 'satisfactory' (3.0) to 'meets best practice' (4.0). Seven areas were rated between 2.3 and 2.9, i.e. 'needs improvement'.

Comparison with prior rating

It is encouraging to note that all six performance areas show a significant improvement on the scores achieved in the 2010 appraisal (although noting that the questionnaire was somewhat different relative to 2010, but the main categories were similar).

Board report

It is the Board's responsibility to ensure that the company's ethical performance is assessed, monitored, reported on and disclosed in the integrated report of the company.

Compliance with laws, codes, rules and standards

The integrated report of Air Traffic and Navigation Services SOC Limited (ATNS) is provided on a voluntary disclosure basis and is overseen by the Board of Directors of ATNS. In conjunction with the statutory committees, the Board has discharged its responsibility to ensure the establishment of an effective compliance framework and processes.

During the year under review, there were no material, or immaterial but often repeated, regulatory penalties, sanctions, fines for contravening, or non-compliance with, statutory obligations that were imposed on the company, its officers or Directors.

IT governance

There is a robust process in place within ATNS to ensure complete, timely, relevant, accurate and accessible IT governance.

Risk management and corporate governance

Integrated enterprise risk management

Risk management forms an integral part of business strategy and planning, which is why we have adopted a wider enterprise risk management framework which is applied across the organisation. We are pleased to report that the company's risk management processes are operating at a mature level, and our risk reporting structures and processes, as well as risk documentation, are sound and in keeping with good practices.

The risk implementation plan put in place to ensure that we maintain our risk management maturity level and work toward moving to an advanced level was executed throughout the year. Progress made

against the plan was reported to the Executive risk management committee meetings, the Audit and Risk Committee and the Board on a regular basis.

We have also reviewed the risk management policy and framework to include categories of risk, the escalation process and the treatment of emerging risks. The fraud policy and fraud prevention plan were also put in place during the year under review and will be implemented during the 2013/2014 financial year.

We are in the process of reviewing our contingency and disaster recovery plans with the aim of developing a comprehensive business continuity plan aligned to the changes in the business processes that are currently being documented.

The Board and the Audit and Risk Committee have overall responsibility for the governance oversight of risk management in ATNS. The Board and the Audit and Risk Committee ensure that the organisation has identified key risks that could influence the achievement of its objectives and that a plan to manage those risks is implemented and monitored on a regular basis. Furthermore, the Board ensures that the risk management process is accurately aligned to the strategy and performance objectives of the company.

Risk management activities are processed by the Executive risk management committee, prior to reporting at both the Audit and Risk Committee and Board meetings; therefore, its meetings precede the Audit and Risk Committee meeting.

The responsibility for risk management rests with the Executive management, together with the Audit and Risk Committee, who are accountable for ensuring that adequate mitigating measures are in place, effective and continuously monitored.

The risk and compliance department, responsible for the coordination of risk management activities, ensures constant monitoring and quarterly reporting on progress made in managing risk within ATNS to the Audit and Risk Committee.

We have embraced risk management practices at both strategic and operational level and have developed risk registers and risk indicators that are monitored and updated monthly. Key risk indicators and the movement thereof are monitored and reported periodically at various governance structures within ATNS. Management provides feedback and explanation on the movement of indictors on a monthly basis. A process is in place to identify and escalate emerging risks to the relevant governance structures.

We are in the process of embedding risk management practices at the major centres and units throughout the country. The roll-out included raising awareness among staff to ensure that they understand and are able to deal with the risks that can impact on company objectives. Each of the major centres also has a risk register, which will be monitored on a monthly basis.

Key strategic risks

Through a concentrated programme of stakeholder engagements, together with the ATNS risk management process, the company has identified key strategic risks which could influence the achievements of our strategic objectives. These key risks comprise a single primary risk – safety – and a number of complementary risks that could affect this primary risk if not mitigated.

These key strategic risks are monitored through dashBoards by the Board, the Audit and Risk Committee, and the Executive risk management committee. The overall control effectiveness of the risk mitigating measures ranges from satisfactory to very good.

Although the severity of residual exposure of the safety risk is red, the mitigating measures are good and we have recorded no fatalities. Our Air Traffic Controllers (ATCs) are well trained and passionate about their work, and our technologies and networks enable the ATCs to carry out their tasks efficiently and accurately. ATNS has a robust Safety Management System that is driven by Air Traffic Management (ATM) to ensure that compliance with aviation industry standards is maintained.

Key strategic risks

Risk ranking	Risk name	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure
1	Major safety event e.g. mid-air collision	Extreme	Satisfactory	Priority 1
2	Reliance on third party service providers	Extreme	Satisfactory	Priority 1
3	Critical skills in global demand	Extreme	Satisfactory	Priority 2
4	Physical security of infrastructure	Extreme	Satisfactory	Priority 2
5	Financial sustainability	Extreme	Good	Priority 3
6	Inflexible and inefficient operations	Extreme	Good	Priority 3
7	Non-compliance with environmental regulations	Low	Satisfactory	Priority 4
8	Unavailability of deployed CNS technology	High	Very good	Priority 5
9	Non-compliance with corporate governance regulations and requirements	Insignificant	Good	Priority 5

We are comfortable that the residual exposure for safety risk remains at priority 1 due to the risky nature of our business so that we can continuously implement improvement measures and avoid fatalities.

Combined assurance activities

Assurance activities within ATNS are provided by management, internal assurance providers as well as independent assurance providers. ATNS is in the process of establishing a combined assurance forum. Terms of reference for a combined assurance forum have been drafted to facilitate improved coordination and avoid duplications.

Three levels of defence

Level of defence	Assurance providers	Role description
First level of defence	Assurance by management	Management reviews and monitors risks and related controls on an ongoing basis through the continuous monitoring mechanisms and systems that are in place.
Second level of defence	Internal assurance providers: • Quality management system • Safety regulatory assurance • Legal and compliance • Risk management	Internal assurance is provided on the adequacy and effectiveness of controls.
Third level of defence	Independent assurance • Internal auditors • External auditors • ISO certification bodies • SACAA	This provides independent and objective assurance on the overall adequacy and effectiveness of controls, governance issues and any other critical issues within ATNS.

Quality management system

We have embraced a total quality management system and ATNS is ISO 9001 certified. ATNS has enjoyed a better insurance premium and good reputation internationally because of its certification. QMS audit and training plans were fully executed. During the period under review, we have undergone a re-certification at head office and the ATA, and surveillance audits at the regions. Two major findings reported during the re-certification audit at head office were cleared during the follow-up audit. The company continues to maintain its ISO9001 certification.

Legal and compliance

There are legally binding and enforceable laws and prescripts that must be followed by the regulated party or organisation. Violation of these laws can lead to enforcement action. We have established a compliance function to ensure that there is conformity with regulatory requirements. The unit is responsible for compliance monitoring, which entails putting together a record of regulatory requirements. As part of compliance promotion, the activities that increase awareness, educate, motivate, or change behaviour and encourage voluntary compliance with a regulatory requirement have been put in place. To ensure completeness of the process, we will, in the coming financial year, conduct compliance verification, which will ensure that there are monitoring, inspection and audit activities that will verify that the entity is meeting its regulatory obligations and that the legal risk exposure is minimised.

One of the measures that we have in place to minimise the legal risk exposure is to implement a seamless contract management policy. This helps to provide a framework that assists in the monitoring, reporting and management of the contracts process. This includes the establishing of a contract database for document reference and administration for the ongoing maintenance and management of contracts. The database allows for systematic reporting on the management and the life of a contract. This improves efficiency with regard to monitoring the performance of service providers and ensures protection of the organisation. Legal and compliance services is responsible for the overall management of contracts within ATNS. To achieve this objective, we have ensured that there is alignment of the contract management policy with PFMA and procurement legislation. All contracts concluded during the period under review were vetted internally to ensure that ATNS's interests are protected.

We have a research and development division within Engineering and Technical services that is capacitated with creative minds tasked with upholding quality and innovation, values that are dear to ATNS.

In an increasingly knowledge-driven economy, intellectual property is a key consideration for consumers in determining the quality of the product. Trademarks, patents, copyright and designs are fundamental to the protection of an organisational investment into research and development, marketing and creativity. IP can open the door to new revenue streams through licensing, franchising and joint ventures. To ensure that ATNS's interests are protected, the company has taken a strategic decision to develop and protect its intellectual property. For this to be realised, we have implemented the intellectual property management framework to manage innovation, ownership, protection and benefit sharing. In the new financial year, an IP committee will be appointed to oversee the implementation of this policy.

Internal audit

Our co-sourced internal audit function continues to play a vital independent role within the company in assessing the adequacy and effectiveness of risk management, control and governance processes. The continuous management audit requests are evidence of the value that the internal audit function is bringing to the company.

Our annual internal audit plan is risk-based and this ensures that the internal audit focus is aligned to the risk areas of the business. It also provides management with assurance over the adequacy and effectiveness of controls to mitigate these risks.

Our internal audit function has managed to complete all planned audits for the year under review and significant and major findings were escalated to the Audit and Risk Committee on a quarterly basis.

Continuous follow-up on the implementation of the audit recommendations is performed.

Board Committee reports

Statutory reports

Report of the Audit and Risk Committee

in terms of the Companies Act 94(7)(f)

In the execution of its duties during the past financial year, the Audit and Risk Committee has:

- reviewed the effectiveness of the internal control systems regarding finance, accounting and compliance that management and the Board have established;
- reviewed the independence, objectivity, credibility, performance and cost-effectiveness of the external auditors;
- satisfied itself that the auditor is independent of the company;
- reviewed the results of the external audit including any accounting and audit concerns;
- reviewed the overall audit role to explore objectives, minimise duplication, discuss the implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- reviewed the adequacy, reliability, quality and accuracy of the financial information and financial statements;
- reviewed the integrity of the company's financial reporting processes, both internal and external;
- reviewed the annual report and accounts taken as a whole, to ensure they present a balanced and understandable assessment of the position, performance and prospects of the company;
- reviewed the external auditors' proposed audit report;
- examined and reviewed the annual financial statements and the accompanying reports to the Shareholder;
- reviewed the effectiveness of the internal control systems surrounding the information of systems environment, the reliability and integrity of financial and operational information, the effectiveness of operations, safeguarding of assets and compliance with relevant laws and regulations;
- reviewed the statement on internal control systems prior to endorsement by the Board;
- reviewed reports detailing the adequacy and overall effectiveness of the company's risk management function and its implementation by management, reports on internal control and any recommendations, and confirm that appropriate actions have been taken; and
- reviewed the effectiveness, independence and performance of internal audits.

We are of the opinion that the design of internal controls is adequate and effective. However, the effectiveness of certain internal controls requires management's attention. Management is continuously working on improving internal controls in the areas raised by internal audits. Where internal controls did not operate effectively, compensating controls have ensured that ATNS's assets have been safeguarded, proper accounting records maintained and resources utilised efficiently.

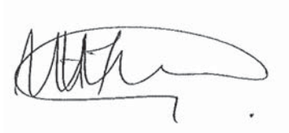
Management's attitude is considered to be positive regarding internal controls. Management is supportive of internal audits and has a high degree of interest in audit report findings. Activities throughout ATNS are governed by written policies and procedures that are reviewed and approved by the Board or management, as appropriate.

This opinion is based on the information and explanations given by management and the internal audit function and discussions with the independent external auditors on the results of their audits.

The Audit and Risk Committee reviewed the going concern of ATNS and is satisfied that the adoption of the going concern premise in the preparation of the annual financial statements is appropriate.

We therefore recommend that the annual financial statements, as submitted, be approved.

On behalf of the Audit and Risk Committee.



Ms Hlengiwe Makhathini
Chairperson

Audit and Risk Committee members

Hlengiwe Makhathini
Chairperson

Sindi Zilwa

Kgathatso Tlhakudi

Report of the Social and Ethics Committee

in terms of the Companies Act and regulations

The year under review

The Social and Ethics Committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review, specifically relating to the following key focus areas:

Aligning of ATNS policies to the UN Global Compact Principles

The Social and Ethics Committee has reviewed the company's standing and progress in terms of the goals and purposes of the 10 principles set out in the United Nations Global Compact Principles, the Multinational Enterprises 2011 Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption, the Employment Equity Act, the Consumer Protection Act, Legislative Compliance, Corporate Social Investment and the Broad-Based Black Economic Empowerment Act.

The committee considered and approved that ATNS policies comply with the following:

- the ten (10) UN Global Compact Principles;
- the Anti-Corruption Instruments and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- the International Labour Organisation (ILO); and
- the Labour Legislation of the Republic of South Africa.

Furthermore, the Committee agreed that the policies of the company satisfy the requirements of the 10 UN Global Compact Principles, ILO, Labour Legislation of RSA and OECD.

ATNS sustainability and climate change programme

The ATNS sustainability and climate change strategy was facilitated by Deloitte in 2011. The sustainability and climate change strategy was developed in 2011 and approved in 2012 by management and the Board. The strategy includes short- and long-term initiatives that the engineering department and the ATM department were investigating in order to implement an integrated environmental and climate change programme for reporting. The sustainability and climate change strategy and other environmental initiatives are currently underway within ATNS.

Carbon footprint

ATNS has calculated its carbon inventory for the 2012 financial year. The first ATNS carbon emission inventory and footprint was calculated using the best practice methodology. The calculation of the inventory was done in line with international best practice in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. ATNS is committed to reporting and reducing carbon emissions and has prioritised this initiative at Board level.

