

AIR TRAFFIC & NAVIGATION SERVICES SOC LIMITED INTEGRATED REPORT 2014



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1. About the Integrated Report

This integrated report represents a further step in our journey towards an integrated approach to our business strategy, practices and impacts. It accompanies our first stand-alone Sustainability Report and Financial Report.

Each year we strive to improve on the previous year's reporting, using stakeholder feedback, the input of reporting professionals and our own internal review process. Improvements made in this year's report include:

- Compiling three separate stand-alone reports: Integrated Report, the Sustainability Report and the Financial Report.
- Illustrating how our material issues are derived; and how they inform and are integrated into our long-term business strategy.
- Introducing a diagrammatic representation of our sustainability-driven Business Model to demonstrate the visible links between strategy and sustainability priorities.
- Linking, as far as possible, our material risks to the strategic objectives impacted as well as mitigation activities to manage our risk exposure.
- Presenting a high-level diagrammatical representation of the linkages between our business model, operational structure, strategic objectives, capital inputs and commercial outcomes to demonstrate the connectivity between strategy, operations and performance.
- Introducing icons as an improved navigation feature. These icons highlight key strategic areas and guide the reader to additional content across the three reports.

Scope and boundary of report

This is our second consecutive integrated report (ATNS-IR) and covers the financial reporting period from 1 April 2013 to 31 March 2014. The previous IR was approved by ATNS's Board on 16 August 2013 and published for the period 1 April 2011 to 31 March 2012. In 2012 ATNS published one printed version of the Integrated Report and one web-based version of the report. The 2012/13 Report combined performance content, sustainability content and our Annual Financial Statements.

The boundary of this report is largely the ATNS legal entity. There may be instances for some of the material aspects where reporting has extended to other entities outside of the Company, as ATNS's operations are located at different airports.


Suite and alignment of reports

This year, we undertook our corporate annual reporting for the financial year across three Report Volumes (as illustrated in Table 1 on page 5): The ATNS Integrated Report (ATNS-IR), the ATNS Financial Report (ATNS-FR) and the ATNS Sustainability Report (ATNS-SR).

Both the ATNS-IR and ATNS-SR harness the principle of 'materiality' to inform report content. The three reports should ideally be read in tandem: the ATNS-IR is a condensed version of both the ATNS-SR and the ATNS-FR and offers a comprehensive, yet abridged account of the content in both these reports. Similarly, collectively the ATNS-SR and ATNS-FR provide more detailed disclosures on ATNS's financial, social and environmental performance.


All references to forward-looking information and targets in the 2014 suite of reports are extracted from the 2014/15 ATNS Corporate Plan approved by the Board of Directors.

Referencing content online


 The ATNS-IR is available on our website as a downloadable document: <http://www.atns.co.za/annual-reports>.

Locate reporting indices online

GRI-G4 Index

 The GRI-G4 Reporting Index associated with this report is located online at <http://www.atns.co.za/annual-reports> as a downloadable PDF document.

ASBU Reporting Index

 The ICAO Aviation System Block Upgrade (ASBU) Reporting Index associated with this report is located online at <http://www.atns.co.za/annual-reports> as a downloadable PDF document.

Feedback





 We welcome feedback on our sustainability reporting to ensure that we continue to disclose information that is pertinent to all our stakeholders. Should you wish to provide written feedback, kindly complete the online survey at <http://www.atns.co.za/annual-reports>. For further queries or suggestions kindly contact: Ms Thandi Mosupyi at marketing@atns.co.za.






Table 1: Overview of Reporting Volumes

	Volume 1	Volume 2	Volume 3
Report	ATNS Integrated Report	ATNS Financial Report	ATNS Sustainability Report
Referenced in short	ATNS-IR	ATNS-FR	ATNS-SR
Content of report	The 2014 ATNS-IR is the Company's primary report to all stakeholders.	The 2014 ATNS-FR includes reports of the independent auditors, directors and the Report of the Audit and Risk Committee	The 2014 ATNS-SR reports on ATNS's economic, social and environmental impacts.
Purposes of report	<ul style="list-style-type: none"> • To provide a succinct view of our performance against targets defined by our Shareholder Mandate in the pursuit of long-term economic value creation. • To provide an integrated view of our response to risks and opportunities in our local, regional and global business context. • To respond to our stakeholders' interests and concerns. 	<ul style="list-style-type: none"> • To report on our financial performance for the financial year ended 31 March 2014 in accordance with applicable frameworks and guidelines outlined below. • To report on our financial position, as well as changes in equity and cash flow. 	<ul style="list-style-type: none"> • To create a foundational sustainability report structure, based on current global leading practice sustainability reporting principles. • To consolidate, interpret and report on the findings of ATNS's internal sustainability reporting framework. • To acknowledge the contributions of our Shareholder, sector partners, employees and other stakeholders.
Leading practice guidelines and governance frameworks guiding content	<ul style="list-style-type: none"> • Reporting Council (IIRC) Integrated Reporting Framework v1.0. • The King Code of Governance for South Africa (2009) (King III). 	<ul style="list-style-type: none"> • International Financial Reporting Standards (IFRS). • King III • The Companies Act, Act No 71 of 2008 (Companies Act). • The Public Finance Management Act, Act No 1 of 1999 (PFMA). 	<ul style="list-style-type: none"> • King III • Global Reporting Initiative (GRI) G4. • United Nations Global Compact (UNGC). • Carbon Disclosure Project (CDP).

Navigating this report

Performance commentary in both the ATNS-IR and ATNS-SR pertain to material issues that specifically align with the Company's key strategic objectives. Accordingly, performance commentary is linked to strategic objectives throughout the report by means of the following icons:

-  Ensure long-term financial sustainability
-  Enhance operational efficiencies in line with global ATM standards
-  Develop leadership capability in Africa ATM space
-  Create a transformative organisation

-  Build a culture of safety
-  Build a skilled and capable employee resource base
-  Manage the organisation's contribution to Climate Change
-  Manage and preserve scarce and vulnerable resources
-  Develop enterprise-wide awareness for accountable environmental impact
-  Maintain an impeccable governance framework
-  Ensure regulatory alignment and compliance
-  Ensure constructive and collaborative stakeholder relationships

Navigate between reports

Throughout the 2014 suite of reports we have provided references to more detailed information in and between the different report volumes, such as tabled performance statistics, trends or further clarifications. Where applicable, readers are referred to additional content across the three 'Volumes', using the following icons:



Refers to Volume 1 for further content



Refers to Volume 2 for further content



Refers to Volume 3 for further content



Refer to content online

Assurance

ATNS's integrated assurance plan encompasses the assurances provided by the Company's Board of Directors, management, internal specialists, internal and external audit functions and other business advisers. We have commissioned additional external assurance on certain aspects of the non-financial information reported in the ATNS-SR.

Board Approval Statement

The ATNS Board, assisted by its various committees, is ultimately responsible for overseeing the integrity of the ATNS-IR.

The Board has applied its collective mind to the preparation and presentation of the ATNS-IR and has concluded that this report is presented in accordance with the International Integrated Reporting Framework v1.0.

The Integrated Report was approved by the Board on 25 July 2014, and signed on its behalf by:

Chairperson
Mr Mpho Mamashela

17 August 2014
Johannesburg

Chief Executive
Mr Thabani Mthiyane

17 August 2014
Johannesburg

Chief Financial Officer
Mr William Ndlovu

17 August 2014
Johannesburg

Letter from the Chairman

MR MPH0 MAMASHELA

Chairman of the Board

Established in 1993, ATNS celebrates its 21st year in existence. Traditionally, 'turning 21' signifies a coming of age. It is a time to proudly reflect on all that has been achieved to date. But, it is also a time to look ahead at an expansive and unpredictable future and to acknowledge the critical responsibilities that need to accompany long-term, sustainable growth.

The world in which ATNS operates today is different to the one we were born into in the late twentieth century. Globalisation brings with it rapid growth of trade among nations, massive flows of financial capital and the growth in numbers and sizes of multinational firms. Advocates of an increasingly integrated world economy emphasise its potential for stimulating economic growth and increasing wealth in the developing world. However, globalisation also brings with it the potential degradation of our natural environments, particularly in developing countries.

Climate change remained the main focus of the environment-related deliberations at ICAO's 38th Assembly during the year. It is now widely acknowledged that to reduce international aviation CO2 emissions – and to promote sustainable aviation growth – a comprehensive approach would be necessary globally. As an ICAO member state, South Africa, and ATNS in particular, has an implicit and seminal role to play on the African continent to promote maximum compatibility between the safe and orderly development of civil aviation and the quality of the environment.

The ICAO Assembly delivered new resolutions for achieving this balance, by way of embedding seamless integration of global airspace management through, amongst others, international Air Navigation Service Provider (ANSP) cooperation and enhanced operational efficiencies. South Africa, alongside other ICAO member states, endorsed the Aviation System Block Upgrade (ASBU) concept to achieve the envisioned Air Traffic Management Operational Concept which defines the seamless global aviation system. Whilst the implementation of these major programmes and plans present significant future challenges and changes for ATNS – and the aviation industry as a whole – we recognise that they are pertinent to the enhancement of air traffic safety and reliability and that they are designed to draw on members states' collective strengths and proficiencies.



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 a cadet pilot training programme for South African Airways, 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.

A key determinant of market size – and indicator of market growth within the air traffic management and navigation sector of the aviation industry – is air traffic movements, which is determined by aircraft movements and air passenger traffic. ATNS is establishing a 100% wholly-owned subsidiary company within its non-regulated business, presently referred to as 'ATNS International', to leverage the growth opportunities presented by the growing intra-Africa air traffic market. The new company will enable us to take a more robust and agile stance in the non-regulated business market without posing undue risks to our regulated market and Shareholder.

Albeit our Africa expansion strategy presents many growth opportunities, we would be remiss in not considering some of the perceived barriers hampering international trade and tourism to the continent (and South Africa in particular). For many foreign travellers, South Africa is indiscriminately bundled into the same basket of socio-political ills and challenges as the broader continent, with issues such as unstable political dispensations, labour unrest and increasing critical diseases dissuading tourism and investment. There are also the administrative hurdles of complicated and cumbersome paper-based visa processes, and the enduring global economic decline to further deter tourism interest. In South Africa, the lower Rand value equates to an attractive and affordable holiday destination for foreign travellers, but it is also accompanied by a rise in air-fares, which in turn becomes an additional disincentive, particularly for domestic travellers. These challenges impact overall aircraft movements and, in turn, affect both our regulated and unregulated business prospects going forward.

However, notwithstanding, these barriers, we remain confident that our expansion strategy will enable us to harness more valuable market opportunities and extend our regional influence and reach. Further, intra-African collaboration with our regional partners will ensure safer skies; and the potential for exponential growth in cross-border trade, skills development and job-creation for South Africans.

I would like to acknowledge the support of our Government, and specifically our Shareholder, the Ministry of Transport, in helping to guide our transformation as an entity since the

Company's inception 21 years ago. Whilst we still have some way to go, our operations are well on their way to reflecting the wider demographics of this country. It is also important to acknowledge the continued efforts of my Board, the Executive and all ATNS employees, past and present, in leading this State-Owned Entity from being insolvent, pre-democracy, into achieving a turnover in excess of a billion Rand. We remain at the forefront of skills development and innovation and play a major developmental and transformative role in the aviation industry. As a result, this organisation today stands as one of the leading ANSPs in the world. We are also the founding members of the Civil Air Navigation Services Organization (CANSO) and currently hold the chair of CANSO Africa. This reflects our commitment – not only to enhancing South Africa's air space and safety – but also to being a responsible citizen of this continent, forging partnerships with various countries to the benefit and safety of all who fly in and over Africa.

ATNS faces an exciting future ahead. We have a strong executive management team in place to ensure strategic focus, financial competence, and ethical leadership and corporate citizenship. Strong leadership will promote proper governance and accountable reporting. Accordingly, we look forward to continually enhancing our internal competencies in integrated and sustainability reporting, so that our public accounting of our performance to our Shareholder and other stakeholders will reflect the true spirit of disclosure and transparency. This year, we present our second Integrated Annual Report as part of a three-volume series, consisting of this report, a stand-alone Sustainability Report and our stand-alone Financial Report. I thank all who participated in its collation.



Mpho Mamashela

July 2014

Performance overview

Table 2: Performance overview

Strategic objective	Indicator	Actual 2013/14	Actual 2012/13	
Economic				
	Ensure long-term financial sustainability	Turnover	R1,293 billion	R1,196 billion
		Operating costs	R981 million	R925,8 million
		Net profit	R244 million	R194 million
	Enhance operational efficiencies in line with global ATM standards	Total capital expenditure	R113 million, with additional R61 million committed)	R20,7 million with additional R176,8 committed)
		Number of traffic movements during the year	302,219	301,965
		SLA targets: Equipment availability	Communication: 99,50%	Communication: 99,60%
			Navigation: 96,26%	Navigation: 97,78%
		Surveillance: 99,94%	Surveillance: 99,96%	
Social				
	Create a transformative organisation	Overall EE representation	67,06%	63,37
	Build a culture of safety	Safety events per 100,000 air traffic movements	1,67 safety events per 100,000 air traffic movements	2,24 safety events per 100,000 air traffic movements
	Build a skilled and capable employee resource base	Total number of ATS bursars	84	47
		Total number of engineering learnerships	10	17
		Training investment as percentage of a salary bill	2,94% Rand value of salary bill	2% Rand value of salary bill
Environmental				
	Manage the organisation's contribution to Climate Change	Total carbon inventory for the 2013/14 financial year	16,356 tons of CO2e	10,469 tons of CO2e
	Manage and preserve scarce and vulnerable resources	Overall annual electricity usage	16,101,59 kWh	10,144,00 kWh
		Overall annual fuel usage	126,083 litres	125,083 litres
	Develop enterprise-wide awareness for environmental impacts	Total Number of employees trained on environmental training programmes	5	0
		Total spend on environmental training	R43,890	R nil

2. Organisational profile

Vision

To be the preferred supplier of air traffic management solutions and associated services to the African continent and selected international markets.

Mission

To provide safe, expeditious and efficient air traffic management solutions and associated services, whilst ensuring long-term economic, social and environmental sustainability.

Values

- Accountability
- Safety and customer service
- Continuous improvement and innovation
- Employee engagement and development
- Fairness and consistency
- Open and effective communication



Refer to page 35 in the ATNS-SR to see our “Value Entrenchment Framework” which provides more detail on how we continue to embed our Vision, Mission and Values in our Company.

Nature of business

The Air Traffic and Navigation Service Company Limited (ATNS) is a 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. These services accord with International Civil Aviation Organisation (ICAO) standards and recommended practices, and the South African Civil Aviation Regulations and Technical Standards. As an air navigation services provider (ANSP), ATNS is governed by the nation’s legislative and administrative framework.

ATNS is also a commercialised ANSP operating on the “user pays” principle that relies on current revenues and debt funding for its operational and capital expenditure requirements.

The Company has its head-office at Eastgate Office Park, Block C, South Boulevard Road, Bruma, (Postal code: 2198) in Gauteng.

Principal activities

Regulated Business

At present 90% of ATNS’s revenue is facilitated through its regulated business.

Air navigation services and infrastructure

The principal activities of ATNS’s regulated business encompass the planning, operating and maintenance of safe and efficient air traffic management services in the airspace for which the State is responsible. Airspace infrastructure consists of the following main components:

1. Communications, navigation and surveillance (CNS) infrastructure.
2. Auxiliary aviation services, such as aeronautical information publications, flight procedure design and aeronautical surveys.
3. Air traffic management.

ATNS’s infrastructure development is informed by user expectations and regulatory requirements at a global level; as well as the needs of the air traffic management (ATM) community and new enabling technologies.

Air traffic service charges

As a monopoly service provider, ATNS is regulated economically by the Economic Regulating Committee (RC) that is a statutory body formed and appointed by the Shareholder, the Department of Transport (DoT). The RC is empowered by the ATNS Company Act (Act 45 of 1993) to issue permission to ATNS. The permission regulates the increase in specified tariffs that ATNS can issue and lays down minimum service standards requirements for the regulated business. ATNS is, through the permission, authorised to levy air traffic service charges on users (aircraft operators) for the use of air navigation infrastructure and/or the provision of an air traffic service. The permission has a five-year life span.

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.

Table 3: ATNS air traffic service charges for the regulated business

Main mass category	Cost component	Formulas and coefficients		Area charge
		Aerodrome charge	TMA access charge	
FAJS \leftarrow 5 000 kg	Variable Cost (VC)	R 26,42	R 26,42	
	Business Sustainability Cost (BSC)	R107,33/10 000.MCM	R107,33/10 000.MCM	
	Fixed Costs (FC)	R 56,63	R 104,62	
5 000 kg \leftarrow MCM \leftarrow 15 000 kg	VC	R26,42	R26,42	R26,42
	BSC	R107,33/10 000.MCM	R107,33/10 000.MCM	R107,33/10 000.MCM
	FC	R113,28/10 000.MCM	R20,92/1 000.MCM	R15,02/100 000.MCM.d
> 15 000 kg	VC	R26,42	R26,42	R26,42
	BSC	R131,44/100.vMCM	R131,44/100.vMCM	R131,44/100.vMCM
	FC	R138,75/100.vMCM	R256,28/100.vMCM	R183,97/10 000.vMCM.d

Each rand-value coefficient in Table 3 is multiplied by:

- 97% for a domestic flight
- 100% for a regional flight
- 103% for an international flight, except in the case of FCs for aerodrome and TMA access charges at FAJS for aircraft with MCM \leftarrow 5 000 kg where the coefficient as stated in the table applies.

This financial year, as a fully regulated public entity, we are pleased to be actively engaging our industry customers in the regulatory process in order to successfully complete the permission application process during 2014. The new permission cycle 2015/16 – 2019/20 will inform the Company’s specified tariffs as well as service standard requirements for the regulated business. The functioning of the industry’s economic regulation regime is also undergoing a review of the Funding Model used for the economic regulation of ACSA and ATNS. ATNS is actively collaborating with the RC for ACSA and ATNS to ensure favourable and sustainable outcomes for the industry.

Training institution

ATNS runs a successful training institution as a division within the Company, namely: the Aviation Training Academy (ATA). The ATA provides a full range of air traffic services training, technical support training and related training to delegates in South Africa and the broader African continent in the disciplines of engineering, air traffic services and

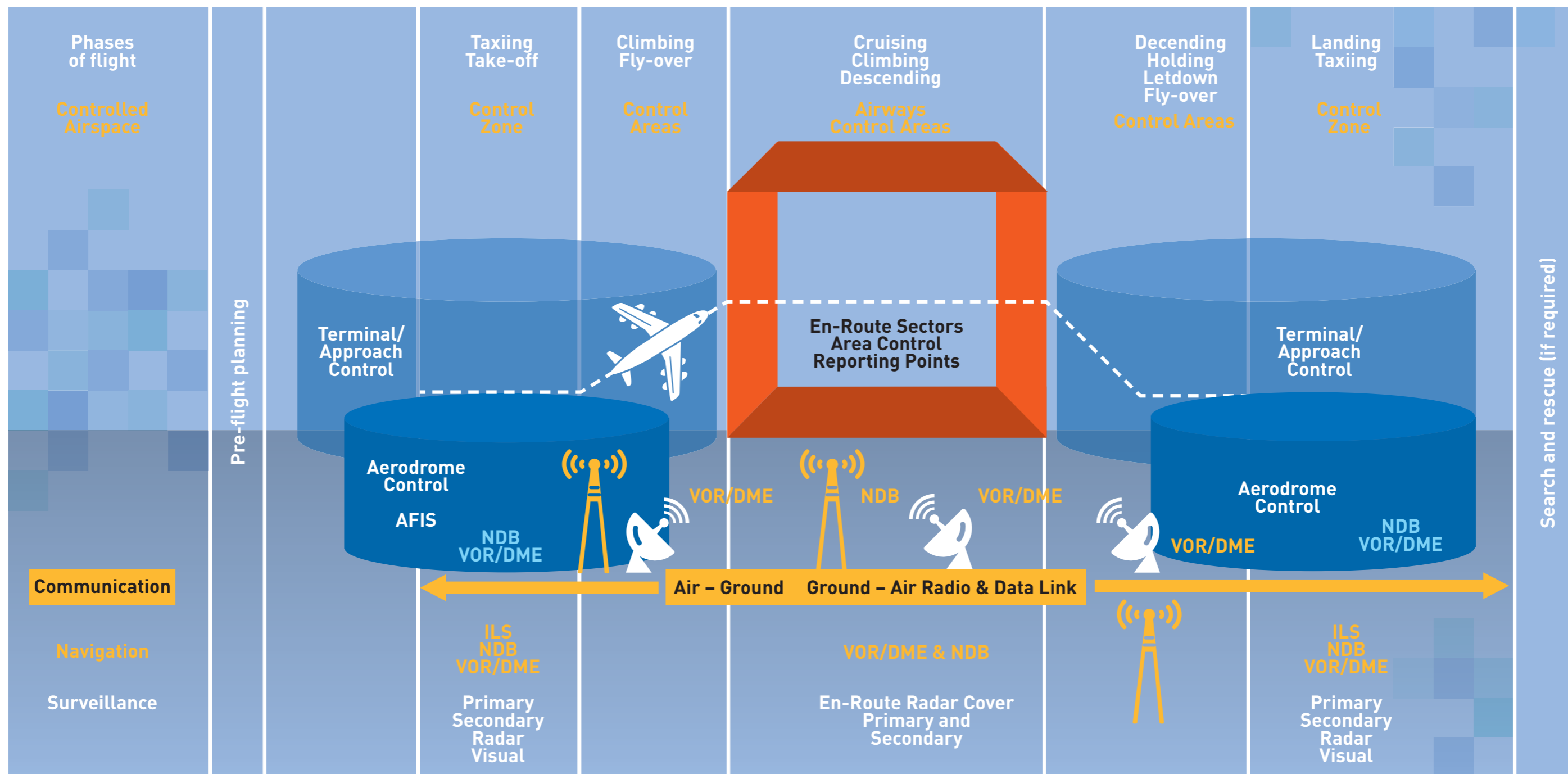
management. The ATA is an ISO9001:2000 accredited institution and has international cooperation agreements in place with partners such as the Embry Riddle Aeronautical University, Ecole Nationale de l’Aviation Civile (ENAC) and the University of the Witwatersrand (WITS), enabling the academy to maintain mutually beneficial partnerships in the presentation and accreditation of international courses in air traffic services (ATS). The ATA is a world-renowned academy, and in both 2012 and 2013 was formally recognised as the International Air Transport Association (IATA) Worldwide Top Regional Training Partner.