Carbon tax assessment

ATNS performed an assessment regarding the potential impact of the introduction of a carbon tax on ATNS. The results of the GHG inventory for the 2012 financial year were used as a basis for the assessment. ATNS continues to monitor the development of policies surrounding carbon tax in order to understand the impact of the carbon tax on ATNS operations and stakeholders.

Energy management assessment

The committee receives the status report on energy management at every meeting in order to monitor the progress towards the year end targets.

OHAS report

OHAS audits were performed at ATNS's new head office in Bruma by Haslac Health and Safety Audit Consultants. The company is currently finalising actions for the findings.

There were no reported material incidents of environmental or health and safety impacts relating to the company's operations and activities that could potentially impact on communities, employees and/or customers, during the period under review.

BEE verification report

Empowerdex was appointed to conduct the first BEE verification assessment for ATNS in order for the Company to obtain the BEE Certificate. The verification by Empowerdex indicated that ATNS was a Level 5 contributor. Management has been challenged to obtain level 3 in the next financial year. Management is drafting a BBBEE verification plan and aims to achieve level 3.

Consumer Protections Act

The company is investigating mechanisms to obtain exemptions from the provisions of the Consumer Protection Act.

Responsible corporate citizenship

The Social and Ethics Committee has monitored the company's undertakings as a responsible corporate citizen particularly in respect of the promotion of equality, prevention of unfair discrimination and zero tolerance for corruption. The Social and Ethics Committee has also monitored the company's contribution to the development of communities in which its activities are predominantly conducted, donations and charitable giving. In this regard, the Social and Ethics Committee undertakes an annual review of the company's enterprise development initiatives and its CSI. the company provides updates to the Social and Ethics Committee in terms of any incidents of fraud and any matters raised through the whistle-blowing hotline. The company receives reports from the hotline managed by KPMG and all reported incidents are investigated by KPMG.

Labour and employment

The Social and Ethics Committee is tasked with the responsibility of overseeing the company's standing in terms of the International Labour Organisation (ILO) protocol on decent work and working conditions and the group's employment relationships, particularly the contribution towards the educational development of its employees.

The Social and Ethics Committee is comfortable that there were no significant areas of risk for the company in respect of matters relating to good corporate citizenship, the environment, health and public safety, consumer relationship and labour and employment.
The Social and Ethics Committee is satisfied that the in the year under review, the company operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.

Social and Ethics Committee members

Sindi Zilwa
Chairperson

Mpho Mamashela

Sipho Mseleku

Report of the Human Resources Committee

in terms of the King III Report 2009

Guiding principles

ATNS's philosophy on how we remunerate employees reflects the dynamics of the market and context in which we operate. It is our aim at all times to align with the strategic direction and specific value drivers of the business within which ATNS operates, supporting the philosophy of Value Based Management. As such, remuneration plays a critical role in attracting and retaining high performing individuals. Remuneration also reinforces, encourages and promotes superior performance. Remuneration is not considered to be a stand-alone management process, but rather one that is fully integrated into other people management processes.

The remuneration approach explicitly aligns with the strategic direction of the organisation in order to:

- attract, motivate and retain high-performing individuals;
- be a fully integrated management process;
- be an approach that supports the Human Resources strategy which itself will support ATNS business strategy.
- Promote employee engagement by:
  - recognising and rewarding superior performance,
  - establishing a learning environment,
  - creating knowledge sharing,
  - managing the culture of change,
  - providing opportunities to grow and develop, and
  - acknowledging the global nature of the company and its uniqueness as a knowledge-based company.

Benchmarking and position in the market

The organisation performs regular benchmarks, to ensure that we remain competitive in the market in which we operate. The organisation's defined market position is the midpoint of the market. In some instances, in line with the business strategy, employees with key skills are paid between the midpoint and the maximum of pay scale. The benchmarking of Executive positions in the South African labour market faces many challenges in making logical and fair comparisons between different jobs. Executive positions are benchmarked annually, using a top Executive survey. This benchmark informs the organisation of the market related salaries of Executive management within the South African labour market. However, the unique nature of the business poses challenges to this benchmarking. ATNS has also introduced differentiated pay and multi-career pathing in order to ensure fair remuneration.

Components of remuneration

The total remuneration consists of the guaranteed pay, variable pay plus short-term incentives.

Guaranteed pay

The organisation remunerates using the cost to company method of payment. The cost to company includes the cash component plus employee benefits. The organisation provides employees with contractually agreed basic benefits such as medical aid and retirement fund benefits which includes the pension fund and associated benefits which includes disability and life insurance. All employees are afforded the opportunity to structure remuneration packages according to individual needs within prescribed legal parameters. In order to encourage a high-performance culture, the determination of annual salary adjustments is performance-based only. Employees are evaluated against annual set routine objectives, which encompass the scope and nature of the role and job content.

Variable pay

Variable pay includes all allowances and bonuses ATNS may offer to employees from time to time. For the Executive management this includes any acting allowances for acting in another role as duly authorised and approved by the Human Resources Committee, and a principal officer allowances for occupying the role of the principal officer on the pension fund.

Short-term performance incentive bonus

The organisation views performance management as a strategic business process as it informs and drives a number of strategic business objectives.

The objectives of performance management are:

- provide a systematic framework for performance planning, performance monitoring, reviews and performance appraisal;
- promote a shared sense of responsibility amongst staff for the achievement of strategic objectives;
- promote a culture of transparency and participation through open dialogue about goals and the achievement thereof, personal development and performance improvement;
- ensure that employees are given the direction and support required to excel in their jobs;
- improve organisational performance by linking the ATNS balanced scorecard to individual/team outputs

Performance incentive bonuses are based on:

- the overall performance results of ATNS for the financial year at the end of March with a link to the Key Performance Indicators set for the organisation at the start of the financial year;
- the performance of the department; and
- the employee's performance against balanced scorecard objectives.

The organisation applies a five-point rating scale to the measurement of the employee's performance against balanced scorecard objectives. Performance incentive bonuses are awarded to employees in the following categories:

- meet expectations
- exceed expectations
- significantly exceed expectations

Non-Executive Directors' remuneration

Non-Executive Directors receive fees for their services on the company Board and Board Committees. Non-Executive Directors' fees are determined by the Department of Transport (DOT).

Human Resources Committee members

Thandeka Mgoduso
Chairperson

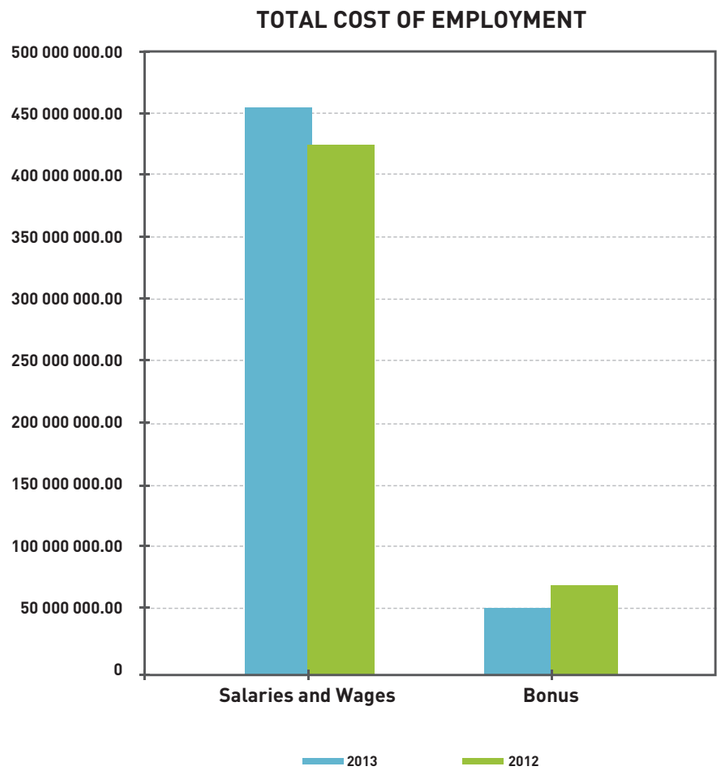
Mpho Mamashela

Fabian Msimang

Sipho Mseleku

Salaries and related costs

The total cost of employment for the 2012/2013 financial year compared to the 2011/2012 financial year is tabled below:



The above information is a brief summary of the ATNS remuneration approach. The salaries and wages increase is a combination of both 6% inflation related adjustment and staff increase to 983 (2012:927). A decrease on bonus paid in 2013 is due to a company achieving 94% (2012:107%) of its balanced scorecard targets which are linked to a bonus payment. All remuneration policies and procedures are fully compliant with current legislation and, where applicable, in adherence to the collective substantive salary agreement entered into between ATNS and the recognised trade union, Solidarity. This agreement is a four-year agreement and will terminate on 31 March 2015. Furthermore, payroll is annually audited by both internal and external auditors. Any findings are reported to the Audit and Risk Committee and Human Resources Committee of the ATNS Board.

Report of the Procurement Committee

In the execution of its functions during the year under review, the Procurement Committee has:

- Reviewed and recommended for approval the new Supply Chain Management Policy of the organisation;
- Considered and approved strategic capital programmed to the value of R190 million;
- Provided oversight in the execution of strategic capital programmes to ensure adherence to agreed execution timelines and delivery of value for the organisation;
- Overseen the development of a reporting framework that will ensure visibility in the impact of the organisation on transformation of the industry.

The Committee is satisfied with the technical and management competency of the organisation and its ability to effectively and efficiently execute capital programmes. The Committee recognises that the nature of the business means that a large portion of its capital budget will flow overseas, however would like to see greater effort being put into ensuring that the support of installed equipment is localised and that the local industry is capacitated to undertake equipment midlife upgrade in cooperation with the OEMs.

The Committee has directed the Executive to engage with the Department of Transport to ensure that the negative impact of amended PPPFA regulations on the ability of the organisation to ensure localisation and transformation of industry is addressed by the National Treasury.

Cardinal programmes considered and approved by the Committee during the year under review are:

1. IT Systems
   Computing infrastructure upgrade: the end of useful life replacement of end-user computing equipment has commenced. The contract is held by Data Centrix.

Procurement Committee members

Kgathatso Tlhakudi
Chairperson

Thandeka Mgoduso

Fabian Msimang

LAN infrastructure projects: the tender to replace the LAN infrastructure equipment at various centres is scheduled to be published in July 2013, with the preferred supplier being appointed by end October 2013.

2. SAATS system replacement: the Executive reported that the negotiations with the preferred supplier were concluded. The project plan was shared with the Committee with the project start date being July 2013 and project completion scheduled for May 2015.

3. Multilateration in the Lowveld and Northern Cape: the surveillance of the regions will enable deployment of technologies and improvement of procedures to reduce delays and improve efficiencies and safety at Cape Town, King Shaka and OR Tambo International airports. The feasibility study and user requirement statement have been completed, with the final review of technical specifications being undertaken.

4. ATS resource planning tool: the tool is required to assist with optimum deployment of ATS personnel while reducing dependence on a manual paper-based system. The preferred supplier is Quintiq after being the sole respondent to the RFP and negotiations are being finalised. The system will be integrated into the IT infrastructure and support plan.

Board Committee meetings and attendance

Attended	●
Absent/Apology	●
Chairperson	C
Member	M

Meeting	Date	Mamashela	Makhathini	Mgoduso	Tlhakudi	Msimang*	Mseleku	Zilwa	Magwentshu
Board Induction	02.04.12	C ●	M ●	M ●	M ●	M ●	M ●	M ●	M ●
Board	19.06.12	C ●	M ●	●	M ●	●	M ●	M ●	M ●
	07.09.12	C ●	M ●	●	M ●	M ●	M ●	M ●	M ●
	06.12.12	C ●	●	M ●	M ●	●	●	●	M ●
	06.03.12	C ●	M ●	M ●	●	●	M ●	M ●	●
HRC	04.06.12	M ●		C ●		M ●	M ●		
	14.08.12	●		C ●		M ●	●		
	21.11.12	M ●		C ●		●	●		
	13.02.12	M ●		C ●		●	M ●		
PROCOM	08.06.12			M ●	M ●	●	C ●		
	15.08.12			M ●	C ●	M ●			
	25.12.12			M ●	C ●	M ●			
	13.02.12			M ●	C ●	●			
Audit & Risk	11.06.12		●		M ●			C ●	
	21.08.12		C ●		M ●				
	19.11.12		●		M ●			C ●	
	18.02.13		C ●		●			M ●	
Social & Ethics	27.11.12	M ●					M ●	C ●	
	28.02.12	M ●					●	C ●	
	25.03.13	M ●					M ●	C ●	
Board Strategy	05.12.12	C ●	M ●	M ●	M ●				M ●
	06.12.12	C ●		M ●	M ●				M ●
	30.01.13	C ●	M ●	M ●	M ●			M ●	M ●
AGM	11.09.12	C ●	M ●	●	M ●	●	M ●	●	●

Number of special meetings:
HRC 6
Procom 0
ARC 3
SEC 1
** Mr Msimang's appointment as head of the South African Air Force had an effect on his availability to attend meetings.*

Directors' remuneration report

The remuneration of the Directors during the year was as follows:

	2013 R	2012 R
CEO		
PK Dlamini (resigned 31 August 2012)		
Services rendered as Director of the company:		
Basic salary	**1 259 005**	2 458 615
Bonus and performance-related payments	**1 329 256**	1 148 028
Contribution to pension funds in respect of services as Director	**149 243**	306 248
Contributions to medical aid, UIF and insurance	**13 757**	35 459
Other	**436 343**	12 311
	3 187 604	3 960 661
Non-Executive Directors		
MD Mamashela (re-appointed 1 March 2012)		
Director fees	**645 908**	537 451
Expense allowance	**2 102**	1 471
Other benefits	**-**	189 901
	648 010	728 823
FKN Tlhakudi (appointed 1 March 2012)		
Director fees	**435 955**	-
Expense allowance	**4 380**	-
	440 335	-
SV Zilwa (appointed 1 March 2012)		
Director fees	**363 638**	-
Expense allowance	**2 184**	-
	365 822	-
FZ Msimang (appointed 1 March 2012)		
Director fees	**256 483**	-
Expense allowance	**1 997**	-
	258 480	-
GS Mseleku (appointed 1 March 2012)		
Director fees	**327 478**	-
Expense allowance	**2 278**	-
	329 756	-
HT Makhathini (re-appointed 1 March 2012)		
Director fees	**298 797**	298 500
Expense allowance	**2 885**	3 107
	301 682	301 607
TN Mgoduso (appointed 1 March 2012)		
Director fees	**431 113**	-
Expense allowance	**3 854**	-
	434 967	-
VN Magwentshu (appointed 1 March 2012)		
Director fees	**217 577**	-
Expense allowance	**1 343**	-
	218 920	-

All non-Executive Directors are South African.