Non-Regulated Business

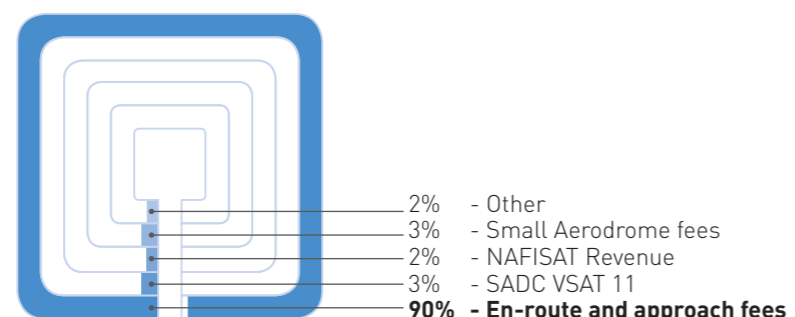
ATNS’s non-regulated business currently contributes 10% of the Company’s revenue.

The non-regulated business encompasses a long-term strategy to facilitate regional expansion through a subsidiary vehicle presently known as “ATNS International”. ATNS International will enable the Company to take a more robust and agile stance in the non-regulated business market without posing undue risks to its regulated market and Shareholder. It will also enable ATNS to enter into joint ventures and partnerships with external suppliers so that the Company can harness more valuable market opportunities and extend its regional influence and reach.

ATNS services



Graph 1: ATNS revenue sources



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 ATNS's efforts, supported by all the people of ATNS.

Figure 1: 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.

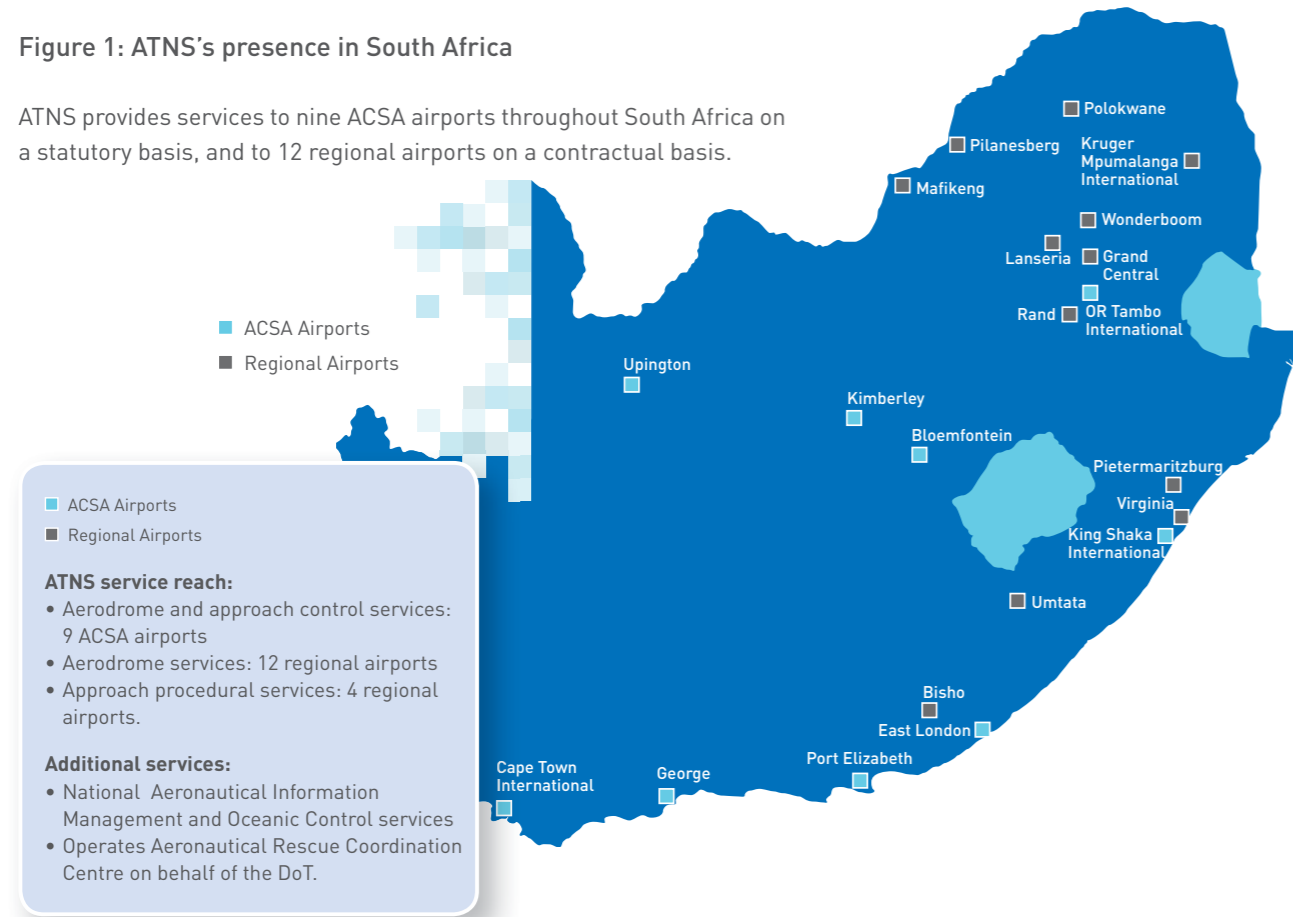


Figure 2: ATNS is responsible for air traffic management in approximately 10% of the world's airspace

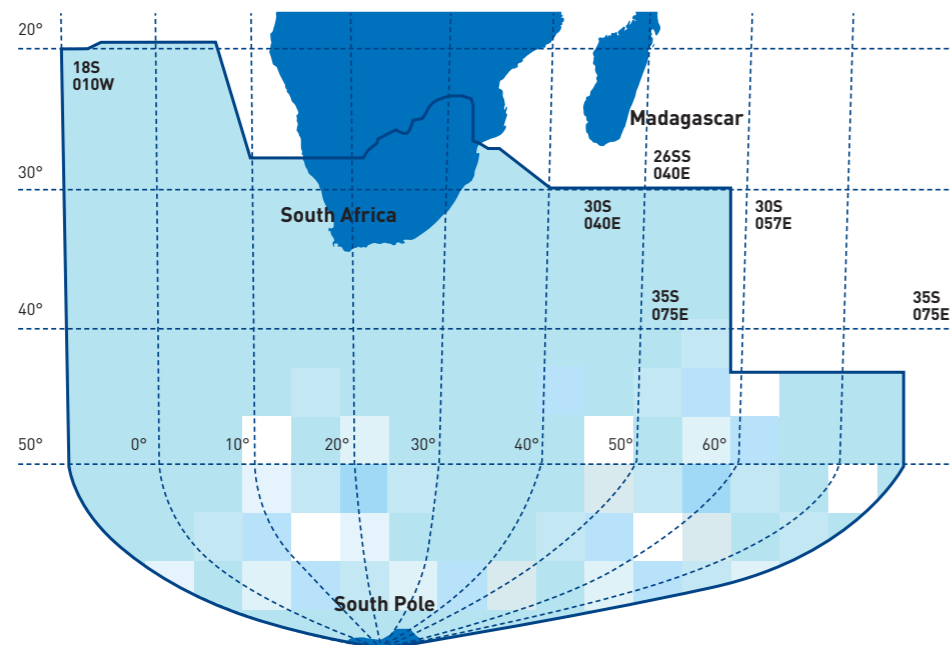
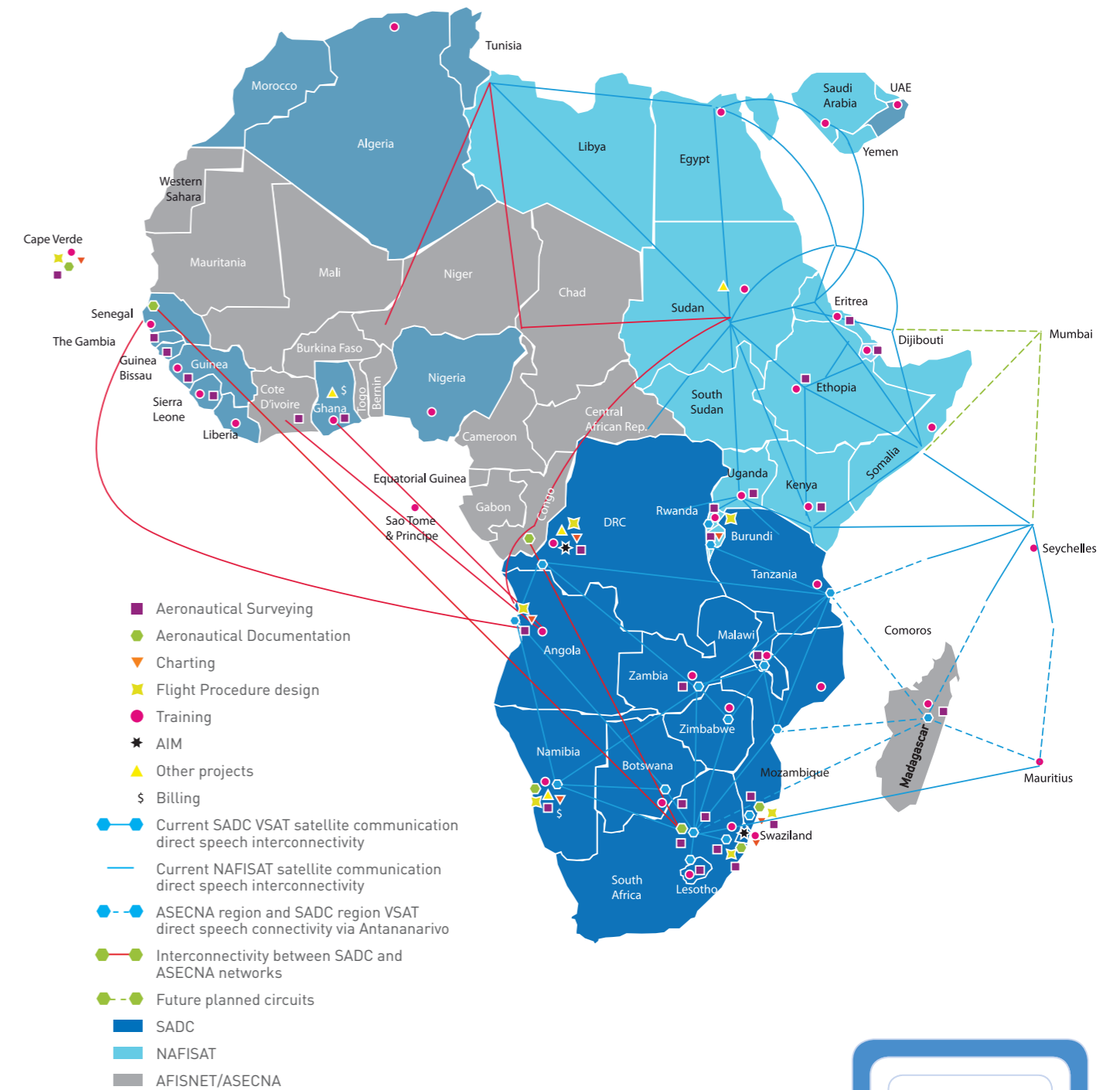
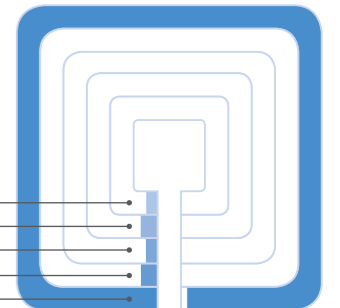


Figure 3: ATNS's extended services on the African continent and beyond



ATNS revenue sources

- 2% - Other
- 3% - Small Aerodrome fees
- 2% - NAFISAT Revenue
- 3% - SADC VSAT 11
- 90% - En-route and approach fees



Structure of ATNS's operations

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. Our business model is based on our strategy and value chain, which comprises three main blocks:

1. ATM Operational Concept and GANP.
2. Enabling infrastructure and resources.
3. ATM and technical support operations.

The operational concepts are supported by corporate and support functions. The corporate function determines the direction of the Company as mandated by the Board through strategy formulation and execution by the Chief Executive Officer (CEO). The corporate function ensures that executives plan adequately and utilise resources optimally as dictated by the five-year permission cycle. Planning for strategic

execution is also driven by departmental business and operational plans.

ATNS's corporate function is supported by various governance and compliance frameworks and the operating environment, comprising of:

- Human capital (HR and training)
- Finance
- Information technology
- Risk and compliance

ATNS dependence on third parties

ATNS' service to its customers is dependent on the quality of services and products it receives from its suppliers. Our choice of products and services in turn impact on the environment in which we operate. Further, we recognise the important role that our purchasing power plays in promoting growth in the local economy. In line with our reporting in the ATNS-SR, we provide an overview of our key suppliers and our procurement practices.

Energy and telecoms suppliers

The on-going, safe and secure supply of energy is of strategic importance to our business in respect of providing air traffic management solutions and associated services on behalf of the State. ATNS owns and leases numerous sites across South Africa. Many of these sites include equipment that consume electricity. We receive electricity supply for our operations from several sources. ACSA supplies electricity at major airports, whilst at other locations ATNS receives electricity supply either from Eskom directly, or from municipalities or private suppliers, such as landlords.

We consider rising energy costs and the uncertainty of future electricity supply as a long-term strategic risk to the Company. We are further mindful of the environmental impacts and associated costs associated with greenhouse gas (GHG) emissions from our use of energy. ATNS's total carbon inventory for the 2013/14 financial year is 16,356 tons of CO₂e. Approximately 97% of the organisation's carbon emissions relate to electricity consumption, whilst the remaining 3% relate to the use of fuel. Regulated electricity prices have risen approximately 60,9% over the last three years, and Government is set to introduce carbon pricing in the form of a carbon tax from 2016, which will further raise energy prices.

Whilst ATNS is not a major consumer of electricity, security of supply is important to enable the Company to navigate aircrafts safely through the airspace. To mitigate the risk of security of supply, ATNS has communication, navigation and surveillance equipment that cover the same airspace to act as back-up. In addition, we are implementing numerous alternative solutions, such as diesel generators, to provide supply in times of grid interruption. ATNS will continue to engage its energy suppliers going forward to ensure predictable and reliable energy supply for its ATM services.

Over the years, the CNS equipment's SLA performance has been stable and within the SLA targets. However, in the case of the communication infrastructure, it is to be noted that the complementary nature of ATNS communication infrastructure is also dependent on services that are offered by third parties such as telecommunications service provider, Telkom and Eskom, especially at remote sites. The occurrences of cable theft have seen the communication SLAs being adversely affected by anomalous incidents involving simultaneous outage from both service providers. In the past, this phenomenon was considered unlikely. As a result of such occurrences, ATNS is in the process of implementing supplementary measures to expand its own independent communication network that will extend to remote sites that are currently reliant on these service providers.

Equipment supplier

Thales is a key supplier of global technology in the Aerospace, Transportation and Defence and Security markets. The company supplies ATNS's integrated gate-to-gate solutions, from pre-flight to landing, ensuring airport safety, efficient traffic handling operations, data sharing on aircraft and seamless handover operations between territories. Thales has an installed base of solutions and technologies with over 340 TopSky-ATM Solutions, 7 000 nav aids, 680 surveillance radars, and 1 800 ADS-B and multilateration equipment. Thales's product roadmaps are aligned with ICAO ASBU concepts, NextGen and SESAR.

Procurement practices

As we continue to refine our procurement systems, placing increased focus on holistic and integrated Supply Chain Management (SCM), we aim to further promote Enterprise Development (SD) through the up-stream supply chain, thereby stimulating growth for small, medium and micro enterprises (SMMEs).

Our equipment requirements and, hence, our infrastructure development, is informed by regulatory requirements at a global level, as well as enabling new technologies and the need to address the specific requirements of the air traffic management (ATM) community. Our approach to technology sourcing in this context is to pursue the expertise of both local and global suppliers.

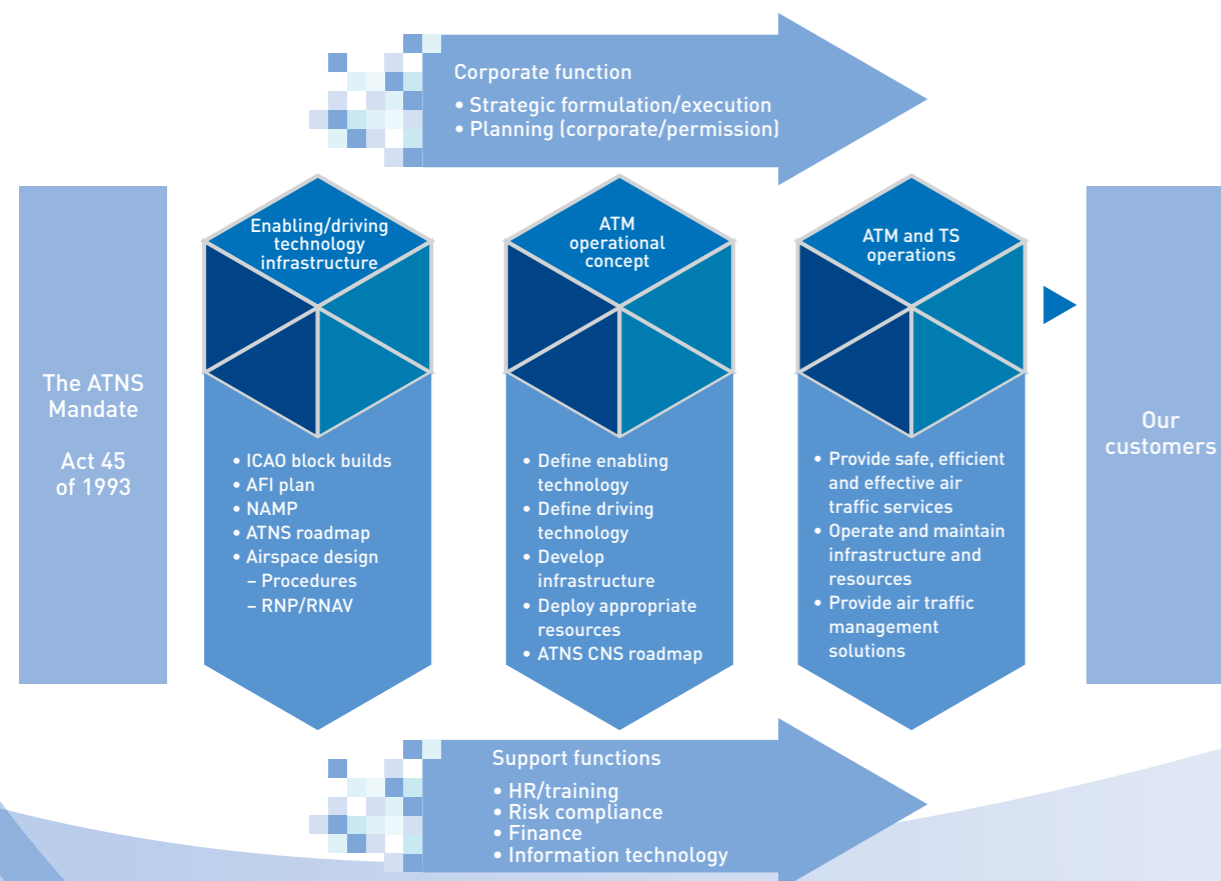
We recognise that local supplier development is a national imperative and an important enabler of economic sustainability. Accordingly, we aim to increase job creation and entrepreneurship in South Africa through supply localisation, skills development and local supplier development. Our Preferred Procurement Policy promotes the use of B-BBEE empowered suppliers to achieve the 70% compliance target. The policy prioritises procurement from suppliers who have the following B-BBEE credentials:

- Exempt Micro Enterprises (EME)
- Qualifying Small Enterprises (QSE)
- Suppliers with 51% Black Ownership
- Suppliers with at least 30% Black Women Ownership.



In doing so, the Company complies with the Department of Trade and Industry's (DTI's) Codes of Good Practice. **ATNS's Procurement Policy is available online at <http://www.atns.co.za/annual-reports>.**

Figure 4: ATNS Regulated Business Model – core and support functions



Contextualising our operations

Regulatory context

The global aviation regulatory environment was formed through the International Civil Aviation Organization (ICAO), a specialised body of the United Nations Organization responsible for global civil aviation. ICAO was established through the Chicago Convention, as signed by participating states in 1944. South Africa is a signatory to the convention and has acceded to abide by the terms and conditions of the convention.