The service contract for Executive Directors is for a term of five years. The notice period for the Chief Executive Officer is six months. The service contract for non-Executive Directors is for a term of three years, subject to annual retirement at the annual general meeting. Compensation for non-Executive Directors is in accordance with the state-owned enterprise guidelines. The contract of the Chief Executive Officer also deals with compensation if the Chief Executive Officer is dismissed or if there are material changes in the role, responsibilities or remuneration.

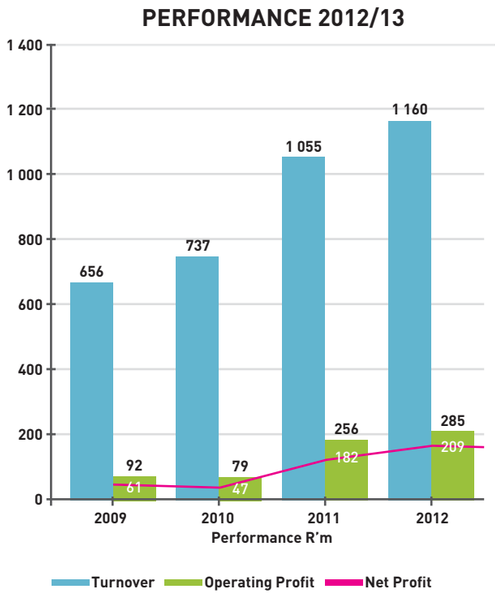
ANNUAL FINANCIAL STATEMENTS

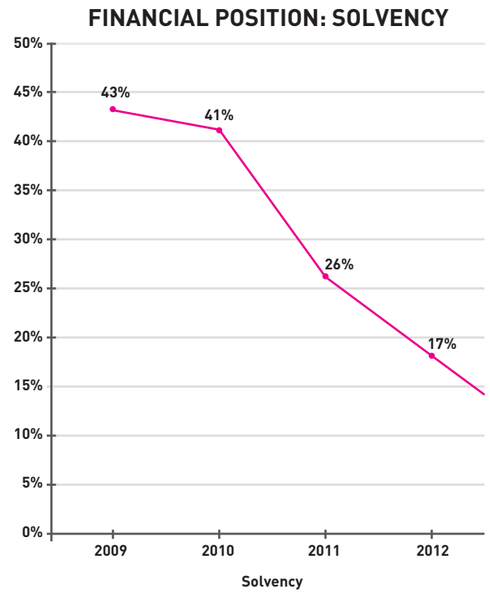
for the year ended 31 March 2013

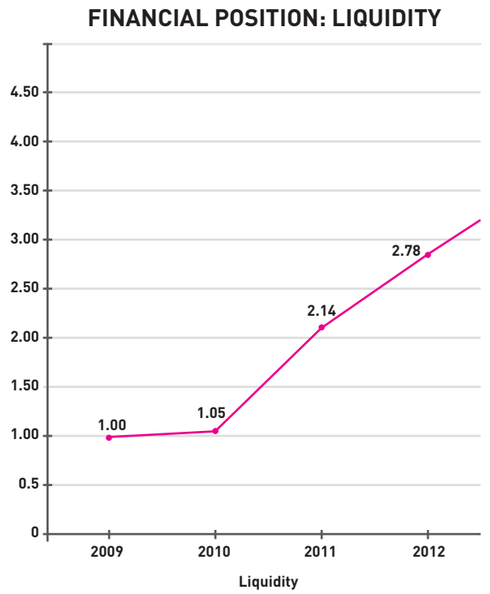
Throughout our business's life, we have known where we are financially – we have set down roots in the economy. Now is the time for us to spread our financial wings and create new streams of wealth. It is only through this expansion that we will ensure the financial sustainability of our company and continue to contribute to growth in this country.

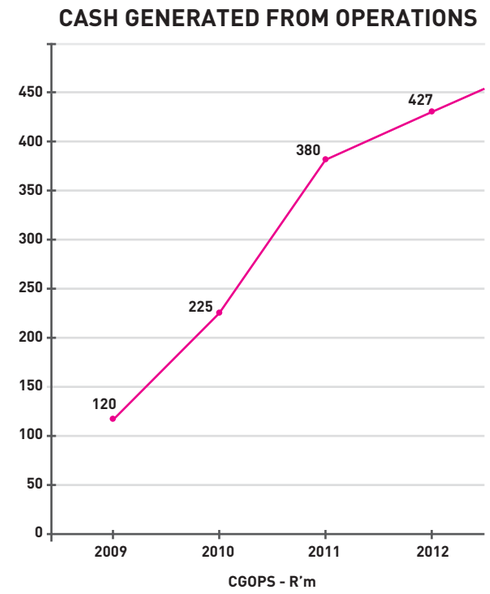
In all realms of life it takes courage to stretch your limits, express your power, and fulfill your potential... it's no different in the financial realm.

Suze Orman









Report of the Independent Auditor to the Minister of Transport for Air Traffic and Navigation Services SOC Limited

Report on the financial statements

Introduction

We have audited the financial statements of the Air Traffic and Navigation Services SOC Limited set out on pages 86 to 140, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Air Traffic and Navigation Services SOC Limited as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act and Companies Act of South Africa.

Other reports required by the Companies Act

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

Report on other legal and regulatory requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 38 to 48 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, we draw attention to the following matter below.

Achievement of planned targets

Of the total number of planned targets of 36 the company achieved 26 during the year under review. The remaining 10 (28%), were not achieved but the company was within 85% of the targets.

Compliance with laws and regulations

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

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations. We did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

KwinanaEquifin Inc

KwinanaEquifin Incorporated
Chartered Accountants (South Africa)
Registered Accountants and Auditors
Pretoria

Per Y Kwinana
Registered Auditor
Chartered Accountant (SA)
Director

26 June 2013

Certificate by Company Secretary

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act (No.71 of 2008), that for the year ended 31 March 2013, the company has lodged with the Registrar of Companies all such returns as are required by the public company in terms of this Act and that such returns are true, correct and up to date.

Solomon Mngomezulu
Company Secretary

26 June 2013

Preparation of the annual financial statements

The preparation of the company's annual financial statements was supervised by the Chief Financial Officer, William Ndlovu CA(SA).

Solomon Mngomezulu is a non-practising attorney. He has extensive experience in commercial law, with a focus on corporate and contract law. He holds a BA LLB from the University of Durban-Westville and a Diploma in Dispute Resolution from the Arbitration Foundation of Southern Africa. He also recently obtained a Diploma in Company Direction with GIMT, endorsed by the Institute of Directors. Solomon is a member of the Institute of Directors of Southern Africa, and has completed an MBA with the Gordon Institute of Business Science (GIBS).

Directors' report

The Directors are pleased to submit the financial statements of the company for the year ended 31 March 2013.

1. Nature of business

Main business and operations

The company is principally engaged in the supply of air traffic and navigation services and the maintenance of air traffic and navigation infrastructure. Other operations of the company include the supply of aeronautical information services, technical and aerodrome services, the aeronautical communication VSAT network, and the training of air traffic control and technical staff for a larger market extending outside South Africa.

2. Governance environment

ATNS is a state-owned enterprise incorporated under the Air Traffic and Navigation Services Company Act of 1993 (Act 45, 1993) as a limited liability company. The government of South Africa, through the Minister of Transport, is the sole Shareholder. ATNS falls under the governance umbrella created by the Public Finance Management Act (Act 1, 1999) and related regulations and guidelines issued by the National Treasury.

In compliance with the requirements of the Public Finance Management Act (PFMA), ATNS conducts an annual Shareholder's Compact with the Shareholder representative. The Shareholder's Compact contains Shareholder expectations in the form of pre-determined objectives and key performance information, and ensures that the Board and the Shareholder representative are aligned in their understanding and acceptance of strategic objectives. Progress on performance is regularly reviewed by the Board and reported to the Shareholder representative quarterly.

The Directors are fully committed to conducting business in accordance with generally accepted corporate practices. Although the Board is accountable to the minister and acts in the interests of the company, its inclusive decision-making approach accommodates the legitimate interests and expectations of its stakeholders.

The Directors support the principle that good governance is essentially about effective leadership and that sustainability is a moral and economic imperative in running a business.

3. Safety regulation

ATNS is regulated by the South African Civil Aviation Authority (SACAA) as mandated under the Aviation Act and associated regulations and technical standards. The company strives to comply with environmental, health and safety laws in its operations.

4. Economic regulation

The Air Traffic and Navigation Services Company Act of 1993 (Act 45, 1993) subjects the company to independent economic regulation in the form of the regulating committee. The committee promulgates tariffs to be levied by ATNS on clients during a five-year regulatory permission cycle, based on a single-till price-cap regulatory regime. The committee also prescribes minimum service standards for each permission period.

ATNS submitted its permission application in September 2009 and the Economic Regulator issued the permission for 2010/11 to 2014/15 in March 2010.

5. Overall performance

The aviation industry continued to experience tough economic conditions. This resulted in few airlines closing down and a decline in air traffic movements. The impact on the company was a sharp decline in cash generated from operations by 28% to R333 million (2012: R428 million)

Turnover increased moderately by 3% to R1.196 billion (2012: R1.161 billion) while operating costs increase by 8% to R946 million (2012: R876 million) mainly due to impairment of some accounts receivable and a negative foreign exchange fluctuation impact on our repairs and maintenance and telecommunication network costs.

During the year under review, we managed to catch up with a backlog in our capital expenditure program and slightly exceeded the budget of R190 million when considering the actual cash spent and firm commitments made before year end.

Our balance sheet continued to strengthen with liquidity ratio increasing to 4.1:1 (2012: 2.78:1) and our gearing ratio dropping to 9% (2012: 17%). This put a company in a better position to raise funding for the imminent capital expenditure.

A 28% decline in our cash generated from operations permeated throughout our cash flows resulting in the net cash and cash equivalents for the period declining by 30% to R 167 million (2012: 217 million). Nevertheless, we remain positive about the future economic outlook.

6. Dividends

No dividends were declared or paid to the Shareholder during the year (2012: R nil).

7. Share capital

The sole Shareholder of the company is the Minister of Transport on behalf of the government of South Africa, in terms of section 6(5) of the Air Traffic and Navigation Services Company Act 1993 (Act 45 of 1993). There were no changes to the authorised or issued share capital of the company in the year under review.

8. Capital commitments

The capital commitments of the company are set out in note 24 of the financial statements.

9. Changes in accounting policies

The accounting policies are consistent with those of the previous financial year, except for those noted in the financial statements.

10. First-time adoption of IFRS

The company's financial statements are presented in accordance with the International Financial Reporting Standards (IFRS), as it has moved away from the Statements of Generally Accepted Accounting Practices (GAAP), in accordance with Government practice.

11. Key Performance Indicators

Key Performance Indicators were agreed to with the Minister of Transport as required in terms of the Shareholder's Compact. The achievements of the Key Performance Indicators are included on pages 38 to 48.

12. Directors

The Directors of the company during the financial year and to the date of this report are as follows:

Name	Nationality	Capacity	Appointed	Retired
MD Mamashela	South African	Chairman	1 March 2012	
PK Dlamini	South African	CEO	1 January 2009	31 August 2012
DST Mthiyane	South African	CEO*	1 July 2013	
MW Ndlovu	South African	CFO	1 April 2013	
HT Makhathini	South African	Non-Executive	1 March 2012	
FZ Msimang	South African	Non-Executive	1 March 2012	
FKN Thlakudi	South African	Non-Executive	1 March 2012	
VN Magwentshu	South African	Non-Executive	1 March 2012	
TN Mgoduso	South African	Non-Executive	1 March 2012	
SV Zilwa	South African	Non-Executive	1 March 2012	
GS Mseleku	South African	Non-Executive	1 March 2012	

Notes:
* Acting CEO since 1 September 2012 until his appointment.