In terms of Article 28 of the Chicago Convention, the South African Government is required to provide air navigation services and infrastructure in compliance with the standards and recommended practices as promulgated from time to time by ICAO. The convention makes provision for the State to delegate responsibility for the provision of services; however, the State remains accountable for ensuring compliance with the standards and recommended practices.

To ensure quality adherence and compliance with ICAO standards and recommendations, as well as with the South African Civil Aviation Regulations, the State established the South African Civil Aviation Authority (Act 40 of 1998), which is tasked with the safety regulation and oversight of civil aviation in South Africa. Given that ATNS is the monopoly provider of the national en-route as well as approach and aerodrome services at Airport Company of South Africa (ACSA) airports, the Regulating Committee for ACSA and ATNS was established through both the ACSA Act (Act 44 of 1993) and the ATNS Act. This ensures independent economic and service standard regulation and oversight of ATNS; and prevents abuse by ATNS of its monopoly position, whilst at the same time ensuring that ATNS remains sustainable as an independent, self-funding, State-Owned Company.

Developmental context

ATNS's mandate from its Shareholder, the Department of Transport (DoT), requires that the Company balances commercial and developmental objectives. This can be particularly challenging within the context of volatile global and local economic conditions and their impacts on the economic sustainability of global airlines and, in turn, on air traffic management operations. As a State-Owned Company, ATNS's business strategy supports the South African Government's National Development Plan (NDP), which provides guidelines for the country to eliminate poverty and to reduce inequality by 2030.

Global performance context

Whilst ATNS as a company is 'State-Owned', we do not receive financial transfers from the South African Government's revenue funds. ATNS raises funds from the market in order to finance its capital expenditure programme. The borrowing plan is driven by its planned capital expenditure cash flow, gearing and current ratio. Maximum gearing limits have been evaluated in terms of the following:

- The Company's asset base
- Sustainability of the Company's profitability
- Industry norms
- The need for spare borrowing capacity to take advantage of potential new business opportunities, which will increase the Company's non-regulated revenue.

A major input into revenue is air traffic movements. The Company projects its revenue based on the expected air traffic movement growth. The air traffic movement has a high correlation to Gross Domestic Product (GDP) at approximately 80%. There is a time lag between a change on GDP and the impact on air traffic movements of between 12 and 18 months.

Air traffic movements and peak demand growth are the prime drivers for ATNS's capital investment and human capital programmes as they shape the types and levels of services to be provided in the airspace under ATNS's control.

ATNS operates within a global environment where the implementation of the ICAO Air Traffic Management Operational Concept is gaining momentum. The concept is supported by the on-going definition of required performance standards for the different components of the global air traffic management system, which in its final form will realise seamless services in a globally interoperable system.

The South African National Airspace Master Plan (NAMP), which is strategically harmonised with the global, regional and Air Traffic Management (ATM) Community and community members' plans, is fundamental to the designation of airspace and the support of performance-based air traffic management (ATM). The primary driver for the NAMP is to achieve an interoperable, globally harmonised ATM System for all users during all phases of flight, as articulated by the ATM Community in South Africa according to the following criteria:

- Meet agreed levels of safety.
- Provide for optimum economic operations.
- Ensure environmental sustainability.
- Meet national security requirements.

The NAMP supports the notion of performance-based ATM and Communication, Navigation and Surveillance (CNS), as well as transition strategies. It aims to provide a consolidated, agreed set of principles and guidelines to steer the ATM Community in its collective strategic planning to align with the vision of global, regional and national service provision.

Measuring performance

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, namely:

- Outcome 1: An efficient and integrated transport infrastructure network for social and economic development
- Outcome 2: A transport sector that is safe
- Outcome 5: An increased contribution to job creation
- Outcome 6: An increased contribution of transport to environmental sustainability

Based on these outcomes, ATNS measures its performance according to seven Key Performance Areas and Indicators (KPIs), as outlined in Figure 6 on page 20.

Figure 5: Civil aviation regulatory and service delivery context

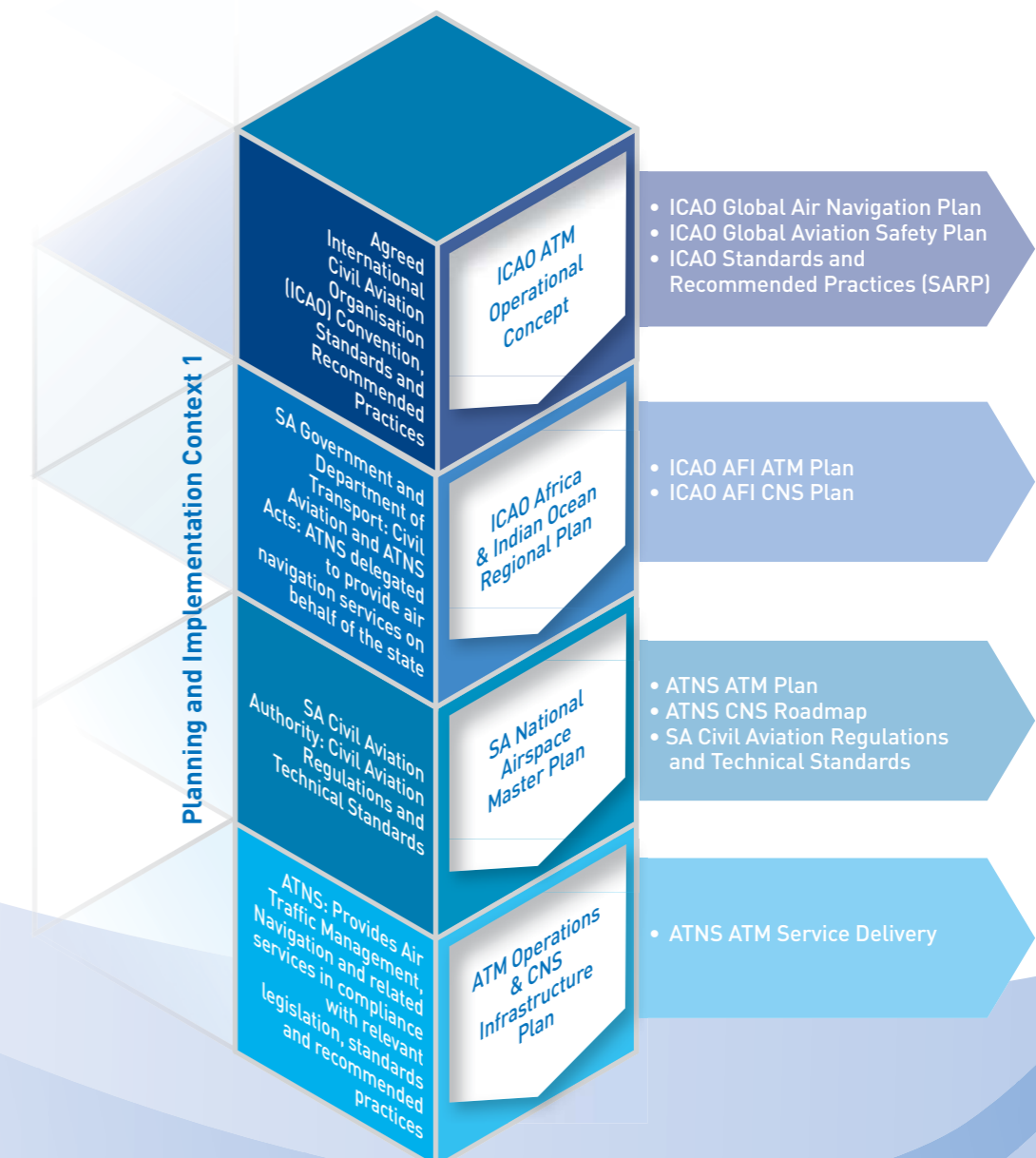
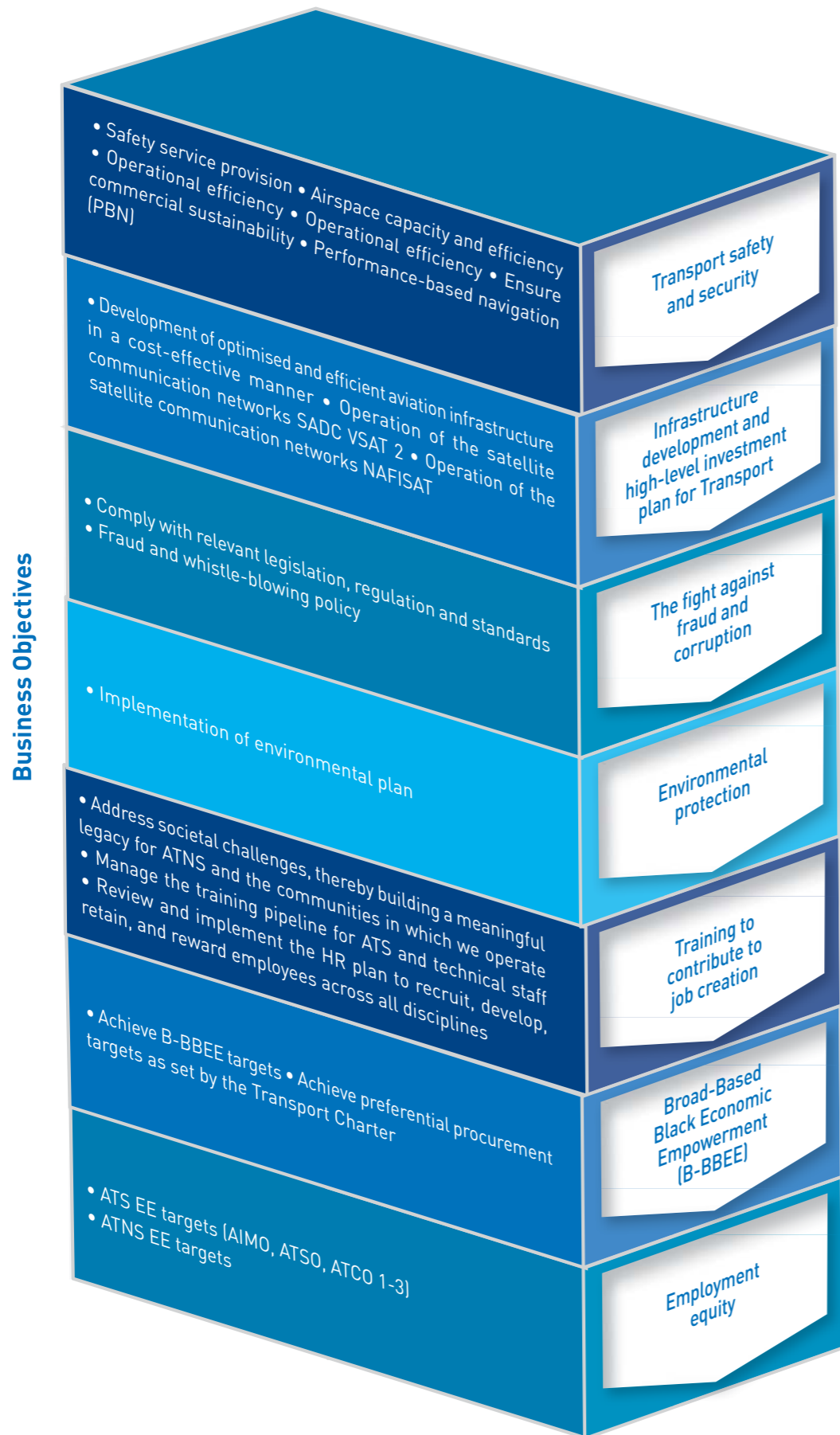


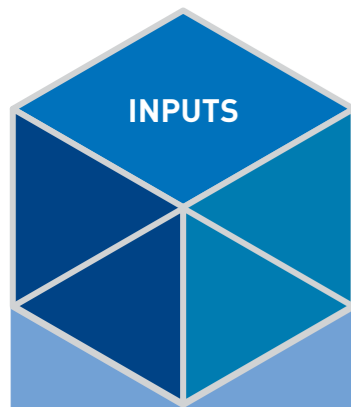
Figure 6: Key performance areas (KPA) and associated objective measures



Objective measures for 2013/14



ATNS Value-Creation Process



INPUTS

Financial Capital

- Cash generated from operations: R333 million (input into business)
- Share capital: R190,6 million
- Interest bearing loans and borrowings : nil

Manufactured Capital

- CAPEX: R113 million in 2013/14, with additional R61 million committed
- Communication systems, navigation systems, Surveillance systems, Display (Air Traffic Management) systems, Simulator and systems (training & licencing)

Intellectual Capital

- ATNS brand and reputation
- Information knowledge management
- Patents, trademarks and copyrights
- Licencing

Human Capital

- 1,033 permanent headcount
- R15,9 million training and development spend

Social and Relationship Capital

- Civil Air Navigation organisation (CANSO)
- INSPIRE Initiative
- Institutional alliances promoting training and education (e.g. WITS, University of Pretoria and University of Johannesburg)

Natural Capital

- South African sovereign and delegated airspace
- Total investment on environmental training: R43,890
- Natural resources consumed:
 - Electricity usage: 16,101,59 kWh
 - Fuel usage: 126,083 litres

Vision

To be the preferred supplier of air traffic management solutions and associated services to the African continent and selected international markets.

Mission

To provide safe, expeditious and efficient air traffic management solutions and associated services, whilst ensuring long-term economic, social and environmental sustainability.

Values

- Accountability
- Safety and customer service
- Continuous improvement and innovation
- Employee engagement and development
- Fairness and consistency
- Open and effective communication



OUTCOMES

Financial sustainability

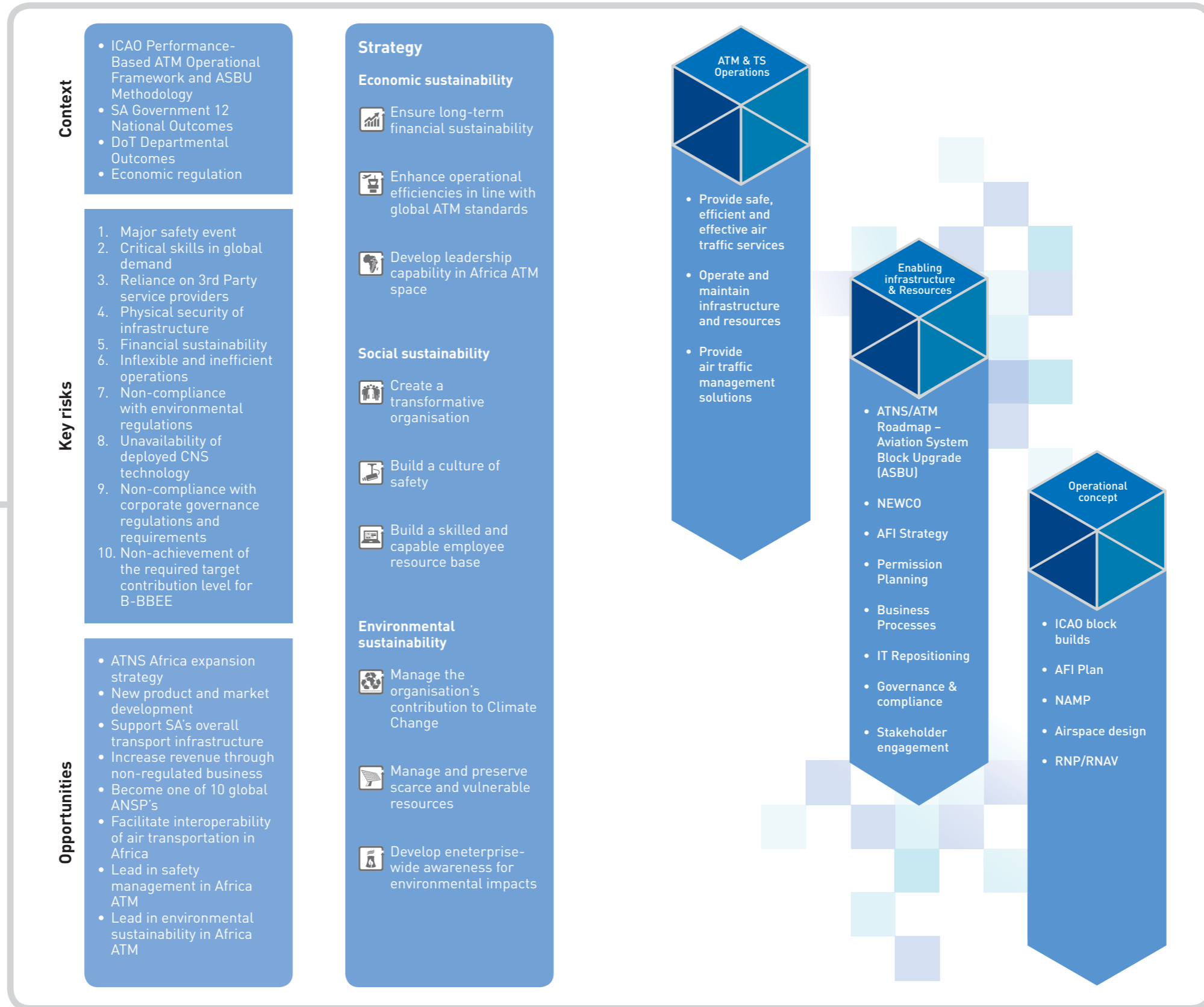
- Cash generated by operations: R389 million (outcome of business)
- Turnover: R1,293 billion
- Net profit: R244 million
- Number of traffic movements for the year: 302,219
- % of global Airspace cover: 12%
- % Total B-BBEE procurement spend: R367 million

Social sustainability

- 40% Female representation
- 67,06 Employment Equity
- 80 Bursars and learners trained
- Training to third parties: R10,9 million
- Training investment as % of total salary bill: 2.94%
- Total CSI contribution : R1,3 million

Environmental sustainability

- Total carbon inventory for the year: 16,356 tons of CO₂
- Number of employees on environmental training: 5
- 1% reduction in emissions relating to fuel
- Improved carbon inventory calculation





Letter from the CEO

MR THABANI MTHIYANE

Chief Executive Officer

Introduction

110 years following the invention of powered flight and 20 years since South Africa's first democratic elections, ATNS celebrates the Company's 21st anniversary. The aspirations expressed at the outset, when the Company was first established in 1993, remain the core drivers of our strategic programmes – now and for the future; and our fundamental purpose, which is to provide safe, expeditious and efficient air traffic management solutions and associated services, continues to direct our collective efforts.

Ensuring long-term financial sustainability

Permission process

In our regulated business, the preparation for the permission application, effective from 1 April 2015, is underway and the consultations with both the Regulator and users are ongoing. Due to the legislation and funding model review not yet being completed, the application will be made under the existing legislation and funding model. The Regulating Committee has already issued a draft approach document for comments.

Growing the non-regulated business

As the air traffic management and safety industry becomes increasingly consolidated, ATNS cannot become complacent. It is imperative that we embrace the opportunities presented by globalisation as well as the efficiency enhancements provided by new technological innovations to expand our market reach, particularly into the African continent, so as to become one of the ten global ANSPs, as envisioned by IATA, to constitute the global air traffic safety market in 2050. By proactively supplying products and services in partnership with more countries and global suppliers, ATNS will be well-placed to reach this goal.

At present, ATNS is responsible for air traffic control in approximately 10% of the world's airspace, covering approximately 22,000,000 Km² of this airspace. Our services extend further than the familiar air traffic control service, into the provision of vitally important aeronautical information used for all flight planning purposes, as well as search and rescue coordination activities, and the maintenance of a reliable air navigation infrastructure.



Mr Mthiyane has more than 10 years' experience in the aviation sector, specialising in air traffic management (ATM). He has held various senior management positions at ATNS, notably in the areas of maintenance policy development, the management of capital projects as well as leading the technology team as part of the Executive team. An engineer by profession, Mr Mthiyane has held various senior management positions within this discipline at the following companies: ESKOM, Transnet Ports Authority and NERSA. He is a registered Professional Engineer with the Engineering Council of South Africa (ECSA) and a member of both the South African Institute of Electrical Engineers (SAIEE) and the Institute of Directors Southern Africa. He served as a Trustee in the ATNS pension fund and as a member of the Air Services Licensing Council. He presently serves as Chairman of the Civil Air Navigation Organization (CANSO) for the Africa Region. Mr Mthiyane holds a Bachelor of Engineering degree from the University of Natal, an Honours degree in Mechanical Engineering from the University of Pretoria, and a Master of Business Administration from George Washington University. He further holds a National Diploma in Electronic Engineering, a Diploma in Project Management and a Diploma in ANS Management.

Our ATNS International Programme and its related projects aim to grow ATNS's non-regulated business and to create a commercial mindset across the organisation to support the anticipated growth of intra-continental air traffic. The Company has been engaged in business activities on the continent since 1997, with the primary objective of enabling air traffic safety. Accordingly, we see the Africa Indian Ocean (AFI) region as a vital growth opportunity for promoting our products and services. The non-regulated business is already contributing 10% to ATNS's overall revenue and the intention is to grow this percentage sustainably over time.

Enhancing operational efficiencies

We continue to operate in an environment where the Company is required to lead the demand for air traffic capacity, services and technology as articulated by our stakeholders in the South African aviation sector. Consistent with the Permission approval process, ATNS continues to deploy Communication, Navigation and Surveillance (CNS) infrastructure through its approved capital investment programmes. In so doing, we continue to balance the economic viability of the required air traffic management (ATM) infrastructure with our mandated obligation to meet global safety standards.

Further, we are in the process of implementing the 'Collaborative ATNS Air Traffic System' (CAATS) Programme that will see the current ATM system at all ATNS air traffic control centres and controlled airports being replaced with the most recent technologies, designed to support operational sustainability for the next 15 years. This investment in advanced technology will be one of the largest single Capex investments that ATNS has embarked upon in the last decade, enabling the Company to enter a new era of operational technology advancement for the benefit of the ATM community, improving operational efficiencies and mitigating future challenges of scalability and constrained capacity. The South African aviation infrastructure is considered to be one of the best in the world, contributing to the country's aviation safety record. It is, therefore, imperative that we continue to invest wisely in this infrastructure to support the country's overall transport infrastructure.

Developing leadership capability in the Africa ATM space

During the year, ICAO's 38th Assembly delivered new resolutions for embedding the seamless integration of airspace management. South Africa, alongside other ICAO member states, endorsed the Aviation System Block Upgrade

(ASBU) concept to achieve the envisioned Air Traffic Management Operational Concept which defines the seamless global aviation system. Whilst the implementation of these major programmes and plans present significant future challenges and changes for ATNS – and the aviation industry as a whole – we recognise that they are pertinent to the enhancement of air traffic safety and reliability and that they are designed to draw on member states' collective strengths and proficiencies.

Our undeviating focus on aviation safety, and specifically safe, secure and cost effective air transport, has extended ATNS' sphere of influence across South Africa's borders into Africa. Traditionally Africa's air traffic safety records have been below comparable international measures due to poor infrastructure and skills limitations. With the steady increase in intra-continental air traffic resulting from increased trade and passenger movements in and between African countries, safety will remain a critical objective for all ANSPs, and one which ATNS is well placed to address. It will do so by collaborating with ICAO to facilitate interoperability and modernisation of air transportation through its block upgrades initiative. The latter will assist African countries to meet the ICAO standards of performance to improve overall safety.

Further, ATNS continues to play a leading role on the continent by hosting the Civil Air Navigation Organization (CANSO) Regional Office and collaborating with other entities regionally and globally in its visibly active involvement in ICAO, IATA, and other industry networks. CANSO's network of 79 full members and 70 associate members, comprising of industry partners, suppliers, airports and other key aviation stakeholders, share information and develop new policies with the ultimate aim of transforming the performance of Africa's air traffic management system.

Creating a transformative organisation

ATNS endeavours to create and sustain long-term social value by committing to the positive transformation of our society and our organisation through employment equity and black economic empowerment; and by enabling our employees to achieve their fullest potential through professional training initiatives.

Whilst African, Indian and coloured employees represent 67% of our workforce, up from 63,37% in the previous year, we still have much work to do to become an organisation truly reflective our country's demographics in all spheres

of our operations, including our procurement practices and supplier relations. Our B-BBEE strategy is an important driver in achieving our goals towards economic and social sustainability. Certain initiatives have been identified to improve ATNS's B-BBEE contribution level, including the development of a B-BBEE Strategy in accordance with the B-BBEE Codes of Good Practice, which are due for implementation in the year ahead with the intention of achieving a Level 3 rating by 2015/16.

Building a culture of safety

Airspace safety and reliability remain our most immediate and resolute priorities. At the end of the 2012/13 financial year, we fell short of our target of 2 safety incidents per 100,000 movements. Subsequently, we developed a Safety Roadmap to guide and improve ATNS' safety performance. The implementation of this initiative, amongst others, resulted in 84% of ATS/AIMO staff attending the "Introduction to SMS" course. The intervention became a notable achievement as at the end of the review period, we surpassed our target and achieved 1,67 incidents per 100,000 movements – a clear demonstration of our collective commitment to safety.

In addition to promoting a culture of safety within our operations, we encourage the extension of this safety ethos beyond the work environment into our employees' personal spheres and the communities where we operate. We are, therefore, saddened by the passing of two of our ATC staff members during the year, both as a result of motor vehicle accidents. The Board and management convey their deepest condolences to the families, colleagues and friends of Mr Allister Williams and Mr Mawande Ralo. We urge all ATNS colleagues to remain ever vigilant of our safety values, particularly the maxim of "Zero harm to self, others and the environment".

Building a skilled and capable employee resource base

Our rationale for further expansion in the AFI region is based on global and national trends and industry priorities. However, our continued success relies on our ability to attract, recruit and retain diverse, qualified and skilled professionals. We can only develop this market if we prepare ourselves internally to promote and deliver on our service assurances, and if our people are empowered to anticipate and respond to the requirements of our customers and users in a timely manner. The Organisational Alignment project

has been structured to monitor and measure how we prepare ourselves internally to align with the ATNS strategy, vision, mission, and values in terms of people, processes, systems and technology. Benefits of this project will extend to improved cross-divisional collaboration, skills development, the deeper embedding of institutional knowledge, and enhanced compliance and reporting.

Managing sustainability

During the year, we finalised our Climate Change and Sustainability strategy. The strategy considers both our own operational sustainability as well as the implications of environmental sustainability and climate change legislation and regulation for our customers and the wider aviation industry. A notable outcome of our sustainability focus has been our collaboration on a pilot project to improve fuel efficiency through improved routing. Greater awareness and regulation of the environmental impact of air transport provides us with a long-term opportunity to include sustainability strategies in the delivery of our portfolio of products and services to the continent.

A further demonstration of our commitment to long-term economic, social and environmental sustainability has been the compilation of our first stand-alone Sustainability Report in line with GRI-G4 reporting guidelines. Albeit we have not met all the requirements of this vital reporting framework, it has intensified our sustainability focus internally; and has provided the groundwork to support and guide our future sustainability reporting.

To conclude

This Annual Report provides a snapshot of our achievements during the 2013/14 financial year. It further outlines our commitments for the coming financial year. The Report addresses issues that are material and provides a fair representation of the integrated performance of the Company for the period 1 April 2013 to 31 March 2014.

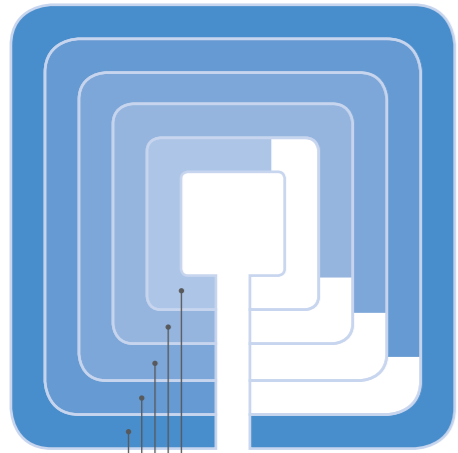


Thabani Mthiyane

July 2014

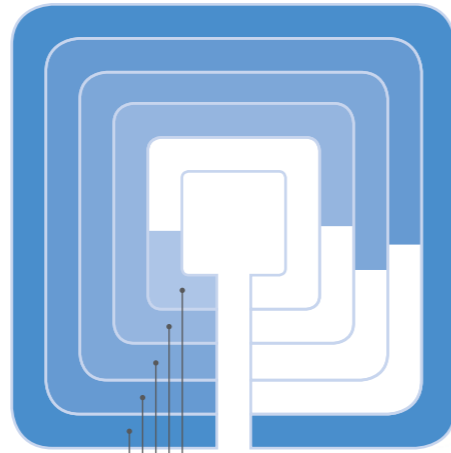
Key performance highlights

Turnover



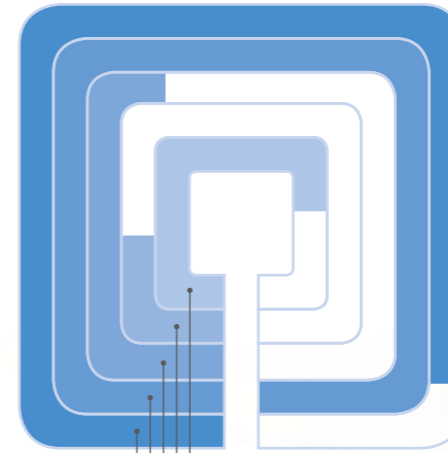
2010 - 736 557 814
 2011 - 1 054 849 844
 2012 - 1 160 593 647
 2013 - 1 195 896 756
 2014 - 1 292 712 925

Net Profit (NP)



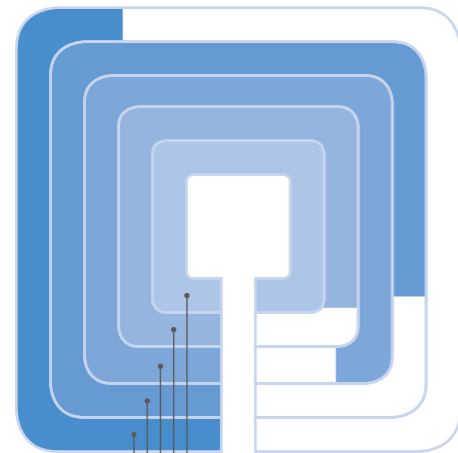
2010 - 47 141 529
 2011 - 182 367 124
 2012 - 209 717 388
 2013 - 194 804 079
 2014 - 244 262 255

Capital Expenditure (CE)



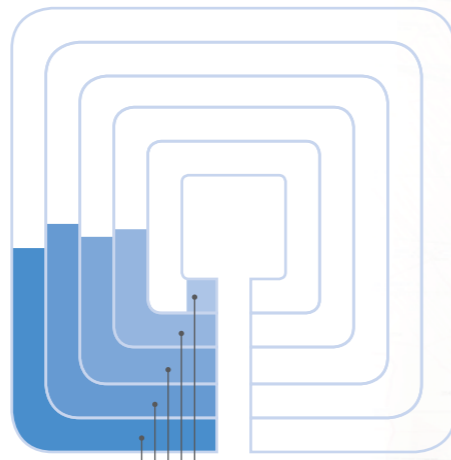
2010 - 156 747 455
 2011 - 47 538 635
 2012 - 91 602 837
 2013 - 197 467 933
 2014 - 174 633 096

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



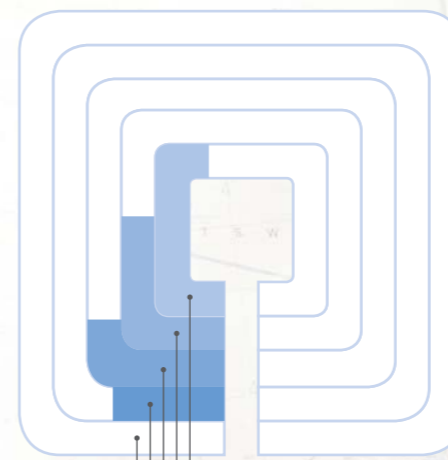
2010 - 178 819 696
 2011 - 380 464 514
 2012 - 409 881 634
 2013 - 364 395 025
 2014 - 427 332 886

Return on Capital Employed (ROCE)



2010 - 4.84%
 2011 - 19.59%
 2012 - 24.99%
 2013 - 27.96%
 2014 - 23.67%

Gearing Ratio (GR)



2010 - 41%
 2011 - 26%
 2012 - 17%
 2013 - 8%
 2014 - 0%



Mr Ndlovu is a Chartered Accountant and served his articles at PricewaterhouseCoopers. He joined ATNS in October 2008 as Head of Internal Audit and formed part of the Executive team.

Before joining ATNS, Mr Ndlovu was Group Manager for Kagiso Media Limited, a formerly listed company on the JSE Securities Exchange. He was promoted to Chief Financial Officer in May 2011 and occupies this position to date.

Mr Ndlovu is an ATNS Executive Director and currently serves on the Board of Trustees of the ATNS Retirement Fund. He previously served as an Audit Committee Member of Corporate Governance and Traditional Affairs (COGTA).

Mr Ndlovu holds a Global Executive MBA from both Georgetown University (McDonough School of Business) in the USA, and Esade Business School in Spain.

CFO's review

MR WILLIAM NDLOVU

Chief Financial Officer

Economic conditions remained subdued during the financial period ended 31 March 2014 resulting in the country's GDP being revised down. Since there is a high correlation between GDP and air traffic movements, a downward revision on GDP posed a revenue risk to the Company. Graph 2 shows ATNS's different revenue sources, demonstrating that 90% of the Company's revenue is attributed to traffic movements.

On the back of large capital commitments to upgrade the South African Advanced Air Traffic System (SAAATS) to Collaborative Advanced Air Traffic System (CAATS), the Company continued to implement its investment program by spending R113 million and a further commitment of R61 million during the period reported on.

The Company settled its long-term financial obligations during the reporting period. At the time of reporting, ATNS was finalising the agreement with a local financier for a R650 million debt facility. This will be used mainly to fund the capital investment programme envisaged in the new permission period, from 2015 to 2020.

Turnover

Turnover grew by 8% to R1,293 billion (2013: R1,196 billion) as a result of airlines using larger aircrafts, which attracted higher tariffs compared to smaller aircrafts. In addition, the weakening Rand contributed positively to turnover received from our VSAT networks for which services are charged in US dollars.

Operating costs increased by 6% to R981,0 million (2013: R925,8 million) mainly due to increased staff costs. Equally, the weakening Rand contributed to the increase in operating costs as some costs were paid in foreign currency. Graph 3 on page 34 depicts the composition of operating costs. The operating profit margin increased in the prior year. As a result, the cash flow margins improved by 2% to 30% from the prior year. Similarly the Company experienced an increase on the Return on Assets (ROA) from 16% to 19%. This is attributable to the continued extraction of value from the Company's assets without jeopardising the safety of ATNS's Users. The Company's statement of abridged comprehensive income and financial position at the reporting period are depicted below:

Table 4: Abridged statement of comprehensive income as at 31 March 2014

	2014 R	2013 R
Turnover	1,292,712,925	1,195,896,756
Operating profit	311,398,018	250,358,560
Profit before taxation	338,869,056	269,202,029
Income tax expense	(94,606,801)	(74,397,950)
Profit for the year	244,262,255	194,804,079

Table 5: Abridged statement of financial position as at 31 March 2014

	2014 R	2013 R
Assets		
Non-current assets	837,317,142	847,577,018
Current assets	1,026,113,943	881,508,373
Total assets	1,863,431,085	1,729,085,391
Equity and liabilities		
Total equity	1,626,356,259	1,382,094,004
Non-current liabilities	83,371,450	131,518,189
Current liabilities	153,703,376	215,473,198
Total equity and liabilities	1,863,431,085	1,729,085,391

The plan to grow the non-regulated turnover continued albeit at a slow pace, with this remaining at 10% of the total turnover. This is due to the alignment and capacity enhancement required to position the Company for growth.

Cash Flow

The Company settled its long-term financial obligations during the reporting period. At the time of reporting, ATNS was finalising the agreement with a local financier for a R650 million debt facility. This will be used mainly to fund the capital investment programme envisaged in the new permission period from 2015 to 2020.

The Company's net movement on cash and cash equivalents at the end of the reporting were as depicted below:

Table 6: Abridged statement of cash flows as at 31 March 2014

	2014 R	2013 R
Net cash flow from operating activities	319,558,134	273,913,599
Net cash flow from investing activities	(113,418,392)	(20,709,156)
Net cash flow from financing activities	(118,979,122)	(86,167,807)
Net increased in cash and cash equivalents	87,160,620	167,036,636

Regulated Business

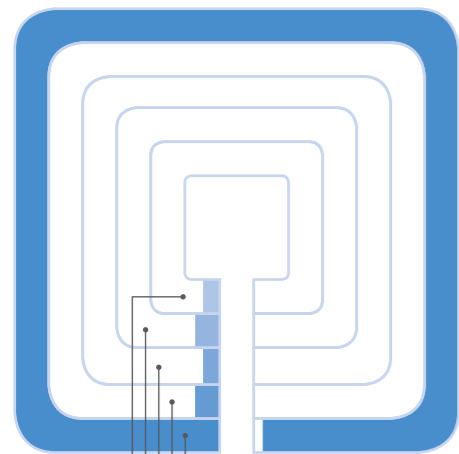
This was the final year of the current permission, and the consultation process for the new permission application started in earnest as early as November 2013. It is anticipated that the submission for the new permission will be concluded by November 2014 which will lead to the promulgation of new tariffs in 2015 by the Regulating Committee.

As reported in the past financial period, the Company was in the process of developing a B-BBEE strategy. This was done and implemented under the reporting period. The Company will be aggressive in ensuring a successful implementation of this strategy in the coming financial period. The focus as reported previously will be on corporate social responsibility, enterprise development and preferential procurement.

Non-Regulated Business

The plan to grow the non-regulated revenue continued, albeit at a slow pace, with this remaining at 10% of total revenue. This is due to the alignment and capacity enhancement required to position the Company for growth.

Graph 2: ATNS revenue sources



- 90% - En-route and approach fees
- 3% - SADC VSAT 11
- 2% - NAFISAT Revenue
- 3% - Small Aerodrome fees
- 2% - Other

To conclude

The Board of Directors applied its collective mind to verify whether or not the Company will be a 'going concern' in the foreseeable future. This was done by assessing ratios which indicate the ability of the Company to honour both its long-term and short-term financial obligations. Compliance with loan covenants from the financiers was also considered, which indicated that the Company complied with all the requirements of the loan covenants from its financiers before they were settled. Based on this, the Board concluded to prepare the financial statement on a going concern basis as referenced in the Directors' report.

William Ndlovu

July 2014

Graph 3: Composition of operating costs



Expenditure composition

- 11% - Depreciation costs
- 63% - Staff costs
- 26% - Other expenses

- 11%
- 63%
- 26%





ATNS is committed to sound corporate governance practices, which are continuously reviewed to ensure leading practice standards are maintained, as are applicable to a State-Owned Company, and as recommended by the King Code of Governance for South Africa (2009) (King III). As a State-owned Company, ATNS is governed in terms of the Companies Act and the requirements of the Public Finance Management Act (PFMA) of South Africa. Section 52 of the PFMA requires that the Shareholder and the Board of Directors conclude a Shareholder's Compact, which includes Key Performance Areas (KPA's) and associated Key Performance Indicators (KPI's). The Shareholder monitors the Board's performance with respect to these KPAs through the submission of quarterly reports. Further, the Board of Directors is required to submit a Corporate Plan to the Shareholder. During the year, the Board complied with these statutory requirements.

Ethical leadership and corporate citizenship

The Board of Directors and senior management are committed to the highest standards of corporate governance and strive to achieve the highest moral and ethical business standards, as well as sound and transparent business practices. ATNS embraces the principles of good corporate governance in order to ensure that an ethical foundation exists which promotes, inter alia:

- Responsibility – by assuming responsibility for the actions of the Company and being willing to take corrective actions to keep the Company on a strategic path that is ethical and sustainable.
- Accountability – by being able to justify its actions and decisions to its Shareholder, the Department of Transport, and other stakeholders.
- Fairness – by giving fair consideration to the legitimate interests and expectations of all stakeholders.

Table 7: Alignment with King III Principles – Ethical leadership and corporate citizenship

King III principle	Apply	Partially apply	Under review / not applied
Effective leadership based on an ethical foundation	✓		
Responsible corporate citizen	✓		
Effective management of company's ethics	✓		

- Transparency – by disclosing information in a manner that enables stakeholders to make an informed analysis of the Company's performance and sustainability.

Application of King III

The Board of Directors is committed to complying in all material respects with the principles contained in the King III Code, as well as to the additional requirements for good corporate governance stipulated in the Public Finance Management Act. ATNS's Internal Audit function has performed a thorough review of the implications of King III and, where appropriate, the corporate governance structure has been amended to comply with the Code.

During the reporting year the Company complied with all aspects of the Code, except that non-executive directors' fees are determined by National Treasury. IT governance was rated below '3' in terms of King evaluation by ATNS's Board of Directors. Directors' fees are efficiently determined for the Company given that attendance fees as well as a performance appraisal system are in place to address non-attendance at meetings.

The Board of Directors



Refer to the ATNS Board Structure on page 48 of this report.

Period of office of board members

The appointment of directors is governed by the Memorandum of Incorporation. All non-executive directors are appointed for specific terms and reappointment is not automatic. The shareholder at the AGM can retire and reappoint available directors despite their contract terms being for a period of three years.

Board and committee evaluations

The performance of the Board is evaluated on an annual basis and includes:

- An assessment of the performance and effectiveness of the Board as a whole and that of individual directors, including the CEO of the Company and the Company's CFO;
- A peer evaluation by all directors ranking their fellow directors on contribution to the Board; and
- An evaluation of each committee by members of the committee, focusing on effectiveness of the Chairperson and contributions of individual committee members.

The evaluation process takes place by way of evaluation questionnaires based on the observations and experiences of board members throughout the year. The results are discussed by the Board and one-on-one meetings are held with directors to discuss the results of the evaluations and to propose developmental actions, should they be required.



Refer to page 43 for an overview of the independent performance evaluation performed of the Board, its committees and directors.

Roles and responsibilities

Chairman of the Board and Chief Executive Officer

The roles of the Chairman of the Board and the Chief Executive Officer are separate with clearly defined individual responsibilities. The Chairman is responsible for leading the Board of Directors and ensuring its effectiveness. The Chief Executive Officer is responsible for the execution of ATNS' strategy and the Company's day-to-day operations. He is supported by the Executive Committee, which he chairs.

Independent non-executive directors

The independent non-executive directors possess varied skills and experience from diverse industries. They are principally free from any business relationships that could hamper their objectivity or judgement in terms of the Company's business and activities. All the independent non-executive directors have unrestricted access to the Company's information, documents, records and property in the interest of fulfilling their responsibilities as non-executive directors. The independent non-executive directors contribute a multiplicity of skills, business acumen, independent judgement and experience on many varied issues, including strategy, planning, risk management, corporate governance, operational performance and leadership. Directors' independence is determined according to the definition in the King III Code, which includes the number of years a director has served on the Board of Directors.

Company secretary

During the year, the Board considered the competence, qualifications and performance of the Company Secretary. The Board is satisfied that the Company Secretary is competent and has the requisite knowledge to serve in this capacity.