Statement of financial position as at 31 March 2013

	Notes	2013 R	2012 R
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**739 236 061**	798 436 486
Intangible assets	12	**54 811 221**	63 573 787
Capital work in progress	13	**53 529 736**	75 191 348
		847 577 018	937 201 621
CURRENT ASSETS			
Trade and other receivables	14	**156 682 466**	142 024 896
Inventories	16	**197 876**	797 057
Loans and receivables	17	**12 181 347**	10 953 877
Income tax receivable	30	**6 472 024**	3 179 494
Cash and cash equivalents	18	**701 913 527**	523 945 124
Prepayments	15	**4 061 133**	3 045 850
		881 508 373	683 946 298
TOTAL ASSETS		**1 729 085 391**	1 621 147 919
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	**190 646 000**	190 646 000
Retained earnings		**1 191 448 004**	996 643 925
Total equity		**1 382 094 004**	1 187 289 925
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	20	**54 508 569**	113 601 707
Deferred income tax liabilities	21	**77 009 620**	74 162 168
		131 518 189	187 763 875
CURRENT LIABILITIES			
Trade and other payables	22	**72 338 582**	62 485 501
Interest-bearing loans and borrowings	20	**64 470 553**	91 545 222
Provision for other liabilities and charges	23	**78 664 063**	92 063 396
		215 473 198	246 094 119
Total liabilities		**346 991 387**	433 857 994
TOTAL EQUITY AND LIABILITIES		**1 729 085 391**	1 621 147 919

Statement of comprehensive income

	Notes	2013 R	2012 R
Revenue	4	**1 223 429 965**	1 182 862 337
Turnover	4	**1 195 896 756**	1 160 593 647
Other income – net	5	**11 272 209**	851 473
Depreciation costs	11	**(101 487 865)**	(104 984 543)
Amortisation of intangible assets	12	**(12 548 600)**	(19 391 309)
Staff costs	6	**(570 623 432)**	(552 270 553)
Other expenses	7	**(272 150 508)**	(199 292 933)
Operating profit		**250 358 560**	258 505 782
Finance revenue	8	**27 533 209**	22 268 690
Finance costs	9	**(8 689 740)**	(16 267 530)
Profit before taxation		**269 202 029**	291 506 942
Income tax expense	10	**(74 397 950)**	(81 789 554)
Profit for the year		**194 804 079**	209 717 388
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year, net of tax		**194 804 079**	209 717 388

Statement of changes in equity

	Note	Share capital	Retained earnings R	Total equity R
Balance at 1 April 2011	19	**190 646 000**	**786 926 537**	**977 572 537**
Total comprehensive income for the year		**-**	209 717 388	209 717 388
Total changes		**-**	209 717 388	209 717 388
Balance at 1 April 2012		**190 646 000**	**996 643 925**	**1 187 289 928**
Total comprehensive income for the year		**-**	194 804 079	194 804 079
Total changes		**-**	194 804 079	194 804 079
Balance at 31 March 2013		**190 646 000**	**1 191 448 004**	**1 382 094 007**

Statement of cash flows

	Notes	2013 R	2012 R
Operating activities			
Cash receipts from customers		**1 184 175 956**	1 139 853 749
Cash paid to suppliers and employees		**(850 762 609)**	(712 084 152)
Cash generated from operations	28	**333 413 347**	427 769 597
Finance revenue	8	**27 533 209**	22 268 690
Finance costs	9	**(8 689 740)**	(16 267 530)
Borrowing costs capitalised	9	**(3 500 189)**	(1 115 978)
Income tax paid	30	**(74 843 028)**	(81 412 813)
Net cash flows from operating activities		**273 913 599**	351 241 966
Investing activities			
Purchase of property, plant and equipment	29	**(20 665 456)**	(80 050 850)
Proceeds from the sale of property, plant, equipment and intangibles	31	**43 210**	108 019
Purchase of intangible assets	12	**(86 910)**	(768 025)
Net cash flows from investing activities		**(20 709 156)**	(80 710 856)
Financing activities			
Proceeds from borrowings		**5 225 861**	43 932 843
Repayment of borrowings		**(91 393 668)**	(97 024 813)
Net cash flows from financing activities		**(86 167 807)**	(53 091 970)
Net increase in cash and cash equivalents		**167 036 636**	217 439 140
Cash and cash equivalents at beginning of year		**523 945 124**	304 485 273
Net foreign exchange difference		**10 931 767**	2 020 711
Cash and cash equivalents at end of year	18	**701 913 527**	523 945 124

Accounting policies

1. Corporate information

ATNS is a limited company incorporated in South Africa. The company's registration number is 1993/004150/06 and the address of its registered office and principal place of business is Block C, Eastgate Office Park, South Boulevard Road, Bruma, 2198, Republic of South Africa. The company is principally engaged in the supply of air traffic and navigation services.

The financial statements of the company for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 6 July 2013.

1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items, including fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. The financial statements are presented in South African rand, which is the company's functional and presentation currency.

Amounts presented in the financial statements were rounded off to the nearest rand.

Statement of compliance

The financial statements of ATNS have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act of South Africa and the PFMA.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out in the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.3 Foreign currency translation

A foreign currency transaction is recorded, on initial recognition in South African rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in South African rand by applying to the foreign currency amount the exchange rate between South African rand and the foreign currency at the date of the cash flow.

1.4 Property, plant and equipment

Land is not depreciated and is shown at cost less accumulated impairment.

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

The initial estimate of the costs of dismantling and removing the item, and restoring the site on which it is located, is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand-by equipment which are expected to be used in more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment that can only be used in conjunction with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs that are a condition of continuing use of an item of property, plant and equipment, and that meet the recognition criteria above, are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amount to its residual value over the estimated useful life, as follows:

Item	Estimated useful life
ATC display systems	12 years
Buildings	50 years
Communication equipment	10 years
Computer equipment	7 years
Electrical and mechanical equipment	10 years
Intangibles	7 years
Leasehold property	6 years
Motor vehicles	5 years
Navigational aids	15 years
Office equipment	6 years
Radar equipment	15 years
Simulator equipment	10 years
Tools and test equipment	20 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and in a condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the actual cost of the item is depreciated separately. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Regular major inspections of certain items of property, plant and equipment are a prerequisite for the continuing use of the equipment. As such, these inspection costs are capitalised in the carrying amount of the property, plant and equipment (to the extent that the recognition criteria are satisfied) as a replacement. These inspection costs are depreciated over the period remaining before the next compulsory major inspection.

The assets' residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance sheet date.

The company has made certain estimates in adjusting the carrying amounts of assets, which is resultant from assessing the present status of the company's assets and the expected future benefits and obligations associated with the assets. The effect of the change in an accounting estimate is recognised prospectively by adjusting the amount of the periodic consumption of the assets in the current financial year.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

1.5 Capital work in progress

Capital work in progress is measured at cost. Major property, plant, equipment and intangible assets that are commissioned over a period of time are reflected as capital work in progress on the statement of financial position. Capital work in progress is transferred to property, plant, equipment and intangible assets on the asset's formal commissioning date.

The capitalisation rate used to determine the borrowing cost eligible for capitalisation is disclosed in the notes to the financial statements under interest-bearing loans and borrowings.

1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to commission, are capitalised as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period they occurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the developed phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each balance sheet date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset might be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Amortisation is provided to write down the intangible assets on a straight-line basis to their residual values as follows:

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to seven years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Changes in expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs associated with developing computer software programs are capitalised when incurred. However, the costs to maintain are expensed.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

1.8 Impairment of tangible and intangible assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or cash-generating unit is the higher of its fair value less costs to sell, and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalue asset is treated as a revaluation increase.

1.9 Financial instruments

Financial assets

The company classifies its financial assets in the following categories: loans and receivables; and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Directors determine the classification of its financial assets at initial recognition and re-evaluate this designation at each balance sheet date.

Regular-way purchases and sales of financial assets are recognised at trade date, being the date on which the company commits to purchase or sell the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables (excluding prepayments) and cash and cash equivalents in current assets and as loans and receivables in non-current assets in the statement of financial position. Loans and receivables are initially recognised at fair value and subsequently amortised using the effective interest method less any allowance for impairment.

Gains and losses arising from derecognition, impairment or the amortisation process are recognised in the statement of comprehensive income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in the above category. They are included in non-current assets unless management intends disposing of the investment within 12 months of the reporting date. Available-for-sale financial assets are subsequently carried at fair value. Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss. Changes in the fair value are recognised immediately in other comprehensive income within other gains/(losses). At balance sheet date, no available-for-sale assets existed.

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

Reversal of impairment losses on amortised cost financial assets is limited to what the carrying value would have been at the reversal date, if no impairment losses were recognised in the past.

For trade receivables, an allowance for impairment is recognised when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all the amounts due under the original terms of the invoice. The varying amount is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible, and are written off against either the allowance amount or directly through profit or loss if no allowance was recognised for the impairment.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of principal payments and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognised in profit or loss. Reversal of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently recorded at amortised cost.

Trade and other payables

Financial liabilities are recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Trade and other payables are initially recognised at fair value and subsequently amortised using the effective interest method.

Trade and other payables are generally paid 30 days from statement. Gains or losses are recognised in the statement of comprehensive income.

Derecognition of financial assets and liabilities

a) Financial assets

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

1. the rights to receive cash flows from the asset have expired; or
2. the company has transferred its rights to receive cash flows from the asset and either

a. has transferred substantially all the risks and rewards of the asset, or
b. has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

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

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative instruments

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

1.10 Inventories

Inventories consist of spares and consumables expected to be used within 12 months and are stated at the lower of cost or net realisable value. The cost is calculated using the weighted average method.

1.11 Share capital

Ordinary shares are classified as equity. Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing, using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.13 Provisions

Provisions are recognised when:

- the company has 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 shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are discussed in note 25.

1.14 Retirement benefit costs

The company operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. The defined contribution fund is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The scheme is funded by contributions from the employee and the company, taking into account the recommendations of independent qualified actuaries. The company's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

1.15 Leases

The determination of whether an arrangement is or contains a lease is based on the

- substance of the arrangement at inception date; or
- whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets; or
- the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

1) There is a change in contractual terms, other than a renewal or extension of the arrangement.
2) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term.
3) There is a change in the determination of whether fulfilment is dependent on a specified asset.
4) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios 1, 3 or 4, and at date of renewal or extension period for scenario 2.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Company as lessee

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

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges related to the finance lease are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Company as lessor

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases (net of any incentives received from the lessor) and are charged to the statement of comprehensive income on a straight-line basis over the lease term.

1.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can reliably be measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT or duty. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue includes en-route, aerodrome and approach fees, small aerodrome services, technical maintenance services, aeronautical information services, VSAT, NAFISAT and aviation training fees. Fees for services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Finance revenue

Finance revenue is recognised as interest accrued (using the effective interest method). Interest income is included in finance revenue in the statement of comprehensive income.

1.17 Significant accounting estimates and judgements

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies in areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

Estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities in the next financial year are listed below:

Provisions

Provisions were raised and management determined an estimate based on the information available, as well as past experience. Additional disclosure of these estimates of provisions is included in the notes to the annual financial statements under provisions for other liabilities and charges.

Property, plant and equipment, and intangible assets

Management has made certain estimates with regards to the determination of estimated useful lives and residual values of items of property, plant and equipment and intangible assets.

In estimating the useful lives of the assets, management considered the industry standards, the present status of the assets and the expected future benefits associated with the continued use of the assets.

Judgements

Impairment of trade receivables

Management has applied judgement in estimating the extent of any impairment deemed necessary on the gross carrying value of trade receivables and have impaired all accounts in arrears for a period longer than normal expected trading terms.

Management considered the payment history and the financial ability of the customers when estimating the impairment of trade receivables.

1.18 Taxes

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the end of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting nor taxable profit.

A deferred tax asset is recognised for the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Value added tax

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

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

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

1.19 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, retention and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.20 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any acceptable legislation, including the PFMA and/or policies.

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

1.21 Related-party transactions

The company operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. All national departments of government- and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: *Guidance on the term "state-controlled entities" in context of IAS 24 (AC 126) – Related Parties*, issued by the South African Institute of Chartered Accountants. Other related-party transactions are also disclosed in terms of the requirements of the accounting standard.

Notes to the financial statements

2. Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 April 2012:

IFRS 7 *Transfers of financial assets* – amendment to IFRS 7.

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The effective date of this amendment is for years beginning on or after 1 July 2011.

IAS 12 *Deferred taxes: Recovery of underlying assets* – amendment to IAS 12.

The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The effective date of this amendment is for years beginning on or after 1 January 2012.

Adoption of these standards and interpretations did not have any impact on the company's financial statements.

3. New standards and interpretations

Standards and interpretations not yet effective or relevant

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective.

IFRS 9 *Financial instruments* – classification and measurement.

This, the first phase of the IASB's project to replace IAS 39 in its entirety, addresses the classification and measurement of financial instruments. Amendments published in October 2010 incorporate the existing derecognition principles of IAS 39 directly into IFRS 9.

Financial assets

All financial assets are initially measured at fair value. Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the 'business model test' and the 'characteristics of financial asset test'.

All other debt instruments are subsequently measured at fair value.

All equity investments are subsequently measured at fair value either through other comprehensive income (OCI) or profit and loss.

Embedded derivatives contained in non-derivative host contracts are not separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss.

Financial liabilities

For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI. The remainder of the change in fair value is presented in profit and loss.

All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.

The effective date of the standard is for years beginning on or after 1 January 2015.

The company expects to adopt the standard for the first time in the 2016 financial statements.

The adoption of IFRS 9 is not expected to have a material impact on the financial statements of the company.

IFRS 10 *Consolidated financial statements*

IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in SIC 12 being withdrawn.

IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor.

The effective date of this standard is for years beginning on or after 1 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this statement will not have an impact on the results of the company.

IFRS 11 *Joint arrangements*

IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.

Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:

- joint operation – by showing the investor's interest/relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
- joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture.

The effective date of this standard is for years beginning on or after 1 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements. The adoption of this statement will not have an impact on the results of the company.

IFRS 12 *Disclosure of interests in other entities*

The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/or structured entities.

Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added.

The effective date of this standard is for years beginning on or after 1 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of IFRS 12 is not expected to have a material impact on the separate financial statements of the company.

The adoption of this statement will not have an impact on the results of the company.

IFRS 13 *Fair value measurement*

IFRS 13 describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13).

Under IFRS 13 fair value is presumed to be an 'exit price'.

New disclosures related to fair value measurements are also introduced.

The effective date of this standard is for years beginning on or after 1 January 2013.

The company expects to adopt the standard for the first time in the 2014 financial statements.

The impact of the adoption of IFRS 13 is still being assessed however the adoption is not expected to have a material impact.

IAS 1 *Presentation of items of other comprehensive income* (amendment to IAS 1)

The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled.

The effective date of this amendment is for years beginning on or after 1 July 2012.

The company expects to adopt the amendment for the first time in the 2013 financial statements.

The adoption of this amendment is not expected to impact the results of the company, but may result in additional disclosure.

IAS 16 *Property, plant and equipment*

Amendment to the recognition and classification of servicing equipment. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

The effective date of this amendment is for years beginning on or after 1 January 2013.

The adoption of this amendment is not expected to have a material impact on the results of the company.

IAS 19 *Employee benefits* (revised)

The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified.

The effective date of this amendment is for years beginning on or after 1 January 2013.

The company expects to adopt the amendment for the first time in the 2014 financial statements. The adoption of this amendment is not expected to have a material impact on the results of the company.

IAS 27 *Separate financial statements* (consequential revision due to the issue of IFRS 10)

IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor.

The effective date of this amendment is for years beginning on or after 1 January 2013.

The company expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment will not have an impact on the results of the company.

IAS 28 *Investments in associates and joint ventures* (consequential revision due to the issue of IFRS 10 and 11)

The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

The effective date of this amendment is for years beginning on or after 1 January 2013.

The company expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment will not have an impact on the results of the company.

IFRS 7 *Disclosures – offsetting financial assets and financial liabilities* (amendments to IFRS 7).

Provides additional disclosures (similar to current US GAAP requirements).

The effective date of this amendment is for years beginning on or after 1 January 2013.

The company expects to adopt the amendment for the first time in the 2014 financial statements. The adoption of the amendment is not expected to impact the results of the company, but may result in additional disclosure.

IAS 32 *Offsetting financial assets and financial liabilities* (amendments to IAS 32).

The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).

The effective date of this amendment is for years beginning on or after 1 January 2014.

The company expects to adopt the amendment for the first time in the 2015 financial statements.

The adoption of the amendment is not expected to impact the results of the company.

IAS 34 *Interim financial reporting*

Amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.

The effective date of this amendment is for years beginning on or after 1 January 2013.

The adoption of this amendment will not have an impact on the results of the company.

IFRS 9, IFRS 7

Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7).

Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. The effective date of this amendment is for years beginning on or after 1 January 2015. The company expects to adopt the amendment for the first time in the 2016 financial statements.

The adoption of the amendment is not expected to impact the results of the company, but may result in additional disclosure.

4. Revenue and turnover

	2013 R	2012 R
En-route and approach fees	**1 074 656 868**	1 059 152 670
VSAT revenue	**26 851 392**	21 832 997
NAFISAT revenue	**25 010 628**	23 865 905
Small aerodrome fees	**37 998 812**	30 639 182
Training to third parties	**14 738 188**	11 016 268
Sundry revenue	**7 498 753**	6 327 508
Technical maintenance	**2 856 093**	2 641 667
Extended hours	**2 079 880**	2 098 690
Rental received – sites	**842 913**	933 910
Aeronautical information services	**2 600 387**	1 424 502
SA Weather Services	**762 842**	660 347
Turnover	**1 195 896 756**	1 160 593 647
Finance revenue	**27 533 209**	22 268 690
Revenue	**1 223 429 965**	1 182 862 337

5. Other income – net

	2013 R	2012 R
Gain/(loss) on foreign exchange realised	**340 442**	(1 169 238)
Gain on foreign exchange unrealised	**10 931 767**	2 020 711
	11 272 209	851 473

6. Staff costs

	2013 R	2012 R
Salaries and wages	**458 304 700**	429 226 009
Bonus	**52 760 020**	71 544 454
Staff retention scheme	**-**	121 003
Pension costs – defined contribution scheme	**44 453 462**	39 919 206
Training and development	**9 051 268**	2 924 966
Recruitment costs	**2 826 555**	6 087 800
Relocation costs	**3 227 427**	2 447 115
	570 623 432	552 270 553

7. Other expenses

	2013 R	2012 R
Administration expenses	**17 633 218**	15 499 491
Audit fees		
External audit	**2 058 425**	956 179
Fees for audit services	**2 058 425**	956 179
Internal audit	**1 172 282**	2 327 367
Fees for audit services	**1 097 464**	2 086 336
Fees for other services	**74 818**	241 031
Impairment of trade receivables	**30 996 278**	8 586 394
Insurance	**6 341 498**	7 057 913
Loss/(profit) on sale of property, plant and equipment	**(40 559)**	230 281
Management consulting services	**19 500 342**	12 986 446
Marketing expenses	**12 656 750**	6 495 926
Motor vehicle expenses	**4 294 463**	4 065 189
Municipal expenses, rates and taxes	**14 577 555**	9 927 680
Operating lease rentals		
Land and buildings	**9 201 682**	4 331 897
Straight-line lease payments	**5 524 600**	3 236 018
Rent	**3 677 082**	1 095 879
Equipment	**1 209 713**	1 069 632
Rent	**1 209 713**	1 069 632
Professional fees	**14 611 696**	12 436 419
Repairs and maintenance expenses	**65 040 065**	51 921 276
Security	**1 441 168**	1 845 139
Telecommunication expenses	**38 618 219**	29 622 882
Travel expenses	**32 837 713**	29 932 822
	272 150 508	199 292 933

8. Finance revenue

	2013 R	2012 R
Investment revenue		
Interest on bank deposits	**24 616 874**	20 548 800
Interest received – other	**59 544**	267 296
	24 676 418	20 816 096
Accrued revenue		
Interest on debtors	**2 856 791**	1 452 594
	27 533 209	22 268 690

9. Finance costs

	2013 R	2012 R
Interest on loan liability borrowings	**12 134 138**	17 319 678
Total borrowing costs	**12 134 138**	17 319 677
Less: amount included in capital work in progress	**(3 500 189)**	(1 115 978)
	8 633 949	16 203 699
Interest paid – other	**55 791**	63 831
	8 689 740	16 267 530

10. Income tax expense

	2013 R	2012 R
Major components of income tax expense for the years ended 31 March 2013 and 2012 are:		
Current income tax		
Prior year (over)/underprovision	**(333 090)**	167 610
Current income tax charge	**71 883 588**	78 781 369
	71 550 498	78 948 979
Deferred tax		
Current year	**3 509 651**	2 840 575
Prior year overprovision	**(662 199)**	
	2 847 452	2 840 575
	74 397 950	81 789 554
Current year deferred tax movements relates to the following:		
Property, plant and equipment	**3 772 650**	11 778 642
Prepayments	**284 279**	(228 084)
Provisions	**(2 223 121)**	(7 493 607)
Operating leases	**(330 887)**	(30 965)
Impairment of trade receivables allowance	**1 344 531**	(1 185 411)
	2 847 452	2 840 575
Reconciliation of the tax expense		
The tax on the company's profit before tax differs from the South African standard rate of tax as follows:		
Standard rate of tax	**28.00%**	28.00%
(Over)/underprovision – current tax	**(0.12)%**	0.06%
Overprovision – deferred tax asset	**(0.25)%**	
Effective rate of tax	**27.63%**	28.06%

11. Property, plant and equipment

	2013 R			2012 R		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	**13 431 800**	**-**	**13 431 800**	13 431 800	-	13 431 800
Buildings	**204 115 645**	**(38 299 507)**	**165 816 138**	199 144 605	(31 145 196)	167 999 409
Communication equipment	**282 142 467**	**(181 200 667)**	**100 941 800**	271 155 444	(157 994 115)	113 161 329
Electrical and mechanical equipment	**37 031 608**	**(28 274 574)**	**8 757 034**	36 459 693	(26 154 123)	10 305 570
Navigational aids	**128 083 391**	**(61 958 433)**	**66 124 958**	128 083 389	(54 369 658)	73 713 731
Tools and test equipment	**19 018 289**	**(13 187 907)**	**5 830 382**	18 083 032	(11 704 610)	6 378 422
ATC display systems	**161 762 858**	**(108 090 657)**	**53 672 201**	161 756 449	(94 929 328)	66 827 121
Simulator equipment	**18 041 948**	**(1 062 349)**	**16 979 599**	17 255 521	(17 255 521)	-
Radar equipment	**574 395 055**	**(283 566 440)**	**290 828 615**	574 395 055	(245 613 225)	328 781 830
Office furniture and equipment	**23 609 465**	**(16 890 334)**	**6 719 131**	22 324 100	(15 018 986)	7 305 114
Computer equipment	**35 794 612**	**(25 676 934)**	**10 117 678**	30 683 462	(20 175 705)	10 507 757
Motor vehicles	**160 139**	**(143 414)**	**16 725**	160 139	(135 736)	24 403
Total	**1 497 587 277**	**(758 351 216)**	**739 236 061**	1 472 932 689	(674 496 203)	798 436 486

Reconciliation of property, plant and equipment – 2013

	Opening balance R	Additions R	Disposals R	Projects capitalised R	Depreciation R	Closing balance R
Land	**13 431 800**	**-**	**-**	**-**	**-**	**13 431 800**
Buildings	**167 999 409**	**-**	**-**	**4 971 040**	**(7 154 311)**	**165 816 138**
Communication equipment	**113 161 329**	**595 491**	**-**	**10 391 533**	**(23 206 553)**	**100 941 800**
Office furniture and equipment	**7 305 114**	**867 807**	**-**	**417 558**	**(1 871 348)**	**6 719 131**
Motor vehicles	**24 403**	**-**	**-**	**-**	**(7 678)**	**16 725**
Electrical and mechanical equipment	**10 305 570**	**147 238**	**-**	**424 677**	**(2 120 451)**	**8 757 034**
Computer equipment	**10 507 757**	**2 923 051**	**(2 146)**	**2 567 578**	**(5 878 562)**	**10 117 678**
Navigational aids	**73 713 731**	**-**	**-**	**-**	**(7 588 773)**	**66 124 958**
Tools and test equipment	**6 378 422**	**935 257**	**-**	**-**	**(1 483 297)**	**5 830 382**
ATC display systems	**66 827 121**	**-**	**-**	**6 408**	**(13 161 328)**	**53 672 201**
Simulator equipment	**-**	**-**	**-**	**18 041 948**	**(1 062 349)**	**16 979 599**
Radar equipment	**328 781 830**	**-**	**-**	**-**	**(37 953 215)**	**290 828 615**
Total	**798 436 486**	**5 468 844**	**(2 146)**	**36 820 742**	**(101 487 865)**	**739 236 061**

Reconciliation of property, plant and equipment – 2012

	Opening balance R	Additions R	Disposals R	Projects capitalised R	Depreciation R	Closing balance R
Land	13 431 800	-	-	-	-	13 431 800
Buildings	163 240 312	2 183 502	-	7 804 796	(5 229 201)	167 999 409
Communication equipment	129 811 920	235 566	-	4 435 253	(21 321 410)	113 161 329
Office furniture and equipment	5 109 509	1 358 122	(319 945)	4 060 270	(2 902 842)	7 305 114
Motor vehicles	34 959	-	-	-	(10 556)	24 403
Electrical and mechanical equipment	10 224 303	811 219	-	2 326 344	(3 056 296)	10 305 570
Computer equipment	14 452 211	2 473 096	(18 355)	-	(6 399 195)	10 507 757
Navigational aids	80 515 235	-	-	869 291	(7 670 795)	73 713 731
Tools and test equipment	6 998 536	1 316 438	-	-	(1 936 552)	6 378 422
ATC display systems	82 335 849	-	-	-	(15 508 728)	66 827 121
Simulator equipment	1 102 485	-	-	-	(1 102 485)	-
Radar equipment	367 650 411	-	-	977 902	(39 846 483)	328 781 830
Total	874 907 530	8 377 943	(338 300)	20 473 856	(104 984 543)	798 436 486

A register of the company's land and buildings is maintained and is available for inspection at the company's registered office.