The Board confirms that the Company Secretary maintains an arm's-length relationship with the Board when carrying out his duties and is not a director within ATNS.



Refer to page 50 for a biography on Mr S. Mngomezulu.

Appointment of directors

The appointment of directors to the Board is a formal and transparent process and a matter for the Board of Directors as a whole. The appointment of directors is facilitated by the Human Resources Committee (HRC), which also serves as the Nominations Committee. The Human Resources Committee (HRC) is constituted of non-executive directors, the majority of whom are independent. The committee is chaired by the independent non-executive director.

All appointments are subject to approval by the Government Cabinet, as well as fit and proper tests in terms of the Public Finance Management Act, the Companies Act, and any other applicable legislation. All directors' appointments are subject to shareholder approval at the annual general meeting immediately following the date of their appointment.

Induction and training

The induction, training and development of directors are channeled through a process consisting of:

- Providing directors with information relating to policies, processes, charters, minutes of meetings, results, financials and other material relevant to their taking up office as directors.
- Affording directors an open invitation to visit the operational divisions of ATNS to meet with management and attend management meetings.
- Encouraging all directors to attend external courses presented by an institution of their choice, at the business's cost.

Access to information

The Board of Directors 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.

Independent advice

In allowing the Board to discharge its corporate responsibilities by exercising the care that an ordinary prudent person would exercise under similar circumstances, the Board and the board committees may engage the services of external experts at ATNS's expense.

Succession planning

The Human Resources Committee (HRC) and the Social Ethics Committee (SEC) review succession planning as a regular item on their respective agendas.

The Human Resources Committee (HRC) of the Board, in line with its terms of reference, and from time to time, reviews the general composition of the Board and makes appropriate recommendations on the appointment of new executive or non-executive directors.

Conflict of interest

All directors are required to disclose any conflict or potential conflict of interest that they may have with regard to any activity within the Company, or any matter discussed at Board and committee meetings.



Conflict of interest resolution

The fiduciary duties of ATNS's directors are codified in the Companies Act. The latter prohibits the use of position, privileges or confidential information for personal gain or improper personal benefit.

In instances where an independent non-executive director or a prescribed officer has any direct or indirect personal or private business interest in a matter, he or she must be recused from the proceedings when such a matter is considered, unless the Board of Directors or Executive Committee decides that the member's interest in the matter is either immaterial or irrelevant.

To reduce possible fraud or corruption by ATNS staff and trading partners, all gifts offered by suppliers to ATNS officials must be formally disclosed in the gift register as per the Conflict of Interest Directive. Gifts of a potentially significant monetary value should not be accepted, and any such offer must be disclosed to the employee's line manager, from whom guidance should be sought if in any doubt as to

whether or not the offer of a gift is regarded as being of significant value. A gift declaration register is maintained and updated on an on-going basis.



Code of Ethics

ATNS's Code of Ethics enables a culture of entrenched values and norms that guide the behaviour of the Company's employees. The Code aims to instil ATNS' shared value system which includes the broad values of accountability; safety and customer service; continuous improvement and innovation; employee engagement and development; fairness and consistency; and open and effective communication.

The Code commits the Executive Directors and employees to the highest standards of ethical behaviour and all ATNS employment contracts reference the Code. The Company's service providers, suppliers and trade partners are also subject to the Code in that they are required to sign the Procurement Code of Conduct, which is based on the Company's Code of Ethics.

The Executive Human Capital is responsible for the development, review and implementation of the Code. The Code was reviewed during the year and is due for review again in 2015. The Code informs fraud and corruption awareness training, and is accessible to all ATNS employees on the Company's intranet. **The Code is accessible to the general public online at <http://www.atns.co.za/annual-reports>.**



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. ATNS has a Materiality and Significance Framework to monitor and manage the risk of material losses through criminal conduct, irregular expenditure, and fruitless and wasteful expenditure. It is the responsibility of the Minister of Transport (with whom rests the primary responsibility for appropriate ATNS oversight and accountability to Parliament) to ensure that these risks are identified, reduced and managed. The ATNS Significance Framework is designed to assist the Minister in discharging this responsibility.

Table 8: Alignment with King III Principles – role and function of the Board

King III principle	Apply	Partially apply	Under review / not applied
The Board is the focal point for and custodian of corporate governance	✓		
Strategy, risk, performance and sustainability are inseparable	✓		
Directors act in the best interests of the Company	✓		
The Chairperson of the Board is an independent non-executive director	✓		
Framework for the delegation of authority has been established	✓		
The Board comprises a balance of power, with a majority of non-executive directors who are independent	✓		
Directors are appointed through a formal process	✓		
Formal induction and on-going training of directors is conducted	✓		
The Board is assisted by a competent, suitably qualified and experienced company secretary	✓		
Regular performance evaluations of the Board, its committees and the individual directors are performed	✓		
Appointment of well-structured committees and oversight of key functions	✓		
Directors and executives are fairly and responsibly remunerated	✓		
Remuneration of directors and senior executives is disclosed	✓		
The Company's remuneration policy is approved by its Shareholder	✓		

Audit and Risk Committee

The Board of Directors is continuously kept apprised of risks facing the business. The Audit and Risk Committee supports the Board in this task by ensuring an effective risk-based internal audit function and enterprise-wide risk governance. The committee provides the Board of Directors with regular risk reporting as well as feedback on the status of the Company's control environment.

The Audit and Risk Committee ensures that the combined assurance received is appropriate to address the significant risks facing ATNS. The combined assurance model consists of management, the Audit and Risk committee, and internal assurance providers (i.e. finance, internal audit, risk and various external assurance providers). Table 9 outlines the King III principles that define the scope of the Audit and Risk Committee's risk governance responsibilities.

Table 9: Alignment with King III Principles – Governance of risk

King III principle	Apply	Partially apply	Under review / not applied
The Board is responsible for the governance of risk and setting levels of risk tolerance	✓		
The Audit and Risk Committee assists the Board in carrying out its risk responsibilities	✓		
The Board delegates the process of risk management to management	✓		
The Board ensures that risk assessment and monitoring is performed on a continual basis	✓		
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓		
Management implements appropriate risk responses	✓		
The Board receives assurance on the effectiveness of the risk management process	✓		
Sufficient risk disclosure to stakeholders	✓		

The governance of information technology (IT)

The IT Steering Committee, chaired by the ATNS CEO, assists the Board in discharging its duties relating to IT performance management, ensuring that IT governance supports the effective and efficient management of IT resources, and facilitates the achievement of the Company's strategic objectives.

The main objective of the IT Steering Committee is to ensure that IT strategic objectives are aligned with changes in ATNS' strategic needs, and judiciously manages IT risks and identifies opportunities to be acted on.

The ATNS Risk and Capital Management Committee measures the Company's overall exposure to IT risks and ensures that proper processes are in place to manage these risks. The responsibility for the implementation of IT governance is assigned to the Chief Information Officer.

IT governance

The IT governance process establishes a formal regulatory framework to govern ATNS's information technology (IT) function and establishes a platform from which to develop processes and procedures to support the governance framework.

During 2013, audit firm KPMG performed a formal gap analysis to determine the current ATNS Governance maturity level, as well as to determine the ATNS Board and Management interventions required to ensure that the Company's IT governance complies with the KING III Code. According to the KPMG audit, in the last three years, ATNS has improved from a 'Level 2' to 'Level 4' on aspects of governance. There are still areas of improvement and this will be the focus for IT in the year ahead to ensure that maturity levels are raised in all areas.

Table 10: Alignment with King III Principles – IT Governance

King III principles	Apply	Partially apply	Under review / not applied
The Board is responsible for IT governance	✓		
IT is aligned with the performance and sustainability objectives of the Company*		✓	
Management is responsible for the implementation of an IT governance framework	✓		
The Board monitors and evaluates significant IT investments and expenditure	✓		
IT is an integral part of the Company's risk management*		✓	
IT assets are managed effectively	✓		
The Audit and Risk Committee assist the Board in carrying out its IT responsibilities	✓		

* Explained in the paragraphs above

Compliance with laws, codes, rules and standards

The Board recognises its accountability to all ATNS' stakeholders under the regulatory requirements applicable to its business and remains committed to high standards of integrity and fair dealing in its conduct. Given the importance of complying with the ever-increasing domain of regulatory requirements, and the increased national and international emphasis placed on regulatory supervision, the Board of Directors, Executive Committee and employees continue to monitor, align and adhere to compliance requirements. Further, ATNS remains vigilant in monitoring material risks and developing an appropriate control environment to ensure company-wide compliance.

During the year, there were no material – or immaterial, but often repeated – regulatory penalties, sanctions, fines for contravening or non-compliance with statutory obligations imposed on the Company, its officers or its directors.

The responsibility for effective implementation of compliance throughout ATNS has been delegated to the ATNS Compliance Officer. The compliance function enables the business to adhere to applicable regulatory requirements by ensuring that actions, processes and procedures are risk-appropriate and that the business can achieve its business goals without fear of penalties and loss of reputation.

Incidents of non-compliance are reported to the responsible executives or heads of business units, divisions, departments or subsidiaries for prompt resolution. The office of the ATNS Compliance Officer is also charged with the responsibility of assisting, guiding and advising the various business units, divisions, departments and subsidiaries within ATNS on how to discharge their duties in managing their compliance responsibilities and obligations.

The ATNS Audit and Risk Committee oversees compliance matters within ATNS. The Committee requires that:

- the Compliance Officer reports non-compliance with laws and regulations or supervisory requirements to the Audit and Risk Committee; and
- the Compliance Officer submits a report on the level of compliance with laws and regulations or supervisory requirements at every meeting of the Audit and Risk Committee.

The ATNS Compliance Officer has a direct reporting line to the ATNS Audit and Risk Committee and unrestricted access to the Chairperson of the committee.

Table 11: Alignment with King III Principles – Compliance with laws, codes, rules and standards

King III principle	Apply	Partially apply	Under review / not applied
The Board ensures that the Company complies with relevant laws	✓		
The Board and directors have a working understanding of the relevance and implications of non-compliance	✓		
Compliance risk forms an integral part of the Company's risk management process	✓		
The Board has delegated to management the implementation of an effective compliance framework and processes	✓		

Internal audit

The ATNS internal audit function is an essential management tool and one of the measures put in place by ATNS to maintain the integrity, adequacy, efficiency and effectiveness of ATNS's financial and other risk management control systems.

The scope of the Company's internal audit function encompasses the examination and evaluation of the adequacy and effectiveness of ATNS' system of internal control, information systems, governance processes and the quality of performance in carrying out assigned responsibilities.

To ensure independence, ATNS Internal Audit is directly responsible to the Audit and Risk Committee and will remain independent of all line and functional management.

ATNS Internal Audit is responsible for utilising a systematic, disciplined approach to evaluating and improving the effectiveness of internal controls, which includes:

- Developing and maintaining a comprehensive audit programme to ensure compliance with accounting standards, policies and procedures necessary to safeguard assets.
- Communicating results of reviews by preparing timely reports, including recommendations for modifications of management practices, fiscal policies and accounting procedures as justified by audit findings.

Table 12: Alignment with King III Principles – Internal audit

King III principle	Apply	Partially apply	Under review / not applied
Effective risk-based internal audit	✓		
Written assessment of the effectiveness of the Company's system of internal controls and risk management	✓		
Internal Audit is strategically positioned to achieve its objectives	✓		

Governing stakeholder relationships

ATNS recognises that it does not operate in a vacuum and is therefore cognisant of the environment within which it operates and its direct and indirect impact on its stakeholders, thereby informing how it conducts its business. ATNS strives to maintain proactive engagement with its relevant stakeholder groupings to manage expectations and reputational risks as well as align the Company's objectives with those of its stakeholders.

The Board further undertakes to use its best efforts to balance the diverse interests of ATNS' stakeholders and to engage stakeholders on material issues that may impact the Company's long-term economic, social and environmental sustainability

Table 13: Alignment with King III Principles – Stakeholder relationships

King III principle	Apply	Partially apply	Under review / not applied
Appreciation that stakeholders' perceptions affect the Company's reputation	✓		
Management proactively deals with stakeholder relationships	✓		
There is an appropriate balance between its various stakeholder groupings	✓		
Equitable treatment of stakeholders	✓		
Transparent and effective communication to stakeholders	✓		
Disputes are resolved effectively and timeously	✓		

Integrated reporting and disclosure

Through its integrated reporting, ATNS aspires to provide a comprehensive and integrated representation of the Company's performance in terms of both its finances and its sustainability.

The ATNS Integrated Report is published annually and presents an overview of ATNS's activities, practices and financial performance for the year. ATNS' sustainability reporting, whilst contained in a stand-alone volume (in a suite of three volumes, including this report), is aligned with the financial reporting, and presents a balanced analysis of the Company's sustainability performance strategy in relation to issues that are relevant and material to ATNS and its stakeholders.

The Integrated Report is reviewed by the Audit and Risk Committee and the Board to satisfy themselves of the materiality, accuracy and balance of disclosures. In addition, various aspects of the integrated report are independently assured by a number of assurance providers.



Refer to page 58 of this report for an overview of internal and external assurance providers.

Table 14: Alignment with King III Principles – Integrated Reporting

King III principle	Apply	Partially apply	Under review / not applied
Ensures the integrity of the Company's integrated report	✓		
Sustainability reporting and disclosure is integrated with the Company's financial reporting	✓		
Sustainability reporting and disclosure is independently assured*		✓	

* Explained in the paragraphs above

Independent performance evaluation of the Board, its committees and directors

An annual independent Board evaluation is performed to assess the effectiveness of the Board as a unit; and to measure the effectiveness of the Board Committees and the individual contributions of the directors. The process is managed by independent service providers, thereby ensuring objectivity and independence.

The ATNS Board appointed the Institute of Directors in Southern Africa (IoDSA) to facilitate its Board appraisal in March 2013. The appraisal was facilitated in two components:

1. A questionnaire, in terms of which a quantitative report was issued.
2. An interview process, in terms of which a qualitative report was issued.

Findings were considered by the Board on 25 April 2014. There was overall satisfaction in terms of the Board dynamic and marked improvement from the previous year.

Summary of findings

Board performance was rated in terms of the following six attributes:

- Board composition
- Board responsibilities
- Committees of the board
- Relationship of board with management
- Relationship with shareholders and other stakeholders
- Board meetings.

ATNS was generally rated positive in terms of all comments received. Further, according to IoDSA, the Board has significantly more areas that are viewed as performing well and should be congratulated for this. From the IoDSA's experience these scores rank in the top quartile of the companies for which assessments have been facilitated.

The Board was considered to be generally well balanced, with the right mix of skills, capabilities and experience. There is a strong contingent of business people on the Board, which brings new views to the table.

As regards additional skills required on the Board, there were views expressed for the following: (a) venture capital skills (b) technology skills (c) IT skills (d) air traffic controller (e) legal person (e) engineering background. In terms of feedback received, it appeared that none of these were of critical urgency, but would add to the Board's overall skills set.

Table 15: Table of IoDSA findings

Governance area	Average score	Comment summary	Detailed report reference
Board composition	3.2	Areas that scored below 3: A1 – Succession planning at board level (2.8) A10 – Rotation of directors (2.8) Please also see detailed notes for comments raised in regard to the above matters, noting that board appointments are subject to Ministerial approval	C1
Board responsibilities	3.3	Areas that scored below 3: B5 – IT Governance (2.3) Please also see detailed notes for comments raised in regard to the above matter.	C2
Committee of the Board	3.5	All areas scored above 3. Generally the committees were rated highly (highest overall score of all categories), although noting that the Social and Ethics Committee is relatively new and the need for the Procurement Committee to be more strategic. No additional comments.	C3
Relationship with management	3.1	Areas that scored below 3: D3 – Flow of information to the board (2.8) D5 – Succession planning (2.7) Please also see detailed notes for comments raised in regard to the above matter.	C4
Relationship with stakeholders	3.1	No additional comments. All areas scored above 3, although there were some comments raised by board members. Please see detailed notes for comments.	C5
Board meetings	3.1	Areas that scored below 3: F5 – Updates between board meetings (2.9) F6 – Response times (2.9)	C6

A view was also expressed that the Board is 100% black, and was therefore not representative of the SA demographics. It was mentioned that discussions have been held with the Minister as regards the Board vacancies. Should these be filled, it will be possible to take on more committee members, and increase the capacity at committee level. It was mentioned that now that the permanent CEO is appointed, more focus can be given to filling the Board vacancies with candidates to enable the achievement of certain strategies. A view was expressed that it would be preferable for the ATNS Board to have a greater say in Board Member appointments. A Board skills gap analysis / matrix should be done to further clarify and document the current skills and further skills required.

Generally, it was felt that the Board had performed well as a unit over the past year. A view was expressed that, although there are matters that ATNS would like to roll out, there are certain restrictions under the Air Traffic Navigations Services Control Act. The Company can also only move at the pace of Government's own volition, which can lead to a delay in the roll-out of plans. It was mentioned that the Board is looking at the right areas and guiding / advising management as required.

The general view was that there are open lines of communication between Board Members, and the CEO and management. As regards the relationship with the Minister of Transport, this was also rated positively. Further, a control process is being implemented in respect of channels of communication between ATNS and DoT where all communication goes via one channel rather than multiple levels and several different people responding. With the Africa strategy, on-going ministerial support will be important as engagement at ministerial level in other African countries will be required.

It was expressed that the Company has good relationships with other key stakeholder such as the airlines, Civil Aviation Authority, Airports Company SA, and so forth; and a stakeholder engagement process is in place. From an airline industry perspective, ATNS tariffs are a key issue, and it is important that ATNS shows good value for money to the airlines. Tariff request approvals to Government have generally gone smoothly with no major issues. There was, however, a view expressed for more work to be done in the communities surrounding ATNS' sites.

Graph 4: Board performance against benchmark: 2010 – 2013.

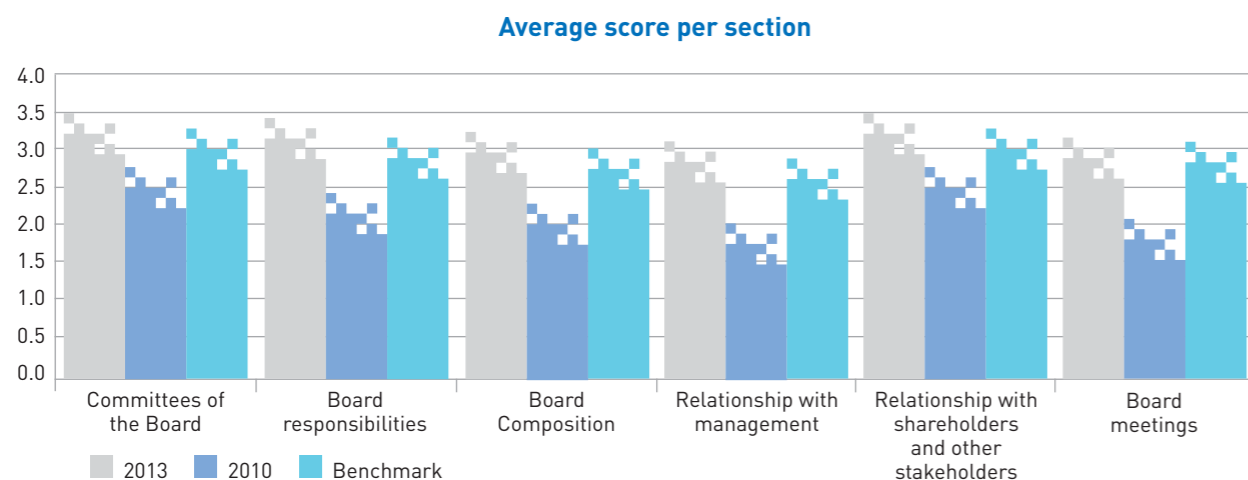
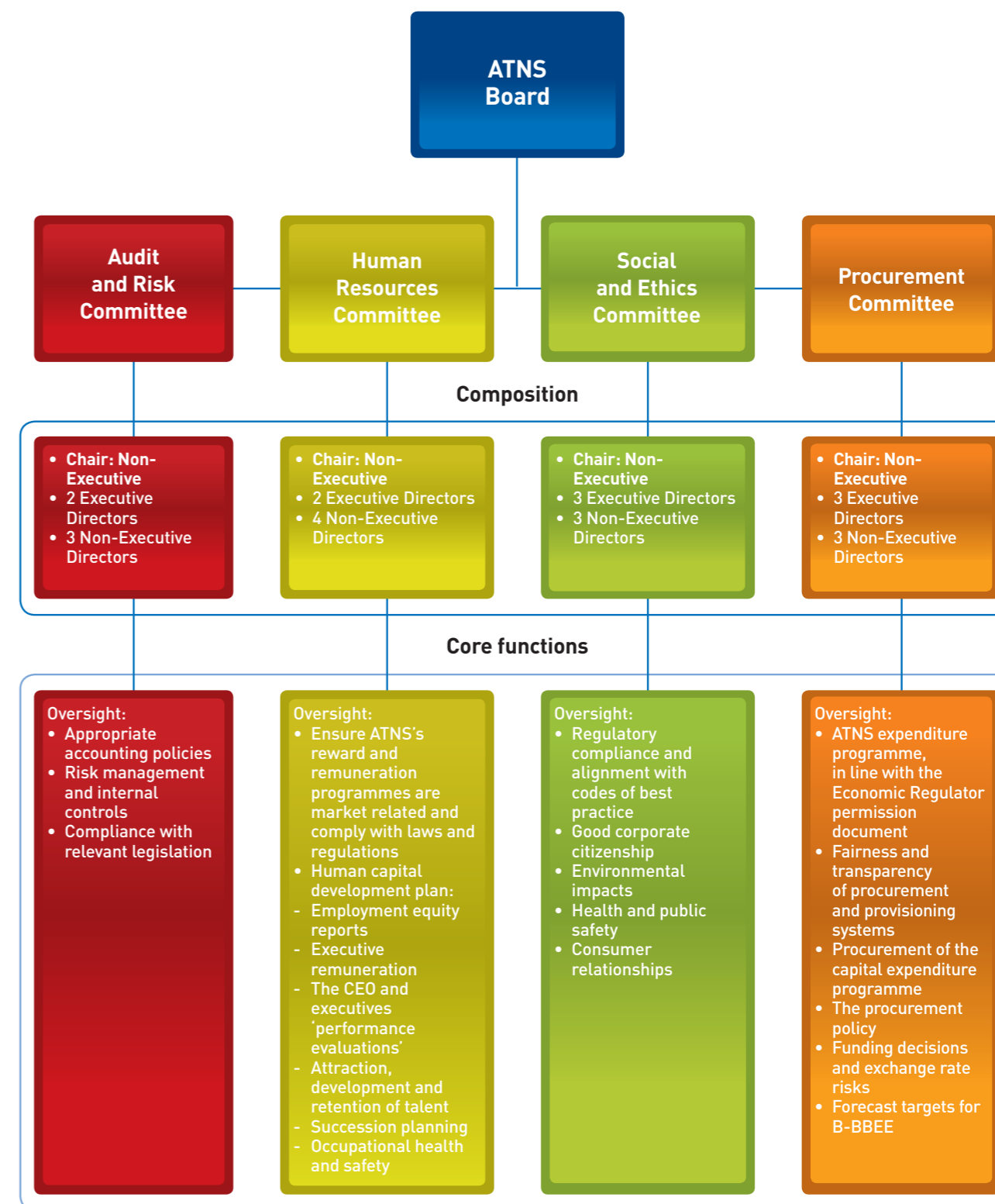


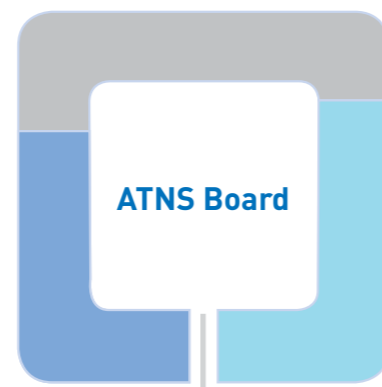
Table 16: Variance between ATNS's performance against the average scores of similar entities

Governance areas	2013	Benchmark	% Variance
Board composition	3.2	3.0	5
Board responsibilities	3.3	3.1	5
Committees of the Board	3.5	3.2	7.5
Relationship with management	3.1	2.9	5
Stakeholder relationships	3.1	2.8	7.5
Board meetings	3.1	3.1	0
Overall	3.2	3.1	2.9

Figure 9: ATNS Board Committee Structure



- Executive Male: 2
- Executive Female: 0
- Non-Executive Male: 3
- Non-Executive Female: 3



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.