The carrying amount of the company's radar equipment includes an amount of R290 828 615 (2012: R328 781 830) and navigational aids includes an amount of R66 124 958 (2012: R73 713 731) in respect of assets held as security under the Standard Bank and Wesbank loan liability. Refer to note 20.

12. Intangible assets

	2013 R			2012 R		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Computer software	**186 637 822**	**(131 826 601)**	**54 811 221**	182 851 789	(119 278 002)	63 573 787

Reconciliation of intangible assets – 2013

	Opening balance R	Additions R	Projects capitalised R	Amortisation R	Closing balance R
Computer software	**63 573 787**	**86 910**	**3 699 124**	**(12 548 600)**	**54 811 221**

Reconciliation of intangible assets – 2012

	Opening balance R	Additions R	Projects capitalised R	Amortisation R	Closing balance R
Computer software	82 193 043	768 025	4 028	(19 391 309)	63 573 787

13. Capital work in progress

	2013 R	2012 R
Opening net book value	**75 191 348**	21 788 876
Additions	**15 196 613**	73 856 409
Other adjustments	**161 452**	(1 092 030)
Borrowing cost capitalised	**3 500 189**	1 115 978
Transferred to intangible assets	**(3 699 124)**	(4 028)
Transferred to property, plant and equipment	**(36 820 742)**	(20 473 857)
	53 529 736	75 191 348
The balance consists of the following categories of property, plant and equipment and intangible assets:		
Radar equipment	**375 367**	-
Simulator equipment	**-**	22 377 098
Communication equipment	**39 290 797**	34 599 343
Navigational aids	**2 880 643**	1 522 490
Furniture and fittings	**847 824**	10 829 348
Office refurbishment	**1 517 453**	-
Leasehold improvement	**1 041 500**	5 833 046
Electrical and mechanical equipment	**7 576 152**	30 023
	53 529 736	75 191 348

14. Trade and other receivables

	2013 R	2012 R
Financial instruments		
Trade receivables	**185 196 008**	151 356 137
Less: impairment of trade receivables allowance	**(31 898 906)**	(12 691 316)
Trade receivables – net	**153 297 102**	138 664 821
Other receivables	**3 385 364**	3 360 075
	156 682 466	142 024 896
	156 682 466	142 024 896
The movement in the impairment of trade receivables allowance during the year was as follows:		
Balance at 1 April	**12 691 316**	7 046 503
Impairment loss recognised	**30 996 278**	8 586 394
Receivables written off during the year	**(11 788 688)**	(2 941 581)
Balance at 31 March	**31 898 906**	12 691 316

Trade receivables generally have 30-day terms. The company reserves the right to charge interest on overdue accounts with effect from the date the indebtedness was incurred. The rate of interest charged is the prime rate plus two percentage points.

The ageing of trade receivables at the reporting date was:

	Gross R	Impaired R	Not impaired R
2013			
Not past due	**116 562 741**	**274 657**	**116 288 084**
Past due by 0 to 30 days	**14 504 453**	**312 478**	**14 191 975**
Past due by 31 to 60 days	**5 869 539**	**536 388**	**5 333 151**
Past due by more than 60 days	**48 259 275**	**30 775 383**	**17 483 892**
	185 196 008	**31 898 906**	**153 297 102**
2012			
Not past due	113 708 218	2 273 447	111 434 771
Past due by 0 to 30 days	15 393 607	2 581 748	12 811 859
Past due by 31 to 60 days	7 349 166	3 170 414	4 178 752
Past due by more than 60 days	14 905 146	4 665 707	10 239 439
	51 356 137	12 691 316	138 664 821

The company has no significant concentration of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Trade receivables comprise a large number of customers. The top three customers comprise 55.25% (2012: 40.72%) of trade receivables. Ongoing credit evaluations are performed on the financial position of these customers.

In addition, exposure is reduced by deposits of R2 123 922 (2012: R2 611 308) held on behalf of customers, as well as bank guarantees of R83 960 065.79 (2012: R71 420 000) from customers in the name of the company. The deposits are included in cash and cash equivalents (note 18) as unrestricted cash, with the related liability included in other payables (note 22).

When the customer ceases to trade and settles the outstanding debt, the company is obliged to return the deposit to the customer. Should the customer default, the company may utilise the related deposit in settlement of the debt. Provision for impairment allowance for trade and other receivables is recognised when there is objective evidence that the debt would be impaired.

Pledged as security

None of the instruments included in the trade and other receivables were pledged as security for any financial obligations.

Credit quality

The credit quality of trade and other receivables that are neither past due nor impaired are assessed/monitored with reference to historical information about counterparty default rates. The credit quality rating of each of these financial instruments are as follows:

High credit grade – the counterparty has evidenced no instances of defaults and/or renegotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position of the company has not evidenced a weakening in either the financial position or liquidity of the company. As such, the counterparties included in the high credit grade category pose a low credit risk to the company, with the recoverability of the outstanding amounts being almost certain.

Medium credit grade – the counterparty has evidenced instances of defaults and/or renegotiations of contractual terms in prior periods on the repayment of outstanding amounts. An assessment of the financial position and liquidity of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counterparties included in this credit grade category are active in an industry that is highly sensitive to market fluctuations and volatility in international economies. As such, the counterparties included in the medium credit grade category pose a medium credit risk to the company.

Low credit grade – the counterparty has evidenced high occurrences of defaults and/or renegotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position and liquidity of the party has provided evidence of financial difficulties that may impede the recoverability of outstanding amounts. As such, the counterparties included in the low credit grade category pose a high credit risk to the company.

	2013	
	Quality	Value of instrument R
Trade receivables		**156 682 466**

	2012	
	Quality	Value of instrument R
Trade receivables		142 024 896

The terms and conditions attached to the instruments included in trade and other receivables have not been renegotiated during the period.

Airlines across the globe continue to feel the impact of the global financial crisis and South Africa is no exception. This has resulted in defaults and breaches on some of the trade and other receivables during the period under review. Furthermore, the current market conditions might increase the default risk.

The company continues to assess the exposure to defaults by assessing the quality of the financial instruments included in trade and other receivables.

Exposure to credit risk

The instruments included in trade and other receivables expose management to credit risk as follows:

	2013	
	Maximum exposure posed by the instrument R	Value of instrument R
Trade receivables	**156 682 466**	**156 682 466**

	2012	
	Maximum exposure posed by the instrument R	Value of instrument R
Trade receivables	142 024 896	142 024 896

Fair value

The carrying value of trade and other receivables approximates their fair values. Refer to note 27 for related party information.

15. Prepayments

	2013 R	2012 R
	4 016 133	3 045 850

Included in prepayments are rental expense and other operating expenses paid in advance. The company expects to receive credits for the related expenditures in the 2013 financial year.

The carrying value of prepayments approximates their fair values.

16. Inventories

	2013 R	2012 R
Opening balance	**797 057**	505 758
Spares purchases	**372 344**	1 614 533
Expensed to repairs and maintenance	**(971 525)**	(1 323 234)
	197 876	797 057

Net realisable value

Assessment of the carrying values of inventories during the year and the prior year did not warrant a write-down of inventories as the carrying value thereof did not exceed the net realisable value thereof.

Reversals of write-downs

During the year and the prior year there were no write-downs and/or reversals of any write-down of inventories.

Encumbrances

None of the inventories were pledged as security for any loans during the year and the prior year.

17. Loans and receivables

	2013 R	2012 R
Risk financing insurance policy	**12 181 347**	10 953 877
Current assets		
Loans and receivables	**12 181 347**	10 953 877

The policy provides cover for ATNS to limit the excess premiums that are payable on certain insurance risks. The above financial asset is non-interest-bearing and comprises US$-denominated and South African rand-bearing assets which are not quoted in an active market. The carrying amount is regarded as a fair approximation of the fair value and is accessible within 30 days.

Pledged as security

None of the instruments included in loans and receivables were pledged as security for any financial obligations.

Collateral held

The instruments are unsecured and therefore no collateral is held.

Credit quality

The credit quality of loans and receivables that are neither past due nor impaired are assessed/monitored with reference to historical information about counterparty default rates. The credit quality rating of each of these financial instruments is as follows:

High credit grade – the counterparty has evidenced no instances of defaults and/or renegotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position of the company has not evidenced a weakening in either the financial position or liquidity of the company. As such, the counterparties included in the high credit grade category pose a low credit risk to the company, with the recoverability of the outstanding amounts being almost certain.

Medium credit grade – the counterparty has evidenced instances of defaults and/or renegotiations of contractual terms in prior periods on the repayment of outstanding amounts. An assessment of the financial position and liquidity of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counterparties included in this credit grade category are active in an industry that is highly sensitive to market fluctuations and volatility in international economies. As such, the counterparties included in the medium credit grade category pose a medium credit risk to the company.

Low credit grade – the counterparty has evidenced high occurrences of defaults and/or renegotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position and liquidity of the party has provided evidence of financial difficulties that may impede the recoverability of outstanding amounts. As such, the counterparties included in the low credit grade category pose a high credit risk to the company.

	2013	
	Quality	Value of instrument R
Risk financing insurance policy	**High**	**12 181 347**

	2012	
	Quality	Value of instrument R
Risk financing insurance policy	High	10 953 877

The terms and conditions attached to the instruments included in loans and receivables have not been renegotiated during the period.

There were no breaches or defaults on any portion (either capital or instrument) of the loans and receivables during the year. Also, none of these instruments are either past due or impaired. This further supports management assessment of the credit quality of the financial instruments included in loans and receivables.

Exposure to credit risk

The instruments included in loans and receivables expose management to credit risk as follows:

	2013	
	Maximum exposure posed by the instrument R	Value of instrument R
Risk financing insurance policy	**12 181 347**	**12 181 347**

	2012	
	Maximum exposure posed by the instrument R	Value of instrument R
Risk financing insurance policy	10 953 877	10 953 877

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

18. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013 R	2012 R
Bank balances	**78 986 907**	282 322 237
Cash on hand – US$-denominated	**68 070 863**	29 519 016
Other cash and cash equivalents	**132 158**	103 871
Short-term deposits	**554 723 599**	212 000 000
	701 913 527	523 945 124

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	2013 R	2012 R
Cash and cash equivalents	**701 913 527**	523 945 124

Pledged as security

None of the instruments included in cash and cash equivalents were pledged as security for any financial obligations.

Credit quality

The credit quality of cash and cash equivalents is the credit rating of the financial institutions. Cash and cash equivalents attract interest at variable rates linked to prime.

The credit quality of cash and cash equivalents that are neither past due nor impaired are assessed/monitored with reference to historical information about counterparty default rates. Furthermore, the credit quality of cash and cash equivalents are ensured by only contracting with highly reputable financial institutions registered in terms of the Banks Act of South Africa and endorsed by the National Treasury.

High credit grade – the counterparty has evidenced no instances of defaults and/or renegotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position of the company has not evidenced a weakening in either the financial position or liquidity of the company. As such, the counterparties included in the high credit grade category pose a low credit risk to the company, with the recoverability of the outstanding amounts being almost certain.

Medium credit grade – the counterparty has evidenced instances of defaults and/or renegotiations of contractual terms in prior periods on the repayment of outstanding amounts. An assessment of the financial position and liquidity of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counterparties included in this credit grade category are active in an industry that is highly sensitive to market fluctuations and volatility in international economies. As such, the counterparties included in the medium credit grade category pose a medium credit risk to the company.

Low credit grade – the counterparty has evidenced high occurrences of defaults and/or renegotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position and liquidity of the party has provided evidence of financial difficulties that may impede the recoverability of outstanding amounts. As such, the counterparties included in the low credit grade category pose a high credit risk to the company.

	2013	
	Quality	Value of instrument R
Cash and cash equivalents	**High**	**701 913 527**

	2012	
	Quality	Value of instrument R
Cash and cash equivalents	High	523 945 124

The terms and conditions attached to the instruments included in cash and cash equivalents have not been renegotiated during the year.

There were no breaches or defaults on any portion (either capital or instrument) of the cash and cash equivalents during the year. Also, none of these instruments are either past due or impaired. This further supports management assessment of the credit quality of the financial instruments included in cash and cash equivalents.

Exposure to credit risk

The instruments included in cash and cash equivalents expose management to credit risk as follows:

	2013	
	Maximum exposure posed by the instrument R	Value of instrument R
Cash and cash equivalents	**701 913 527**	**701 913 527**

	2012	
	Maximum exposure posed by the instrument R	Value of instrument R
Cash and cash equivalents	523 945 124	523 945 124

Fair value

The carrying value of cash and cash equivalents approximates their fair values.

Restrictions to the use of cash

No restrictions have been imposed on the company with regards to the extent to which bank and cash balances of the company may be used.

19. Share capital

	2013 R	2012 R
Authorised		
500 million ordinary shares with a par value of R1 each	**500 000 000**	500 000 000
Issued and fully paid		
190 646 000 ordinary shares with a par value of R1 each	**190 646 000**	190 646 000
At the end of the year	**190 646 000**	190 646 000

20. Interest-bearing loans and borrowings

	2013 R	2012 R
Loan liability – Nedbank	**9 036 529**	20 488 886
Loan liability – Standard Bank	**15 405 144**	58 711 502
Loan liability – Wesbank	**94 537 449**	125 946 541
	118 979 122	205 146 929
Non-current liabilities		
Loan liability – Nedbank	**-**	9 047 200
Loan liability – Standard Bank	**-**	14 361 801
Loan liability – Wesbank	**54 508 569**	90 192 706
	54 508 569	113 601 707
Current liabilities		
Loan liability – Nedbank	**9 036 529**	11 441 686
Loan liability – Standard Bank	**15 405 144**	44 349 701
Loan liability – Wesbank	**40 028 880**	35 753 835
	64 470 553	91 545 222
	118 979 122	205 146 929

All borrowings were made to finance capital expenditure. As a result, interest rates charged (as indicated below) represents the capitalisation rate.

Nedbank loan liability

The Nedbank loan liability only relates to the VSAT and NAFISAT communication equipment which is repayable in quarterly instalments over a five-year period ending 31 October 2013. The liability is unsecured.

Certain covenants exist with respect to this loan liability. These require that:
no further encumbrances over the company's assets can be created without written consent of the lender;
no loans or guarantees can be granted or assumed without written consent of the lender;
the company does not dispose, whether by one or more transactions or series of transactions, the whole or substantially the whole of its undertaking or any of its assets, without the prior consent of Nedbank; and
the company ensures that all of its assets, whether immovable, movable corporeal or incorporeal, are adequately insured for their full replacement value with reputable insurance companies to the reasonable satisfaction of Nedbank.

The above conditions have been complied with in the current year and no future breaches of the covenants are anticipated.

The Nedbank loan liability bears interest at variable rates, linked to the three-month JIBAR rate, currently 5.56% (2012: 6.06%).

Standard Bank loan liability

The Standard Bank loan liability for radar and navigational aids is repayable in bi-annual instalments over a five-year loan period, ending Prime deals: 30 September 2013 and JIBAR deals: 31 March 2014. This liability bears interest at a variable rate of Prime deals and JIBAR deals (2012: Prime deals: 6.15% and JIBAR deals: 6.78%). The company's obligations under this loan liability are secured by the radar equipment, navigational aids and communication equipment.

Certain covenants exist with respect to this loan liability. These require that:
the company ensures that the ratio of interest-bearing debt to Shareholder's funds of the customer shall not exceed 60%;
the company ensures that the financial charges cover ratio be no less than two times; and
the company may not undergo a material deterioration in its financial position which could affect its ability to comply with its obligations under the loan.

The above conditions have been complied with in the current year and no future breaches of the covenants are anticipated.

Wesbank loan liability

The Wesbank loan liability for radar and navigational aids is payable in bi-annual instalments over a five-year period ending March 2016. This liability bears interest at a variable rate of 6.40% (2012: 6.90%).

Certain covenants exist with respect to this loan liability. These require that:
the company ensures that the ratio of interest-bearing debt to Shareholder's funds of the customer shall not exceed 60%;
the company ensures that the financial charges cover ratio be no less than two times; and
the company may not undergo a material deterioration in its financial position which could affect its ability to comply with its obligations under the loan.

The above conditions have been complied with in the current year and no future breaches of the covenants are anticipated.

Banking facilities

	2013 R	2012 R
Multi option – Nedbank	**12 207 694**	12 438 333
Term loan – Wesbank	**16 449 457**	22 994 567
LC – Standard Bank	**-**	17 000 000
Vehicle and asset finance – Standard Bank	**-**	260 330 749
	-	277 330 749
The maturity of the loan liability can be analysed as follows:		
Minimum loan payments		
Not later than 1 month	**9 613 198**	9 599 155
Later than 1 month and not later than 3 months	**13 171 343**	13 597 518
Later than 3 months and not later than 1 year	**48 105 097**	80 992 385
Not later than 1 year	**70 889 637**	104 189 058
Later than 1 year and not later than 5 years	**58 743 497**	124 489 222
	129 633 135	228 678 280
Future finance charges on loan liability		
Not later than 1 month	**735 737**	1 386 872
Later than 1 month and not later than 3 months	**1 239 919**	2 161 940
Later than 3 months and not later than 1 year	**4 443 427**	9 095 023
Later than 1 year and not later than 5 years	**4 234 928**	10 887 516
	10 654 011	23 531 351
Present value of loan liability		
Not later than 1 month	**8 877 461**	8 212 283
Later than 1 month and not later than 3 months	**11 931 423**	11 435 578
Later than 3 months and not later than 1 year	**43 661 670**	71 897 362
Later than 1 year and not later than 5 years	**54 508 569**	113 601 706
	118 979 123	205 146 929

The present values of the loan liabilities approximate their fair values.

21. Deferred income tax liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction, which, at the time of the transaction, affects neither accounting profit nor taxable profit.

The movement on the deferred income tax account is as follows:

	2013 R	2012 R
At the beginning of the year	**(74 162 168)**	(71 321 593)
Recognised in statement of comprehensive income	**(2 847 452)**	(2 840 575)
	(77 009 620)	(74 162 168)
Deferred income tax liability relates to the following:		
Property, plant and equipment	**(105 048 222)**	(101 275 632)
Provisions	**30 957 633**	28 734 512
Impairment of trade receivables allowance	**(2 232 923)**	(888 392)
Operating leases	**451 069**	120 182
Prepayments	**(1 137 177)**	(852 838)
	(77 009 620)	(74 162 168)

22. Trade and other payables

	2013 R	2012 R
Financial instruments		
Trade payables	**42 955 657**	34 184 580
	42 955 657	34 184 580
Accrued expenses	**14 800 719**	12 844 705
Other payables	**5 560 553**	7 876 361
	63 316 929	54 905 646
Non-financial instruments		
VAT payable	**9 021 653**	7 579 855
	72 338 582	62 485 501

All trade and other payables are due within 30 days.

The terms and conditions attached to the instruments included in trade and other payables have not been renegotiated during the period.

There were no breaches or defaults on any portion (either capital or interest) of the trade and other payables during the year.

Refer to note 27 for related party information.

23. Provisions for other liabilities and charges

Reconciliation of provisions for other liabilities and charges – 2013

	Opening balance R	Additions R	Utilised during the year R	Closing balance R
External audit fees	**720 000**	**1 749 340**	**(969 340)**	**1 500 000**
Leave pay	**13 923 956**	**9 688 276**	**(6 192 969)**	**17 419 263**
Performance bonus	**74 322 188**	**53 269 491**	**(72 591 679)**	**55 000 000**
Other	**3 097 252**	**3 378 806**	**(1 731 258)**	**4 744 800**
	92 063 396	**68 085 913**	**(81 485 246)**	**78 664 063**

Reconciliation of provisions for other liabilities and charges – 2012

	Opening balance R	Additions R	Utilised during the year R	Closing balance R
External audit fees	1 500 000	925 324	(1 705 324)	720 000
Leave pay	10 215 581	11 587 468	(7 879 093)	13 923 956
Performance bonus	51 000 000	71 684 062	(48 361 874)	74 322 188
Other	3 778 138	1 717 287	(2 398 173)	3 097 252
	66 493 719	85 914 141	(60 344 464)	92 063 396

Uncertainties and assumptions:

Leave pay

The leave pay provision is raised on unutilised leave days owing to employees at balance sheet date.

Performance bonus

The performance bonus provision is calculated based on the performance of the company as well as the individual performance ratings for the financial year ended 31 March 2013.

Other

Includes provision for workmen's compensation, estimates on capital expenditure, provision for management fees, provision for printing and provision for retention.

24. Commitments

Capital commitments

	2013 R	2012 R
Capital expenditure contracted for at the reporting date but not yet incurred is as follows:		
Property, plant and equipment	**176 801 987**	11 000 000

Operating lease commitments

	2013 R	2012 R
The future minimum lease payments for buildings, copiers and motor vehicles under operating leases are as follows:		
Not later than 1 year	**7 942 537**	7 656 140
Later than 1 year and not later than 5 years	**26 609 591**	29 426 364
Later than 5 years	**-**	4 509 736
	34 552 128	41 592 240

The company has entered into commercial leases on certain motor vehicles, buildings and items of office equipment. These leases have an average life of between three and five years. With the exception of leases relating to copiers, there are no renewal options included in the contracts. There are no restrictions placed on the company by entering into these contracts.

25. Contingencies

Contingent liabilities

The company has a guarantee from Nedbank that it would pay to the suppliers an amount of R2 792 306 (2012: R2 561 667) and cessions and other matters arising in the ordinary course of business. It is not anticipated that any liabilities will arise from these contingent liabilities.

26. Retirement benefit information

Substantially all employees are members of the ATNS retirement fund. The fund is a defined contribution fund and is governed by the Pension Funds Act of 1956, which requires an actuarial valuation to be carried out every three years.

The ATNS retirement fund was established on 1 April 1994, with potential liability for pension benefits vested with the State.

The latest actuarial valuation of the ATNS retirement fund was at 31 January 2013. At that time, the ATNS retirement fund was certified by the reporting actuaries to be in a sound financial position. The company contributions to the ATNS retirement fund amounted to R44 453 462 (2012: R39 919 206).

The company does not provide any post-retirement benefits to employees and has no exposure to post-retirement benefit obligations.

The next actuarial valuation of the ATNS retirement fund will be during April 2013.

27. Related-party disclosure

The sole Shareholder of ATNS is the Minister of Transport on behalf of the South African government in terms of section 6(5) of the Air Traffic and Navigation Services Company Act 1993. ATNS is a Schedule 2 public entity in terms of the Public Finance Management Act and therefore falls within the national sphere of government.

The related parties of ATNS consist mainly of government departments, state-owned enterprises and other public entities in the national sphere of government, as well as Directors and key management personnel. The list of public entities and respective subsidiaries in the national sphere of government is provided by the National Treasury.

Unless otherwise disclosed, all transactions with the following related parties are concluded on an arm's-length basis.

Furthermore, no expense has been recognised in the current period for the impairment of trade receivables in respect of the amounts owed by related parties.

Related-party transactions

	2013 R	2012 R
Sales of services		
- Airports Company of South Africa	**8 284 538**	9 025 620
- North West Province	**6 356 544**	5 507 376
- South African Air Force	**3 335 591**	3 736 946
- South African Airways	**315 032 509**	280 980 784
- South African Express	**106 491 649**	113 240 126
- Tulca (Pty) Ltd – Mango Airlines	**68 435 252**	56 438 023
- Other	**5 206 329**	2 685 109
	513 142 412	471 613 984
Purchases of goods and services		
- Airports Company of South Africa	**9 217 976**	7 734 861
- Eskom	**7 546 150**	4 955 895
- South African Civil Aviation Authority	**9 699 501**	10 345 737
- South African Revenue Services	**295 529 802**	318 623 601
- Telkom	**17 778 664**	15 557 100
- Other	**936 226**	717 377
	340 708 319	357 934 571
These transactions are carried out on commercial terms and conditions		
Year-end balances arising from related-party activity		
Receivables from related parties		
- Airports Company of South Africa	**5 535 141**	3 673 116
- South African Airways	**31 106 822**	28 415 881
- South African Express	**10 258 013**	21 693 797
- Tulca (Pty) Ltd – Mango Airlines	**7 541 470**	5 678 932
- Other	**4 222 754**	2 887 568
	58 664 200	62 349 294
Payables to related parties		
- South African Revenue Services	**9 021 653**	15 440 255
- Other	**6 799 878**	2 166 738
	15 821 531	17 606 993

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

All the companies listed above report to the various ministerial departments of the government and hence are considered related parties.

Key management compensation

	2013 R	2012 R
PC Marais		
Salary	**1 874 254**	1 763 912
Bonus	**516 454**	570 489
	2 390 708	2 334 401
DST Mthiyane (acting CEO)		
Salary	**1 932 573**	1 456 552
Bonus	**466 935**	456 328
	2 399 508	1 912 880
S Mngomezulu		
Salary	**1 376 731**	1 221 962
Bonus	**380 961**	342 349
	1 757 692	1 564 311
HJ Marais		
Salary	**1 504 763**	1 404 518
Bonus	**433 821**	456 438
	1 938 584	1 860 956
TV Ndou		
Salary	**1 546 240**	1 211 169
Bonus	**396 454**	-
	1 942 694	1 211 169
DH Sangweni		
Salary	**1 898 955**	1 833 378
Bonus	**541 365**	540 343
	2 440 320	2 373 721
JRL Lehutso		
Salary	**1 842 497**	1 672 079
Bonus	**537 780**	589 337
	2 380 277	2 261 416
MW Ndlovu		
Salary	**1 689 851**	1 519 312
Bonus	**521 289**	298 336
	2 211 140	1 817 648
M Lecoge (acting Executive: HC – appointed 1 September 2012)		
Salary	**901 664**	-
Bonus	**-**	-
	901 664	

The Executive management team is eligible for an annual performance-related bonus payment linked to appropriate business sector targets. The structure of the bonus plan and award is recommended by the Human Resources Committee in accordance with the bonus scheme rules. The performance-related bonus is limited to 40% of the Executive managers' individual cost to company. There were no post-employment benefits, share-based payments, or other long-term benefits paid in the current financial year.

For Directors' remuneration, refer to the corporate governance section.