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.



Sindi Zilwa

Ms 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 (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. Ms Zilwa is also a non-Executive Director of the following listed companies: Aspen Limited, Discovery Limited, Rebosis Limited and Woolworths Limited.



Thandeka Mgoduso

Ms 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 Hulett's and BIOSS, SA. Ms Mgoduso is the Executive Chairman of Jojose Investments (Pty) LTD.

Thabani Mthiyane

Mr Mthiyane has more than 10 years' experience in the aviation sector, specialising in air traffic management (ATM). He has held various senior management positions at ATNS, notably in the areas of maintenance policy development, the management of capital projects as well as leading the technology team as part of the Executive team. An engineer by profession, Mr Mthiyane has held various senior management positions within this discipline at the following companies: ESKOM, Transnet Ports Authority and NERSA. He is a registered Professional Engineer with the Engineering Council of South Africa (ECSA) and a member of both the South African Institute of Electrical Engineers (SAIEE) and the Institute of Directors Southern Africa. He served as a Trustee in the ATNS pension fund and as a member of the Air Services Licensing Council. He presently serves as Chairman of the Civil Air Navigation Organization (CANSO) for the Africa Region.



William Ndlovu

Mr William Ndlovu is a Chartered Accountant (South Africa) and served his articles at Pricewater-houseCoopers. He joined ATNS in October 2008 as Head of Internal Audit and formed part of the executive team. Before joining ATNS, Mr Ndlovu was Group Manager for Kagiso Media Limited, a company listed on the JSE securities. He currently serves on the Board of Trustees of the ATNS Retirement Fund and is former member of the Audit Committee of the Department of Corporate Governance and Traditional Affairs (COGTA). Mr Ndlovu holds an MBA from both Georgetown University in the USA and Esade Business School in Spain.



Kgathatso Tlhakudi

Mr 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, Mr Tlhakudi was Head of Aircraft Systems Acquisition at ARMSCOR. He has also worked for Volkswagen South Africa and Denel and has extensive experience in the aviation, defence and automotive industries.



Sipho Mseleku

Mr 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 NAFCO, the Black Business Council, CHAMSA, BUSA and NEDLAC, to name a few.



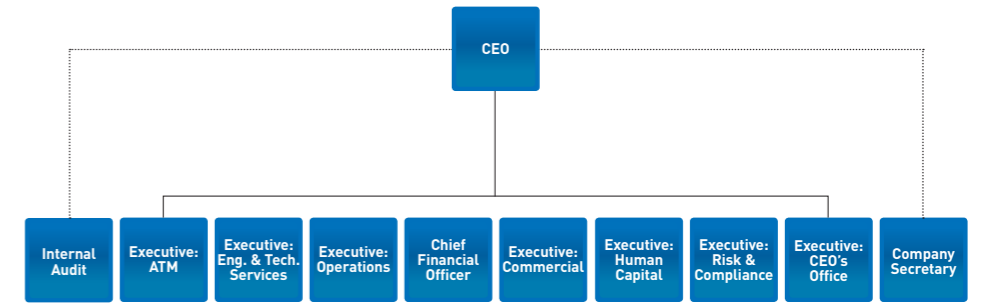
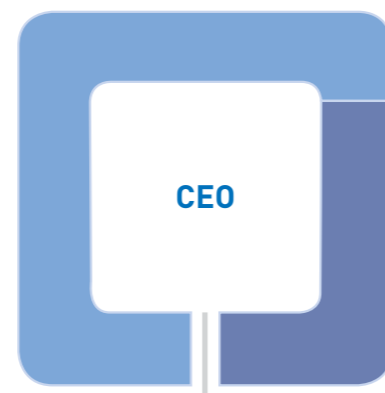
Major General Fabian Msimang: Due to his commitment to the SA Force, he will be formally relieved of his duties at the AGM.

Mr V.N. Magwentshu resigned as director at ATNS due to other personal commitments.

Organisational structure: ATNS Board

	Mpho Mamashela	Hlengiwe Makhathini	Thandeka Mgoduso	Kgathatso Tlhakudi	Sipho Mseleku	Sindi Zilwa
Qualifications	<ul style="list-style-type: none"> SAA Pilot German Commercial Pilots licence and Flight Operations Management 	<ul style="list-style-type: none"> B. Com (Accounting) B. Com Hons (Accounting) Member of SAICA 	<ul style="list-style-type: none"> Master's in Clinical Psychology (Wits University) BA Honours (University of Fort Hare) Research fellow in Psychotherapeutics and Psycho-Diagnostics (Free University, Berlin, Germany) 	<ul style="list-style-type: none"> BSc Engineering degree (WITS University) Master's in Business Administration (University of Cape Town). Diplomas in Project Management and Acquisition Management (University of North-West) 	<ul style="list-style-type: none"> BA (Hons), LLB, LLM (Tax Law) H.Dip Co Law (WITS University) F.Inst.D Attorney of the High Court of South Africa 	<ul style="list-style-type: none"> BCom Accounting BCom Accounting Science BCompt Hons, Certificate in the Theory of Accountancy Advanced Taxation Certificate (UNISA) Advanced Diploma in Financial Planning (UOFS) Advanced Diploma in Banking (RAU) CA (SA)
Date appointed	01 March 2008	01 March 2008	01 March 2012	01 March 2012	01 March 2012	01 March 2012
Committee membership	<ul style="list-style-type: none"> Board HRC SEC 	<ul style="list-style-type: none"> Board ARC 	<ul style="list-style-type: none"> Board HRC Procom 	<ul style="list-style-type: none"> Board Procom ARC 	<ul style="list-style-type: none"> Board HRC SEC 	<ul style="list-style-type: none"> Board SEC ARC
Chairman/ Member	Board: Chairman HRC: Member SEC: Member	ARC: Chair	HRC: Chairman Procom: Member	Procom: Chairman ARC: Member	HRC: Member SEC: Member	SEC: Chairman ARC: Member
Director	Non-Executive	Non-Executive	Non-Executive	Non-Executive	Non-Executive	Non-Executive
Number of scheduled meetings	Board = 4 SEC = 4 HRC = 4 ARC = 4 Procom = 4	Board = 4 SEC = 4 HRC = 4 ARC = 4 Procom = 4	Board = 4 HRC = 4 Procom = 4	Board = 4 SEC = 4 Procom = 4	Board = 4 SEC = 4 HRC = 4	Board = 4 SEC = 4 HRC = 4 ARC = 4 Procom = 4
Attendance	Board = 3 SEC = 4 HRC = 4	Board = 3 ARC = 4	Board = 3 HRC = 4 Procom = 4	Board = 3 ARC = 3 Procom = 4	Board = 3 SEC = 4 HRC = 3	Board = 2 SEC = 4 ARC = 4
Number of Ad hoc meetings/ Attendance	Board = 1/1	Board = 0/1 ARC = 1/1	Board = 1/1 Procom = 1/1	Board = 1/1 Procom = 1/1 ARC = 1/1	Board = 0/1	Board = 0/1 ARC = 1/1
Total Remuneration	R736,985	R322,870	R435,072	R210,269	R330,850	R377,659

- Black Executives: 4
- White Executives: 2
- Indian Executives: 0
- Coloured Executives: 0



Hennie Marais
Executive: Air Traffic Management

Aerodrome, Approach an Area Procedural and Radar validations

Mr Marais 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. Mr Marais is currently a member of the ICAO ATM requirements and performance panel.

Rodney Subramany
Acting Executive: Human Capital

Global Executive Development Programme (GIBS); BCom Honours Degree - Specialisation in HR Management (UNISA); Diploma - Education, Training And Development (Rand Afrikaans University); National Certificate - Electronic Engineering

Mr Subramany started his career with SAA as a Senior Avionics Engineer and a Senior Aeronautical Instructor. After 15 years in Aircraft Maintenance, he joined the CFT group, Edcon, where he served in a management capacity in the areas of Learning and Development for two years before returning to aviation. He has served on ICAO's Training Expert Work Group and was instrumental in defining the framework for Aviation Training Centres of Excellence. Since re-joining ATNS in 2008, Mr Subramany has held the positions of Manager: Training Integrity; Senior Manager: Training and Development; and Acting Head: Aviation Training Academy. He is currently the Acting Executive: Human Capital at ATNS. This portfolio includes the provision of Strategic oversight to the Human Capital department, which includes HR and The Aviation Training Academy.



Peter Marais
Executive: Operations

Electronic Engineer registered with the Engineering Council of South Africa; Project Management qualification; Advanced Executive Program (UNISA School for Business Leadership)

Mr Marais 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. Mr Marais 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. Mr Marais has completed the UNISA Business School's advanced Executive Management Programme.

Dumisani Sangweni
Executive in the Office of the CEO

BSc in Aviation Technology (Embry Riddle Aeronautical University, USA, 1991); Postgraduate diploma: Transport Economics (Rand Afrikaans University, Johannesburg 1997); Postgraduate diploma: Business Administration (PBL) (University of South Africa (UNISA), 1999)

Mr Sangweni has more than 15 years' experience in the airline sector, transport sector and broader corporate and public sectors at the levels of business analyst, consulting and executive management. He was appointed Managing Director and CEO of Air Tanzania Company Limited (ATCL) by the ATCL Board in 2004, a joint venture company between South African Airways and the Government of Tanzania. Prior to this, Mr Sangweni had worked in various commercial executive roles at SAA, including at advisory level in the aviation and broader general transport industries.



Tendani Ndou
Executive: Risk and Compliance

BCom (Hons) Cost Management Accounting (University of Venda); CIA and Certificate in Control Self-Assessment (CCSA) (Institute of Internal Auditors (IIA)); MBA (Georgetown/Esade Universities)

Ms Ndou has served in various management positions, such as General Manager: Internal Audit at City Power; Head of Internal Audit and Risk Management at SALGA; General Audit Manager for the Legal Aid Board, Cluster Audit Manager for Limpopo Provincial Internal Audit; and auditor (team leader) for the Auditor General. She has previously served in a number of Audit and Risk Committees and is currently the Chairman of the Audit and Risk Committee of the South African Nursing Council (SANC). She is also a member of the Institute of Internal Auditors (IIA) South Africa.

Leago Takalani
Acting Executive: Engineering and Technical

Master of Science in Technology Management (University of Pretoria); Bachelor of Technology in Electrical Engineering (University of Johannesburg)

Ms Takalani joined ATNS as the Senior Manager of Technology (R&D) and led the establishment of the ATNS Technology Research and Development Division. Prior to joining ATNS, she worked for Smile Communications (Pty) Ltd as the group's Senior Manager: Programme Management. She also worked for Cell C as Manager: Data & IP services. Further, she was a system planning lead architect and senior specialist in the launch of the Virgin Mobile MVNO in South Africa. She brings with her a plethora of experience in various fields of technology, such as satellite communication, terrestrial transmission, software systems and billing systems. Ms Takalani is a member of the Institute of Directors, Advisory Board member at the University of Pretoria's Department of Electrical Engineering and Computer Systems, as well as a member of the ATNS Ethics Committee.



Mr Solomon Mngomezulu
Company Secretary

BA LLB (University of Durban-Westville); Diploma in Dispute Resolution (Arbitration Foundation of Southern Africa); MBA (Gordon Institute of Business Science (GIBS))

Mr 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. Mr Mngomezulu is a member of the Institute of Directors of Southern Africa, and has studied an MBA with the Gordon Institute of Business Science (GIBS).

Table 17: Departures of senior executives

Executive	Reason for departure
Ms Leago Takalani	Resigned to better opportunity
Ms Mpho Lecoge	Left to pursue other opportunities
Mr Rushj Lehutso	Left to pursue other opportunities

Risk and assurance



Control framework

The Company's control framework encompasses various governance and operational management components, including:

- Internal Audit
- Fraud prevention, detection and investigation.
- Enterprise Risk Management (ERM)
- Performance management (Including safety, health, environment and quality)
- Information technology (IT) management and IT governance*
- Regulatory compliance (including tariffing and the ATNS Permission process)*



Refer to pages 36 to 42 of this report for additional detail on the above components.

Our Mission, Vision and Values form the keystone of our control environment and we emphasise the application of ATNS's Code of Ethics across all our business practices. Monitoring of control efficacy is further facilitated through:

- On-going activities that are built into the Company's normal, recurring operating activities, such as the quality management system and safety regulation assurance.
- Separate evaluations, such as combined assurance and internal auditing activities.
- Monthly risk registers.
- The use of key risk indicators, which enable on-going monitoring of risks to reduce both impacts likelihood of occurrence.
- Monthly monitoring and review of the risk register by the Risk and Compliance department.
- Quarterly monitoring and review of risk management activities by Executive Risk Management and Audit and Risk Committees.

Internal audit

ATNS Internal Audit is an independent appraisal function that provides ATNS management and the Audit and Risk Committee of the Board with assurance on the adequacy and effectiveness of risk management, control and governance processes. ATNS's co-sourced internal audit partners continue to play a vital role in assessing the

adequacy and effectiveness of the Company's internal control systems as well as complementing the in-house internal audit function.

ATNS Internal Audit's three-year audit plan is based on key strategic risks and the internal audit function follows a risk-based approach in executing audits. This ensures that ATNS Internal Audit's focus is aligned with the risk areas of the business.

Our internal audit function has completed all planned audits for the year under review and recommendations were made to management where deficiencies were identified. Significant and major findings were escalated to the Audit and Risk Committee on a quarterly basis. The internal audit function has a continuous follow up process that ensures that internal audit recommendations are implemented by management in a timely manner.

The internal audit function's activities are governed by an Internal Audit Charter which is tabled annually to the Audit and Risk Committee for consideration and approval.

Fraud prevention, detection and investigation

ATNS's Fraud Prevention Plan was developed to comply with Treasury Regulations and the PFMA. The Plan should be read together with the ATNS Fraud Management Policy, Whistle-Blowing Policy and the ATNS Management Directive on Conflict of Interest Directive. The aforementioned policies are available online at <http://www.atns.co.za/annual-reports>

The Fraud Prevention Plan takes into account the risks of fraud as identified in the Company's enterprise risk assessments and details strategic fraud and corruption risks that must be addressed.

The Plan is designed to be dynamic and is continually evolving as ATNS makes changes and improvements in its drive to promote sound ethical behaviour.

The Fraud Prevention Plan provides for mechanisms to achieve the following, amongst others:

- Early detection of fraud.
- The investigation of fraud to minimise negative impacts.
- Specific initiatives to prevent fraud.

Table 18: Board Committee responsibilities with regard to Integrated Reporting elements



Integrated Reporting elements	Required activities	Board Committee
Risks and opportunities	<ul style="list-style-type: none"> • Review adequacy and effectiveness of ATNS's Enterprise Risk Management (ERM) process and associated control environment. • Identify and assess material risks. • Ensure effective mitigation activities to prevent or minimise the adverse impacts of material risks. • Identify opportunities for innovation and growth. 	<ul style="list-style-type: none"> • Audit and Risk Committee
Strategy and resource allocation	<ul style="list-style-type: none"> • Ensure appropriate strategic responses to risks and opportunities. • Ensure appropriate and efficient processes, procedures and policies to provide an enabling environment and structural support to the Company's business. • Ensure appropriate allocation of the various 'capitals', including: <ul style="list-style-type: none"> • Financial capital (e.g., long-term borrowings) • Manufactured capital (e.g., property, plant and equipment) • Intellectual capital (e.g., brands, trade-marks and patents) • Human capital (e.g., permanent employees) • Social and relationship capital (e.g., industry alliances) • Natural capital (e.g., air space, electricity and fuel) 	<ul style="list-style-type: none"> • Audit and Risk Committee • Human Resource Committee • Procurement Committee • Social and Ethics Committee • Safety Committee
Remuneration and incentives	<ul style="list-style-type: none"> • Ensure appropriate, market-related remuneration, linked to performance. • Ensure incentives and rewards are market-related and managed according to performance against targets, as per ATNS' Shareholder Compact and strategic objectives. 	<ul style="list-style-type: none"> • Human Resource Committee • Social and Ethics Committee
Safety and health	<ul style="list-style-type: none"> • Ensure a safe working environment for ATNS employees. • Ensure alignment with global safety standards. • Ensure 'safe procurement'. • Ensure 'safety culture', including safety training. 	<ul style="list-style-type: none"> • Safety Committee • Procurement Committee • Social and Ethics Committee • Human Resource Committee
Organisational transformation	<ul style="list-style-type: none"> • Ensure ATNS B-BBEE Strategy aligns with Dti's Codes of Good Practice. • Maintain and ensure favourable black representation at Board and Top Management levels. • Ensure on-going equal opportunity initiatives. • Ensure that procurement practices align with ATNS's enterprise development (ED) and supplier development (SED) objectives. 	<ul style="list-style-type: none"> • Audit and Risk Committee • Human Resource Committee • Procurement Committee • Social and Ethics Committee
Environmental management	<ul style="list-style-type: none"> • Ensure environmental sustainability through the management of carbon emissions and energy efficiency. • Ensure responsible operational impacts on communities and biospheres (e.g., noise reduction). • Ensure environmental risk management and compliance. • Ensure organisational awareness for environmental sustainability issues. • Ensure environmentally responsible procurement practices. • Ensure 'Green technology' practices. 	<ul style="list-style-type: none"> • Audit and Risk Committee • Social and Ethics Committee • Human Resource Committee • Procurement Committee
Stakeholder engagement and relationship management	<ul style="list-style-type: none"> • Ensure positive stakeholder relationship engagement and management. • Ensure proactive support for suppliers and constructive supplier management. • Ensure positive employee relations and encourage adherence to ATNS's Code of Conduct and embed the Company's Values throughout the organisation. • Ensure proactive SLA compliance management with suppliers. • Ensure an enabling work environment for employees to achieve their professional and personal goals, share ideas, communicate openly and report concerns. 	<ul style="list-style-type: none"> • Social and Ethics Committee • Procurement Committee • Human Resource Committee • Audit and Risk Committee

Table 19: Overview of ERM framework linked to strategic objectives



Risk No.	Strategic objectives impacted	Risk name	Risk owner	Key mitigation plans
1	<ul style="list-style-type: none"> Build a culture of safety Ensure long-term sustainability Develop leadership capability in the Africa ATM space 	Major safety event, e.g. mid-air collision	Chief Executive Officer	<ul style="list-style-type: none"> The introduction of supervisors in Operations. Demand and capacity balancing in terminal airspaces participation in national airspace design review. Review, redesign and new procedure development. Introduction of automated processes / system (rostering tool) PANSOPS training for identified individuals.
2	<ul style="list-style-type: none"> Enhance operational efficiencies in line with global ATM standards Build a skilled and capable employee resource base Create a transformative organisation Develop leadership capability in the Africa ATM space 	Critical skills in global demand	Executive Human Capital	<ul style="list-style-type: none"> Implementation of human capital plan to address skills shortages. Workshop the internal parity exercise for ET instructors. Formalising benchmarking process. Review and development of ATNS training strategy Implementation of training strategy. HC to formalise Succession Planning for core critical positions.
3	<ul style="list-style-type: none"> Build a culture of safety Build a skilled and capable employee resource base Enhance operational efficiencies in line with global ATM standards 	Reliance on third party service providers	Executive Engineering and Technical Services	<ul style="list-style-type: none"> Annual review of the SLAs. Annual review of the disaster recovery plans. Regular testing of the contingency plans.
4	<ul style="list-style-type: none"> Enhance operational efficiencies in line with global ATM standards Build a culture of safety 	Physical security of infrastructure	Executive Engineering and Technical Services	<ul style="list-style-type: none"> Compliance with national key point security objectives. Monitor the security incidents and improve security on a need basis. Employ security personnel at the sites that were vandalized.
5	<ul style="list-style-type: none"> Ensure long-term sustainability 	Financial sustainability	Chief Financial Officer	<ul style="list-style-type: none"> Implementation and continuous monitoring of financial controls
6	<ul style="list-style-type: none"> Enhance operational efficiencies in line with global ATM standards Develop leadership capability in the Africa ATM space Build a culture of safety Manage the organisation's contribution to Climate Change Manage and preserve scarce and vulnerable resources 	Inflexible and inefficient operations	Chief Executive Officer	<ul style="list-style-type: none"> Continuously engage with stakeholders to influence legislation. Participation in development of Airport Slot Management and compliance framework. Participation in national airspace design review. Participation in appropriate ICAO and regional forums. Review, redesign and new procedure development Engagement of Collaborative Decision Making (CDM) process with Mozambique ANSP.

Table 19: Overview of ERM framework linked to strategic objectives (continued)



Risk No.	Strategic objectives impacted	Risk name	Risk owner	Key mitigation plans
7	<ul style="list-style-type: none"> Manage the organisation's contribution to Climate Change Manage and preserve scarce and vulnerable resources Develop enterprise-wide awareness for environmental impacts 	Non-compliance with environmental regulations	Chief Executive Officer	<ul style="list-style-type: none"> Development and implementation of long-term sustainability strategy. Project implementation is subject to EIAs. ISO 9001 certification. Report to RC on environmental performance.
8	<ul style="list-style-type: none"> Enhance operational efficiencies in line with global ATM standards Develop leadership capability in the Africa ATM space Build a culture of safety 	Unavailability of deployed CNS technology	Executive Engineering and Technical Services	<ul style="list-style-type: none"> Continuous monitoring of controls. Disaster recovery plan provides for triple redundancy. Adequate provision of spares for critical equipment. Service Level Agreements (SLAs) with suppliers. 1-Year Period of Beneficial Use (PBU) for suppliers.
9	<ul style="list-style-type: none"> Ensure long-term sustainability Develop leadership capability in the Africa ATM space Create a transformative organisation Build a culture of safety 	Non-compliance with corporate governance regulations and requirements	Company Secretary	<ul style="list-style-type: none"> Declaration of Interest Register. Board Charters specifying Mandate. Mandate Matrix. Materiality Framework. ATNS Internal Audit function provides assurance on internal controls for compliance risks. Compliance Framework. Audit and Risk Committee oversight of compliance function.
10	<ul style="list-style-type: none"> Create a transformative organisation 	Non achievement of the required target contribution level for B-BBEE	Chief Financial Officer and Executive Human Capital	<ul style="list-style-type: none"> Develop and implement B-BBEE strategy. Enterprise Development and Preferential treatment policy Increase the CSI budget to be in line with the recommended 1% of the net profit after tax. Improve the Skills Development Forum agenda to be aligned to the Skills Development Act requirements. To develop and implement the Recruitment Strategy to promote ATNS careers and attract suitable EE/PWD candidates.

Table 20: Overview of assurance content, providers and frameworks



Assurance content	Assurance providers	Assurance frameworks, standards and guidelines
Annual Financial Statements (AFS)	<ul style="list-style-type: none"> ATNS Board of Directors The Company's directors External auditors: Kwinana Equifin 	<ul style="list-style-type: none"> Financial Reporting Standards Requirements of the Public Finance Management Act (PFMA) of South Africa Companies Act of South Africa Public Audit Act of South Africa International Standards on Auditing (ISA)
Risk management and review of the efficacy of internal controls	<ul style="list-style-type: none"> ATNS Board of directors ATNS Audit and Risk Committee ATNS Internal Audit function ATNS Risk and Compliance Department External auditors: Kwinana Equifin The Company's directors 	<ul style="list-style-type: none"> ICAO Standards and Recommended Practices (SARPs). The King Code of Governance for South Africa (2009) (King III). Requirements of the Public Finance Management Act (PFMA) of South Africa ISO standards relating to safety and environment ERM and compliance standards including guidelines relating to the Risk Management and Compliance Institute of South Africa. The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations and Technical Standards. Key Performance Areas (KPA) stipulated in the Shareholder Compact.
Corporate Governance and regulatory compliance (including IT governance)	<ul style="list-style-type: none"> ATNS Audit and Risk Committee ATNS's Internal Audit Function ATNS IT Steering Committee Permission Planning Committee (KPMG removed) 	<ul style="list-style-type: none"> ICAO Standards and Recommended Practices (SARPs). The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations and Technical Standards. The King Code of Governance for South Africa (2009) (King III). Requirements of the Public Finance Management Act (PFMA) of South Africa Companies Act. Permission applications as mandated by the Regulating Committee in its Approach Document. Relevant Key Performance Areas (KPA) stipulated in the Shareholder Compact. ATNS Code of Ethics
Broad-Based Black Economic Empowerment, representation and contributor level	<ul style="list-style-type: none"> ATNS Internal Audit function ATNS Board ATNS Social and Ethics Committee ATNS Human Resource Committee ATNS Procurement Committee 	<ul style="list-style-type: none"> Dti Codes of Good Practice. B-BBEE Act and associated Charters. Generic Transport Public Sector Charter. Relevant Key Performance Areas (KPA) stipulated in the Shareholder Compact.
Safety management and performance	<ul style="list-style-type: none"> ATNS Board of Directors ATNS Safety Committee ATNS Audit and Risk Committee External assurance provider: South African Civil Aviation Authority (SACAA) 	<ul style="list-style-type: none"> ICAO Standards and Recommended Practices (SARPs); ICAO Annex 19 requirement for States to implement ATS safety management programmes. The Civil Aviation Act (Act 13 of 2009), supported by Civil Aviation Regulations. South African Civil Aviation Regulations (CAR) Part 40. Relevant Key Performance Areas (KPA) stipulated in the Shareholder Compact. ATNS Safety Management System (SMS) and SMS Policy. CANSO and EUROCONTROL Standards of Excellence
Environmental management and performance	<ul style="list-style-type: none"> ATNS Board of Directors ATNS Social and Ethics Committee ATNS Project Management Office 	<ul style="list-style-type: none"> ICAO Standards and Recommended Practices (SARPs) Relevant Key Performance Areas (KPA) stipulated in the Shareholder Compact. National Environmental Management Act (NEMA). Outcomes of the South African Civil Aviation Authority (SACAA) Aviation Environmental Protection (AEP) Forum. Greenhouse gas (GHG) Protocol Corporate Standard Carbon Disclosure Project (CDP)
Integrated Reporting and Sustainability Reporting	<ul style="list-style-type: none"> ATNS Board of Directors ATNS Company Secretary 	<ul style="list-style-type: none"> The King Code of Governance for South Africa (2009) (King III). Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines International Integrated Reporting Framework V1.0 (International Integrated Reporting Council (IIRC)) United Nations Global Compact (UNGC). Carbon Disclosure Project (CDP)



Remuneration



The Human Resources Committee recommends annual remuneration for both executive and non-executive directors and considers associated performance measures and benefits when assessing remuneration.

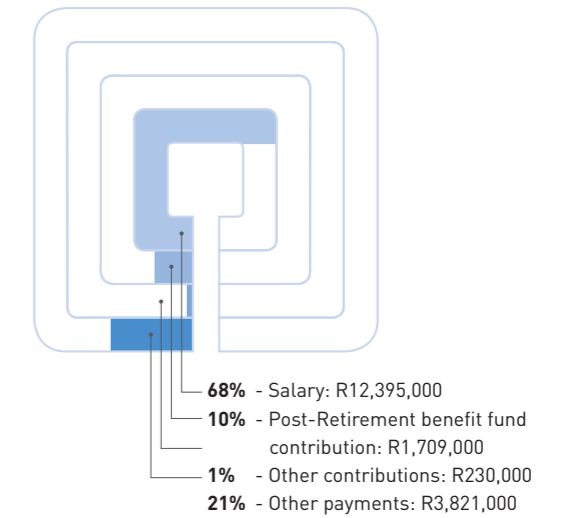


State-Owned Companies require people with exceptional competencies and experience to provide strategic leadership; as well as strengthen opportunities for direct and indirect employment for thousands of people. They are also responsible for generating returns on investor funding and have the added responsibility of managing strategic national resources.



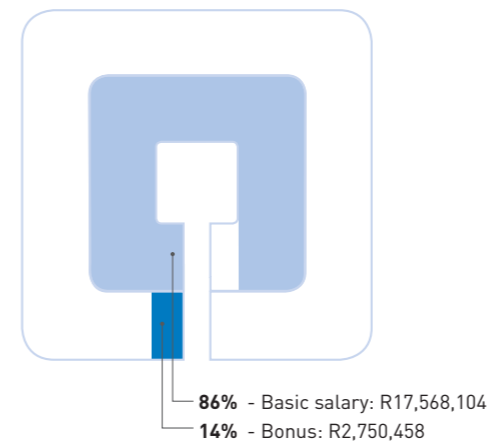
Refer to page 52 in the ATNS-FR for a detailed view of executive remuneration.

Graph 5: Executive remuneration - Guaranteed

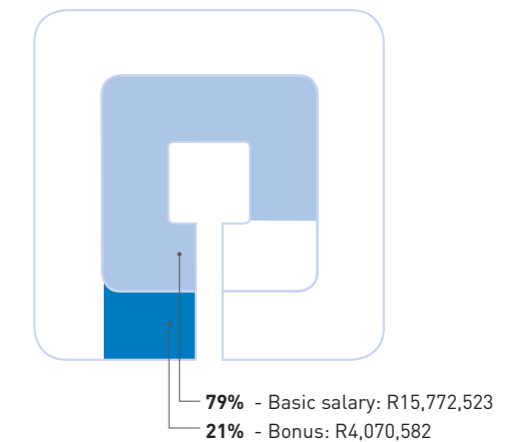


Graph 6: Comparison of Executive remuneration for 2013/14 and 2012/13

Consolidate Executive Remuneration: 2013/14

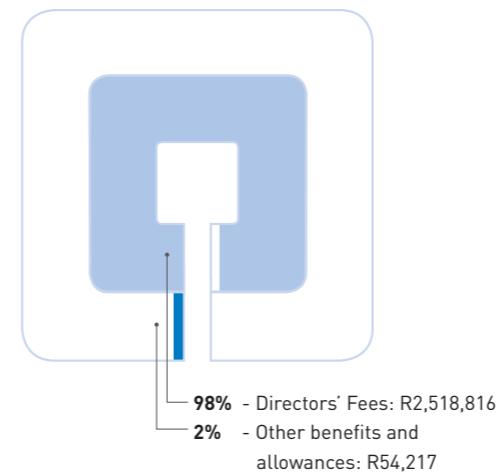


Consolidate Executive Remuneration: 2012/13

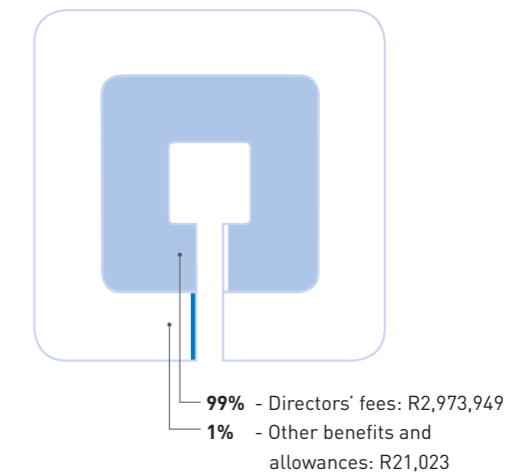


Graph 7: Comparison of Non-Executive remuneration for 2013/14 and 2012/13

Consolidate Non-Executive Remuneration: 2013/14



Consolidate Non-Executive Remuneration: 2012/13



Remuneration philosophy

ATNS's remuneration philosophy reflects the dynamics of the market and context in which we operate. We aspire, 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 a stand-alone management process. Rather, it is fully integrated into other management processes.

The current remuneration policy explicitly aligns with the strategic direction of the Company in order to:

- Attract, motivate and retain high-performing individuals;
- Promote employee engagement by:
 - recognising and rewarding superior performance
 - establishing a learning organisation
 - managing the culture of change
 - providing opportunities to grow and develop.

Philosophy

ATNS's remuneration policy supports the philosophy of the exchange relationship between ATNS (the employer) and its employees.

The employee provides time, talent, efforts and results, and ATNS, as the employer provides rewards which are equitable, fair, consistent and transparent within the Company. It is proper to reward people differently according to their contribution (Return on Investment). Rewards should also be competitive within the market, nationally and internationally.

ATNS subscribes to - and is fully compliant with - the ten UN Global Compact Principles. These principles guide our remuneration strategy and philosophy.

Benchmarking and position in the market

ATNS performs regular remuneration benchmarks to ensure that we remain market aligned and competitive. The Company's defined market position is the midpoint of the market, however, the pay progression for entrants to sustained superior performance will range from the minimum to the maximum of the pay scale. 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.

Components of remuneration

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

Guaranteed pay

ATNS remunerates using the 'cost to company' method of payment. The cost to company includes the cash component plus employee benefits. The Company provides employees with contractually agreed basic benefits such as medical aid and retirement fund benefits, which includes the pension fund and associated benefits, such as disability and life insurance. Employees, including the executive management, are afforded the opportunity to structure remuneration packages according to individual needs within prescribed legal parameters. 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.

Retirement benefit

The retirement fund is a fixed component of the employee's guaranteed pay. All permanent 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 Company does not provide any post-retirement benefits to employees and has no exposure to post-retirement benefit obligations.

ATNS offers employees a flexible pensionable / non-pensionable remuneration split, including:

- 60% pensionable 40% non-pensionable
- 70% pensionable 30% non-pensionable
- 80% pensionable 20% non-pensionable
- 85% pensionable 15% non-pensionable

Healthcare benefit

Healthcare membership is a condition of service for all permanent ATNS employees. The healthcare benefit is a fixed component of the employee's guaranteed pay. ATNS currently contracts to a single healthcare service provider for all employees, which ensures favorable underwriting conditions for employees to join and remain members of the scheme.

Variable pay

Variable pay includes all allowances ATNS may offer to employees from time to time. For the executive management it includes any acting allowances for acting in another role as duly authorised and approved, and a principal officer allowance for occupying the role of the principal officer on the pension fund.

Variable pay for mission-critical positions includes variable allowances for the attraction and retention of key skills and experience.

Short-term performance incentive bonus

ATNS views performance management as a strategic business process as it informs and drives a number of business policies and practices.

Performance management has the following intended outcomes:

- Providing a systematic framework for performance planning, performance monitoring, reviews and performance appraisal.
- Promoting a shared sense of responsibility amongst staff for the achievement of strategic objectives.
- Promoting a culture of transparency and participation through open dialogue about goals and the achievement thereof, personal development and performance improvement.
- Ensuring that employees are given the direction and support required to excel in their jobs.
- Improving 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.
- The employee's performance against balanced scorecard objectives.

The Company 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:

- Meeting expectations
- Exceeding expectations
- Significantly exceeding expectations

Non-executive directors' remuneration

Non-executive directors receive fees for their services on the Company's Board and Board Committees. Directors' fees are determined by the Department of Transport (DoT).



Refer to page 53 in the ATNS-FR for a detailed view of non-executive remuneration.

Salaries and related costs

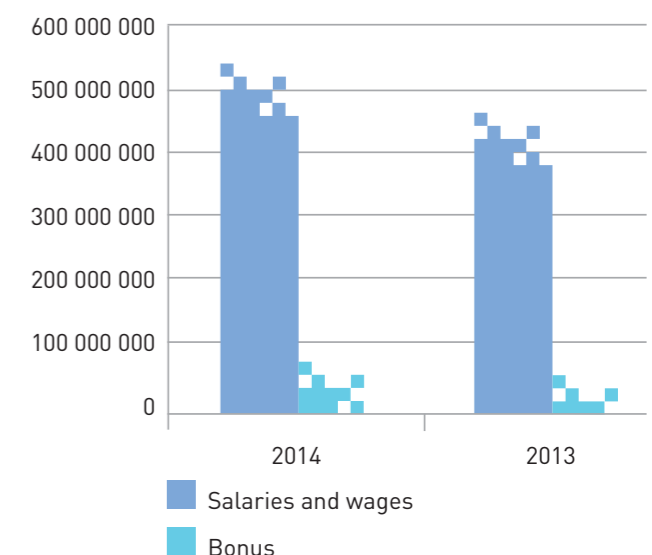
The total cost of employment for the 2013/2014 financial year compared to the 2012/2013 financial year is depicted in Graph 8.

The salaries and wages increase is due mainly to a 6,6% inflation related increase to 1,035 (2013: 983). 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. Payroll is annually audited by both internal and external auditors. These findings, if any, are reported to the Audit and Risk Committee of the ATNS Board.

In line with ATNS's philosophy of continuous improvement, the current remuneration philosophy is being reviewed and benchmarked against global best practice, to ensure industry relevance. The completion of this project will result in an improved, globally acceptable remuneration policy and practice.

Graph 8: Total cost of employment

Total cost of employment





From left: Mpho Mamashela (NED: Chairman of the Board), Hlengiwe Makhathini (NED: Chairman of ARC), Sindi Zilwa (NED: Chairman of SEC), Thandeka Mgoduso (NED)



From left: Thabani Mthiyane (Chief Executive Officer), William Ndlovu (Chief Financial Officer), Kgathatso Tlhakudi (NED: Chairman of Procom), Siphon Mseleku (NED)



From left: Hennie Marais (Executive: Air Traffic Management), Peter Marais (Executive: Operations), Tendani Ndou (Executive: Risk and Compliance), Rodney Subramany (Acting Executive: Human Capital)



From left: Dumisani Sangweni (Executive in the Office of the CEO), Leago Takalani (Acting Executive: Engineering and Technical Services), Solomon Mngomezulu (Company Secretary)

*NED: Non-executive Director



4. Material issues

ATNS defines 'materiality' for its reporting in terms of 'issues' that substantively impact the organisation's ability to create and sustain value over the short, medium and long term.

We have maintained consistency in our reporting across our three reports in terms of what the Company considers 'material'. Accordingly, issues that are considered 'material' in terms of our sustainability reporting are by implication, also considered 'material' in the context of our Integrated Report and our Annual Financial Statements.

ATNS' Sustainability Framework outlines multiple key financial, social and environmental sustainability issues, some of which have been clustered together as 'material issues' for purposes of simplifying ATNS's reporting.



Refer to page 25 in the ATNS-SR for more detail on our Sustainability Framework.

We have used a combination of internal and external criteria to determine whether an aspect is material, including factors such as the organisation's overall mission and strategy, concerns expressed directly by stakeholders, broader social expectations, and the organisation's influence on upstream entities (such as supply chain) and downstream entities (such as customers). Our assessments of materiality also consider the basic expectations expressed in the national and international standards and agreements with which the organisation is expected to comply.

Table 21 summarises the internal and external criteria used to determine the materiality of reported content and disclosures.

Prioritising material issues

Figure 12 on page 67 illustrates ATNS's prioritisation of material issues in terms of the Company's short, medium and long-term strategic vision. Similarly, Figure 13 on page 68 illustrates the priority of material issues in terms of stakeholder interests and concerns.

Table 21: Criteria for determining 'materiality'

Internal criteria	External criteria
ICAO Performance-Based ATM Operational Framework and ASBU Methodology; and global aviation regulatory requirements.	Global air traffic management (ATM) requirements, trends and standards; as well as leading practice safety performance benchmarks.
Statement of Strategic Intent and Shareholder Compact; 12 National Outcomes of Government and departmental outcomes of the Department of Transport.	Changes in the socio-economic developmental agenda and priorities of National Government.
ATNS Performance-Based Navigation Roadmap and Implementation Plan.	Socio-economic changes and challenges (e.g. barriers to market entry) in ATNS's key market segments (local and regional).
ATNS's mission, vision and values; Business Concept; strategic imperatives; critical issues; programmes; and Key Performance Indicators (KPIs).	Critical commercial opportunities as well as market and environmental risks ATNS is geared to respond to, locally, regionally and globally; as well as factors which may impact ATNS's reputation, thereby influencing its ability to promote sustainable growth.
ATNS's Enterprise Risk Management (ERM) Process, including the key operational risks impacting ATNS' strategic and operational objectives and the associated mitigating activities; as well as ATNS's governance and compliance frameworks; and the Company's Sustainability Framework and associated policies and processes to manage financial, social and environmental sustainability outcomes.	The provisions of various frameworks including: Public Finance Management Act (PFMA); King III Code on Corporate Governance (King III); Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC); International Financial Reporting Standards (IFRS); GRI Framework; United Nations Global Compact; Carbon Disclosure Project; B-BBEE Code.
Stakeholder expectations and feedback on material considerations as captured and monitored through ATNS' stakeholder engagement process – e.g. business community, Airport customers, ACSA, Non-Governmental Organisations (NGOs), National and Provincial Governments, regional partners, designated targeted groups, academics, investors and the media.	Changes in the national, regional or global political environment and a changing regulatory landscape.