The following employees have been classified as prescribed officers and, accordingly, information relating to their remuneration is disclosed:

Prescribed officers' compensation

	2013 R	2012 R
A Wadee		
Salary	**1 241 668**	996 838
Bonus	**302 368**	260 582
	1 544 036	1 257 420
S Nkabinde		
Salary	**973 848**	765 040
Bonus	**72 919**	47 678
	1 046 767	812 718
G Cullen		
Salary	**1 061 784**	1 006 593
Bonus	**251 822**	286 131
	1 313 606	1 292 724
L Takalani (Acting Executive: Engineering and Technical services)		
Salary	**1 204 995**	998 649
Bonus	**275 523**	-
	1 480 518	998 649
J Smit		
Salary	**1 306 695**	1 220 688
Bonus	**273 072**	317 556
	1 579 767	1 538 244
H Reid		
Salary	**1 440 801**	1 329 004
Bonus	**321 401**	366 155
	1 762 202	1 695 159
J Manyakoana		
Salary	**1 260 970**	1 242 530
Bonus	**321 401**	322 510
	1 582 371	1 565 040
J Mohololа		
Salary	**1 027 681**	676 217
Bonus	**236 847**	-
	1 264 528	676 217
D Watts		
Salary	**1 158 108**	911 405
Bonus	**191 545**	244 355
	1 349 653	1 155 760
C Gersbach		
Salary	**1 061 892**	1 013 999
Bonus	**158 956**	266 534
	1 220 848	1 280 533

28. Cash generated from operations

	2013 R	2012 R
Profit before taxation	**269 202 029**	291 506 942
Adjustments for:		
Depreciation and amortisation	**114 036 465**	124 375 851
Loss/(profit) on sale of property, plant and equipment	**(40 559)**	230 281
Finance revenue	**(27 533 209)**	(22 268 690)
Finance costs	**8 689 740**	16 267 531
Movements in provisions and other non-cash items	**(14 788 759)**	23 734 585
Net foreign exchange difference	**(10 931 767)**	(2 020 711)
Changes in working capital:		
Inventories	**599 180**	(291 299)
Trade and other receivables	**(15 672 854)**	(20 785 100)
Trade and other payables	**9 853 081**	17 020 207
	333 413 347	427 769 597

29. Cash flows from investing activities

	2013 R	2012 R
Property, plant and equipment	**5 468 843**	6 194 441
Capital work in progress	**15 196 613**	73 856 409
	20 665 456	80 050 850

30. Tax paid

	2013 R	2012 R
Balance at beginning of year	**3 179 494**	715 660
Current tax for the year recognised in profit or loss	**(71 550 498)**	(78 948 979)
Balance at end of year	**(6 472 024)**	(3 179 494)
	(74 843 028)	(81 412 813)

31. Proceeds on disposal of property, plant and equipment

	2013 R	2012 R
Proceeds on sale of property, plant and equipment	43 210	108 019

32. Directors' remuneration

The Directors' remuneration is disclosed in the corporate governance section of this integrated report.

33. Financial risk management, objectives and policies

Categories of financial instruments and maturity analysis:

2013 figures in rand

Financial assets	Categories	Due not later than 1 month R	Due later than 1 month and not later than 3 months R	Due later than 3 months and not later than 1 year R	Due later than 1 year and not later than 5 years R
Loans and receivables					
Risk financing insurance policy	Loans and receivables	**1 015 112**	**2 030 225**	**9 136 010**	**-**
Trade and other receivables					**-**
Trade and other receivables	Loans and receivables	**13 056 872**	**26 113 744**	**117 511 850**	**-**
Cash and cash equivalents					**-**
Bank balances	Loans and receivables	**58 492 794**	**116 985 588**	**526 435 146**	**-**

Financial liabilities	Categories	Due not later than 1 month R	Due later than 1 month and not later than 3 months R	Due later than 3 months and not later than 1 year R	Due later than 1 year and not later than 5 years R
Other financial liabilities					
Interest-bearing loan – Nedbank	Financial liabilities at amortised cost	**2 973 123**	**2 007 084**	**4 056 322**	**-**
Interest-bearing loan – Standard Bank	Financial liabilities at amortised cost	**2 715 362**	**3 387 968**	**9 301 814**	**-**
Interest-bearing loan – Wesbank	Financial liabilities at amortised cost	**3 188 976**	**6 536 371**	**30 303 534**	**54 508 569**
		-	**-**	**-**	**-**
		8 877 461	**11 931 423**	**43 661 670**	**54 508 569**
Trade and other payables					
Trade payable	Financial liabilities at amortised cost	**3 579 638**	**7 159 276**	**32 216 743**	**-**
Accrued expenses	Financial liabilities at amortised cost	**1 233 393**	**2 466 786**	**11 100 540**	**-**
Other payables	Financial liabilities at amortised cost	**463 379**	**926 758**	**4 170 416**	**-**
		5 276 410	**10 552 820**	**47 487 699**	**-**

2012 figures in rand

Financial assets	Categories	Due not later than 1 month R	Due later than 1 month and not later than 3 months R	Due later than 3 months and not later than 1 year R	Due later than 1 year and not later than 5 years R
Loans and receivables					
Risk financing insurance policy	Loans and receivables	912 823	1 825 646	8 215 408	-
Trade and other receivables					
Trade and other receivables	Loans and receivables	11 835 408	23 670 816	106 518 672	-
Cash and cash equivalents					
Bank balances	Loans and receivables	43 662 094	87 324 187	392 958 843	-
Other financial liabilities					
Interest-bearing loan – Nedbank	Financial liabilities at amortised cost	953 474	1 906 948	8 581 264	9 047 200
Interest-bearing loan – Standard Bank	Financial liabilities at amortised cost	3 695 808	7 391 617	33 262 276	14 361 801
Interest-bearing loan – Wesbank	Financial liabilities at amortised cost	2 979 486	5 958 973	26 815 376	90 192 706
		7 628 768	15 257 538	68 658 916	113 601 707
Trade and other payables					
Trade payable	Financial liabilities at amortised cost	2 848 715	5 697 430	25 638 435	-
Accrued expenses	Financial liabilities at amortised cost	1 070 392	2 140 784	9 633 529	-
Other payables	Financial liabilities at amortised cost	656 363	1 312 727	5 907 271	-
		4 575 470	9 150 941	41 179 235	-

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Where applicable, the company uses financial instruments to hedge certain risk exposures.

Market risk – foreign exchange risk

The company transacts internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$), Australian dollar (AUS$), British pound (GBP) and the Euro (EUR).

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The company manages its exposure to foreign exchange risk by ensuring that the net uncovered foreign currency position is minimised and by using derivative instruments to hedge certain exposures where applicable.

2013	ZAR	US$	EUR	Other
Risk financing insurance policy	**9 426 801**	**1 033 074**	**-**	**-**
Trade and other receivables	**14 432 770**	**1 581 673**	**-**	**-**
Cash and cash equivalents	**68 070 863**	**7 459 821**	**-**	**-**
Trade and other payables	**8 550 462**	**650 329**	**34 691**	**207 172**
	100 480 896	**10 724 897**	**34 691**	**207 172**

2012	ZAR	US$	EUR	Other
Risk financing insurance policy	8 132 147	1 059 563	-	-
Trade and other receivables	9 748 271	1 246 864	-	-
Cash and cash equivalents	29 519 017	3 846 126	-	-
Trade and other payables	12 646 509	557 765	255 461	716 593
	60 045 944	6 710 318	255 461	716 593

Sensitivity analysis

A 10% strengthening in the rand against the above currencies at 31 March 2013 would have decreased profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis as for 31 March 2012.

A 10% strengthening in the rand against the above currencies at 31 March 2013 would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

Profit or loss	2013 R	2012 R
US$	**9 786 469**	5 150 169
EUR	**40 960**	268 403
GBP	**131 887**	28 765
Other	**90 589**	485 366
	10 049 905	5 932 703

Market risk – interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company's cash flow interest rate risk arises from long-term borrowings, cash and cash equivalents, and finance lease liabilities. The company is not exposed to fair value interest rate risk as the company does not have any fixed interest-bearing financial instruments carried at fair value. The company manages its exposure to cash flow interest rate risk by ensuring that cash flows from operations are sufficient to cover the variable interest cash flows and by using derivative instruments to hedge certain exposures.

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

Variable rate instruments – linked to Prime		
Cash and cash equivalents	**701 913 527**	523 945 124
Trade and other receivables	**153 297 102**	138 664 822
Long-term borrowings	**(95 822 905)**	(132 754 782)
Trade and other payables	**(63 316 929)**	(54 926 584)
Total interest rate exposure	**696 070 795**	474 928 580
Variable rate instruments – linked to JIBAR		
Total interest rate exposure	**(23 156 218)**	(72 392 145)

Sensitivity analysis

A decrease of 100 basis points in the JIBAR and Prime interest rate at the reporting date would have (increased)/decreased profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	2013 R	2012 R
Increase of 100 basis points in Prime rate	**6 960 708**	4 749 286
Decrease of 100 basis points in Prime rate	**(6 960 708)**	(4 749 286)
Increase of 100 basis points in JIBAR rate	**(231 562)**	(723 921)
Decrease of 100 basis points in JIBAR rate	**231 562**	723 921

Credit risk

Credit risk arises from loans and receivables, trade and other receivables and cash and cash equivalents.

The company has no significant concentration of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Trade receivables comprise a number of customers. The top three customers comprise approximately 66% of the core revenue. Ongoing credit evaluations are performed on the financial position of these customers. In addition, exposure is reduced by deposits and bank guarantees held on behalf of customers.

It is the policy of the company to renegotiate credit terms with long-standing customers who have a good credit history with the company. These customers are monitored on an ongoing basis to ensure that the customer remains within the negotiated terms.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution. Credit risk in respect of the risk financing insurance policy is managed by ensuring that financial assets are ring-fenced in a cell captive and are managed by a reputable asset manager according to approved guidelines.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position (net of impairment losses where relevant).

Capital risk management

The company's objective when managing financial capital (equity and assets) is to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital, in order to provide returns for Shareholders.

In order to maintain or adjust this capital structure, the company may draw down on available banking facilities, sell assets to reduce debt or obtain long-term funding from stakeholders.

The company monitors capital on the basis of a gearing ratio. The gearing ratio is calculated as total debt divided by total capital. Total debt is calculated as non-current borrowings plus current borrowings. Total capital is calculated as total equity, shown in the statement of financial position. The gearing ratio for the current financial year is 8% (2012: 17%). The company has a gearing threshold of 55%.

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

The company is not subject to externally imposed capital requirements, except for Standard Bank and Wesbank, which require the company to maintain a gearing ratio of 60% or less.

Fair value determination

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair values of non-current financial liabilities are determined using a discounted cash flow model with market observable inputs, such as market interest rates, and are disclosed in the "interest-bearing loans and borrowings" note (see note 20).

34. Events after the reporting period

Management is not aware of any significant events that occurred after the reporting date that would require adjustments to or disclosure in the financial statements. Furthermore, management is not aware of any circumstances which exist that would impede the company's ability to continue as a going concern.

Abbreviations and acronyms

ATNS	Air Traffic and Navigation Services SOC Limited
ACSA	Airports Company of South Africa
AFI	African Indian Ocean Region
AFIS	Aeronautical Flight Information Service
AIM	Aeronautical Information Management
AIMO	Aeronautical Information Management Officer
ARMA	AFI Regional Monitoring Agency
ARC	Audit and Risk Committee
ASECNA	L'Agence pour la Sécurité de la Navigation Aérienne en Afrique et à Madagascar
ASBU	Aviation System Block Upgrades
ATA	Aviation Training Academy
ATC	Air Traffic Controller
ATCO	Air Traffic Control Officer
ATM	Air Traffic Management
ATS	Air Traffic Services
BBBEE	Broad-Based Black Economic Empowerment
CAD	Centralised Aeronautical Database
CAMU	Central Airspace Management Unit
CANSO	Civil Air Navigation Services Organisation
CAPEX	Capital Expenditure
CARCOM	Civil Aviation Regulation Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNS	Communication, Navigation and Surveillance
DCB	Demand and Capacity Balancing
D/E	Debt/Equity Ratio
DME	Distance Measuring Equipment
DoT	Department of Transport
DVOR/DME	Doppler VOR/distance-measuring equipment
EE	Employment Equity
EGNOS	European Geostationary Navigation Overlay System
FACT	Cape Town International Airport
FAJS	OR Tambo International Airport
FALE	King Shaka International Airport
FMCG	Fast-moving Consumer Goods
GDP	Gross Domestic Product

GSI	Government safety inspection
HR	Human Resources
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICAS	Independent Counselling and Advisory Service
IFR	Instrument Flight Rules
IFRS	International Financial Reporting Standards
IP	Internal Protocol
ISO	International Standards Organisation
IT	Information Technology
KPI	Key Performance Indicator
N	Navigation
NAFISAT	North-East African Communication Network
NAMP	National Airspace Master Plan
OPEX	Operational Expenses
OPSCOM	Operational User Consultation Committee
PBN	Performance-based Navigation
PFMA	Public Finance Management Act
QMS	Quality Management System
R&D	Research and development
RNAV	Area Navigation
RNP	Required Navigational Performance
ROCE	Return On Capital Employed
RVSM	Reduced Vertical Separation Minima
SAAATS	South African Advanced Air Traffic System
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SAQA	South African Qualification Authority
SLA	Service-level Agreement
SMS	Safety Management System
SOC	State-owned Company
TMA	Terminal Manoeuvring Area
UACC	Upper Airspace Control Centre
UN	United Nations
VOR	VHF Omnidirectional Radio Range
VSAT	Very Small Aperture Terminal (satellite communication system)
WGS-84	World Geodetic System (1984 reference frame for aeronautical surveying)

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