Stakeholder engagement

ATNS's Materiality Assessment and Stakeholder Dialogue processes keep the business focused on the relevant means to provide the greatest benefit to our stakeholders and our Company. The Company actively initiates dialogue with various key stakeholder groups harnessing a wide range of channels as a way to promote participative and integrated decision-making. Stakeholder groups include the South African Weather Services (SAWS), South African Air Force (SAAF), Airports Company of South Africa (ACSA), South African Civil Aviation Authority (SACAA) and the International Air Transport Association (IATA).

Stakeholder engagement vehicles include quarterly EXCO to EXCO meetings, road-shows, industry safety workshops, and 'Thought Leadership' programmes, such as the annual ATNS Avi Afrique Innovation Summit. We share plans, collaborations and information on material issues of safety,

training and Air Traffic Management (ATM); as well as Engineering and Technical Services (ETS).

ATNS recognises the importance of securing stakeholder support for our long-term success by enhancing transparency, sharing knowledge, and generating innovative solutions. The Company regularly engages key stakeholder groups that are most relevant to the business. These dialogues inform our 'Material Assessment' and thereby, informs our Sustainability Framework (Figure 8 on page 25 of the ATNS-SR) and ultimately provides invaluable input into our overall Strategic Model (Figure 14: Page 70 of this report).

 ATNS's Stakeholder Engagement Policy is available online at <http://www.atns.co.za/annual-reports>.


 Refer to page 41 in the ATNS-SR for an overview of ATNS' Stakeholder engagement framework.

Figure 11: ATNS Stakeholder groups and their shared interests

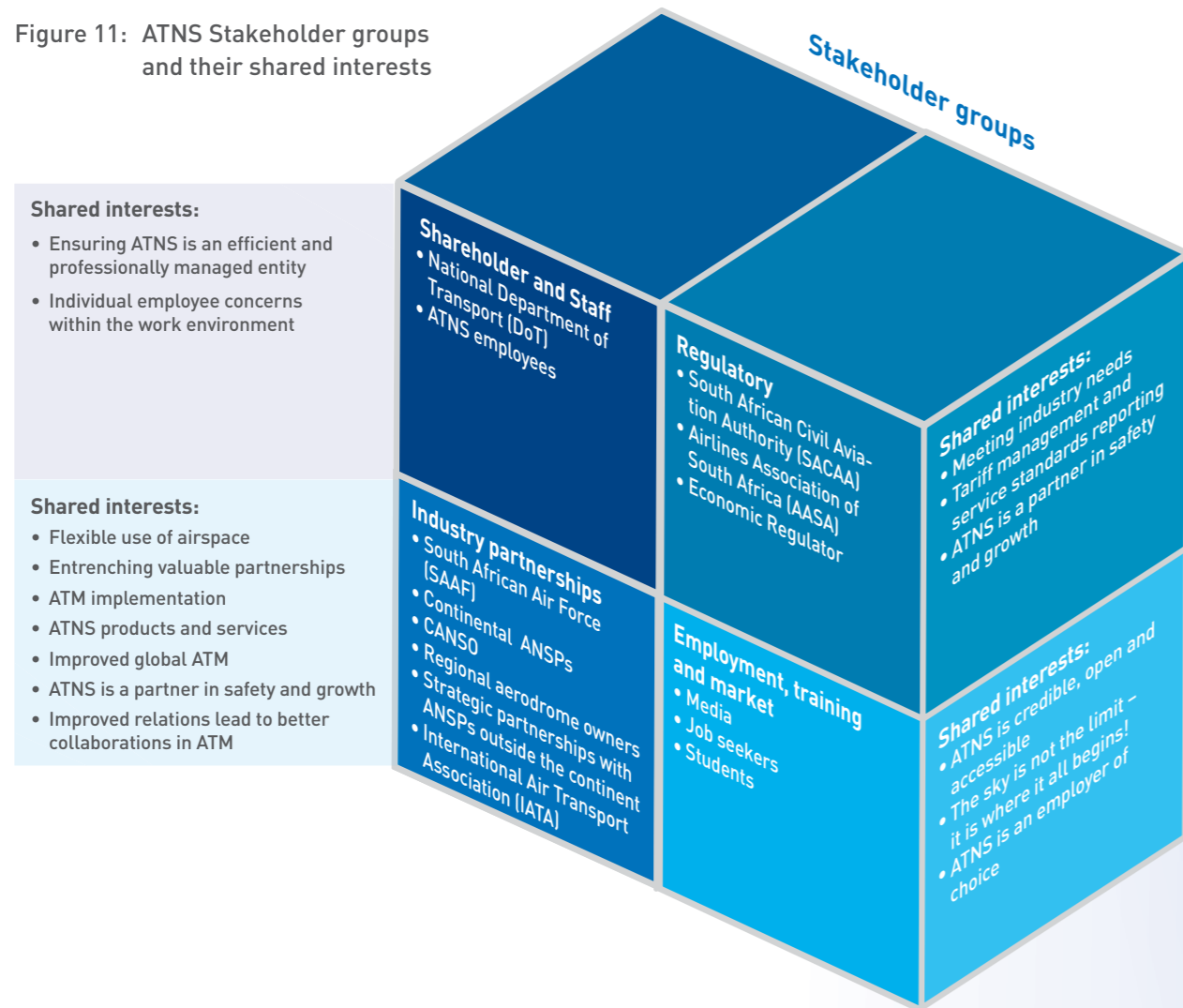
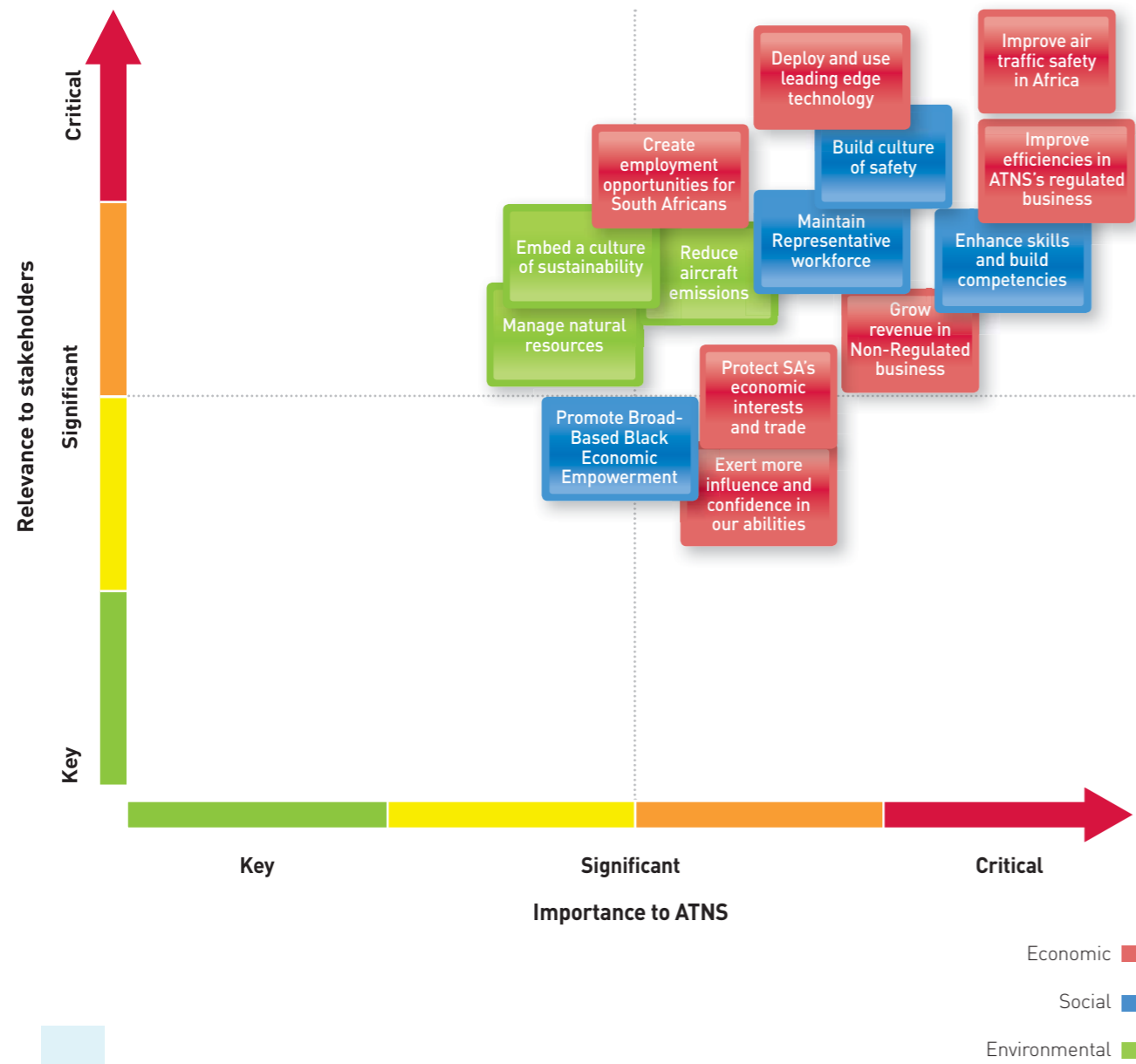


Figure 12: Matrix of material economic, social and environmental sustainability issues



Figure 13: Stakeholder prioritisation of material issues



5. Strategic review

ATNS' strategic model

The ATNS strategy is based on the understanding that the aviation industry plays a major role in driving sustainable economic and social development throughout the world. In South Africa, the aviation sector comprises airlines, together with the airports, air navigation services and other essential grounds services that make up the air transport infrastructure. Globally, aviation has achieved high levels of macro-economic performance by serving different regions through clear cycles of investment and opportunity.

The ATNS strategy is influenced by and linked to a number of other industry planning initiatives, as well as the developmental prerogatives of the South African Government. Strategic delivery aims to meet the increasing demands of longer-term traffic growth and complexity. The strategy seeks to adopt increasingly flexible practices, more efficient operations and more cost-sensitive business processes to counter unpredictable events.

The ATNS strategic model demonstrates the Company's holistic approach to economic, social and environmental

sustainability in that the three sustainability pillars serve as drivers of our strategic intent and operational momentum. The three strategic pillars, in turn, require that the Company ensures impeccable governance oversight, regulatory compliance, and alignment with the needs of our wider stakeholder communities.

The model shows the strategic inputs into the business, including (but not limited to) the ICAO performance-based ATM Operational Framework at a global level; the South African Government's national outcomes; the Department of Transport's departmental outcomes; and the ATNS performance-based Navigation Roadmap and Implementation Plan.

The Company's strategic objectives are further refined and directed into strategic imperatives, core programmes and key performance indicators (KPIs) to set specific performance targets and guide their practical achievement. The section that follows provides an overview of the Company's core strategic objectives as well as abridged commentary on progress and future outlook.

Table 22 links the material issues addressed in both the ATNS-IR and ATNS-SR to the Company's core strategic objectives.

Figure 14: ATNS Strategic Model

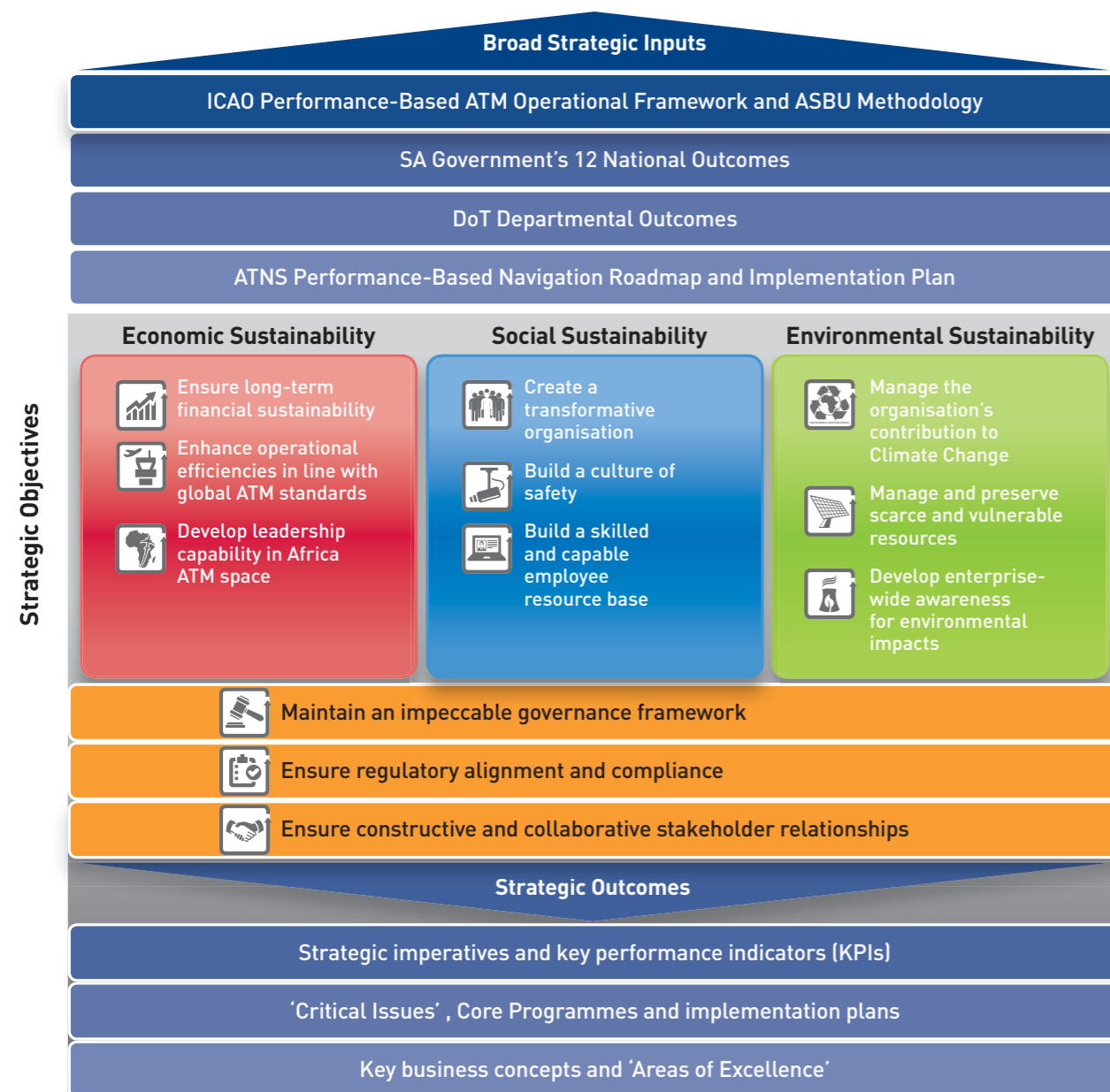


Table 22: Strategic imperatives linked to material issues

	Strategic objectives	Material issues
	1. Ensure long-term financial sustainability	<ul style="list-style-type: none"> Increasing revenue in ATNS's non-regulated business Protecting South Africa's economic interests and trade Creating employment opportunities for South Africans
	2. Enhance operational efficiencies in line with global ATM standards	<ul style="list-style-type: none"> Enhancing operational efficiencies and service reliability Deploying and using leading technologies
	3. Develop leadership capability in the Africa ATM space	<ul style="list-style-type: none"> Exerting more influence and market confidence in our abilities Improving air traffic safety in Africa
	4. Create a transformative organisation	<ul style="list-style-type: none"> Creating a representative workforce Promoting Broad-Based Black Economic Empowerment
	5. Build a culture of safety	<ul style="list-style-type: none"> Building a culture of safety
	6. Build a skilled and capable employee resource base	<ul style="list-style-type: none"> Enhancing skills and building competencies
	7. Manage the organisation's contribution to Climate Change	<ul style="list-style-type: none"> Reducing CO2 emissions
	8. Manage and preserve scarce and vulnerable resources	<ul style="list-style-type: none"> Managing natural resources <ul style="list-style-type: none"> Electricity and fuel Airspace quality Biodiversity and protected habitats
	9. Develop enterprise-wide awareness for environmental impacts	<ul style="list-style-type: none"> Embedding a culture of sustainability

Material economic aspects

Table 23 provides an overview of material issues as well as insight into why they are material to the Company. The table further provides an overview of the key aspects of our management approach to material issues and links them

to the Company's KPAs. The summary table demonstrates our integrated approach to addressing and reporting on material aspects and associated performance.

Table 23: Material economic aspects


Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach	
 Ensure long-term financial sustainability by maintaining and growing market share	1. Increasing revenue in ATNS's non-regulated business	ATNS's revenue growth and financial sustainability relies on new product/market development. This includes the successful implementation of the Company's African expansion strategy. Economic regulation by the South African Regulating Committee restricts revenue growth potential within the South African market by strictly applying tariff adjustments.	The ATNS 10-Year Business Plan	Page 48	KPA-1: Transport safety and security 1.5. Ensure commercial sustainability KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards	
			Africa expansion strategy, including the ATNS International programme and Ring-Fencing Project	Page 49		
			The ATNS ATM Roadmap	Page 49		
			The Africa Indian Ocean (AFI) Strategy Project	Page 49		
			Infrastructure Investment Strategy	Page 51		
	2. Protecting South Africa's economic interests and trade	The South African economy relies on a safe and efficient African airspace to Europe and elsewhere for trade.	In 2010 there were 66 routes per week connecting major airports in South Africa to urban agglomerations around the world. A total of 12 of these routes were connecting South Africa to cities of more than 10 million inhabitants, with an average of 1,5 outbound flights per day available to passengers.	The ATNS 10-Year Business Plan	Page 48	KPA-1: Transport safety and security 1.1. Safety service provision 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency 1.5. Ensure commercial sustainability 1.6. Performance-based navigation (PBN) KPA-2: Infrastructure development and high-level investment plan for transport 2.1. Development of optimized and efficient aviation infrastructure in a cost-effective manner
				The ATNS ATM Roadmap	Page 49	
				ATNS International Programme – Africa expansion strategy	Page 49	
				The Africa Indian Ocean (AFI) Strategy Project	Page 49	
				Permission planning	Page 50	
Further, the maturity of ATNS's national or domestic operations will create challenges for the business to generate new customers in South Africa. It is therefore imperative for ATNS to secure future growth and revenue by broadening its service offerings to other markets, including the wider Africa market.	It is estimated that a 10% improvement in air connectivity relative to GDP would see a R1,5 billion per annum increase in long-run GDP for South Africa's economy.					

Table 23: Material economic aspects (continued)


Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
 Ensure long-term financial sustainability by maintaining and growing market share	2. Protecting South Africa's economic interests and trade	The largest anticipated contributor to the growth in aircraft movements between 2015 and 2024 will be within the Africa-Europe trade region, followed by Intra-Africa. From 2015 to 2024 the average annual compound aircraft movement growth in Africa-Europe and Intra-Africa will be 4,5% and 7,5% respectively. This growth is primarily due to anticipated increases in trade in Africa.	Infrastructure Investment Strategy	Page 51	KPA-2: Infrastructure (continued) 2.2. Operation of the satellite communication networks SADC VSAT 2 2.3. Operation of the satellite communication networks and NAFISAT
			Local Supplier Development	Page 53	
	3. Creating employment opportunities for South Africans	ATNS is one of the vehicles that the Department of Transport uses to fulfil its responsibility to create employment for the youth and for previously disadvantaged communities. However, jobs can only be created in a growing market and the best way for ATNS to be exposed to this growth is to expand into the AFI region.	The Africa expansion strategy	Page 49	KPA-5: Training to contribute to job creation 5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate KPA-6: Broad-Based Black Economic Empowerment 6.1. Achieve B-BBEE targets. And achieve preferential procurement targets as set by the Transport Charter KPA-7: Employment Equity 7.1. ATS EE targets (AIMO, ATSO, ATCO 1-3) 7.2. ATNS EE targets
			Local Supplier Development	Page 53	
			Training and development through ATS and ATA	Pages 71 and 74	
			ATNS's Human Resource strategy and skills development programmes	Page 71	

Table 23: Material economic aspects (continued)


Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
	4. Enhance operational efficiencies and service reliability	<p>ATNS's own economic sustainability is directly dependent on the demand for air travel. Ensuring operational efficiency and reliability for its customers would not only maintain and improve safety standards but will also keep operating costs down, which in turn would ensure that air transport stays affordable and that the number of flights increases. Alongside the AFI expansion strategy, ATNS's focus remains firmly on the regulated business in creating the necessary efficiencies that will translate to value add for the client base (users).</p> <p>ATNS pursues enhanced operational efficiency for the organisation and its customers through various initiatives, including the implementation of the International Civil Aviation Organisation (ICAO) Aviation System Block Upgrades (ASBU) concept. The ASBU concept aims to ensure the following operational imperatives:</p> <ul style="list-style-type: none"> • Maintaining and enhancing aviation safety. • Harmonising air traffic management improvement programmes. • Removing barriers to future aviation efficiency and environmental gains at reasonable cost. <p>By aligning with the ASBU concept, ATNS is able to promote various operational efficiencies, including fuel efficient routing, optimal traffic flow management, performance-based navigation (PBN) and attention to fuel optimal speed control. Continuously improving these processes is an opportunity for ATNS to provide added value to airspace users through a decrease in fuel usage, as well as a reduction in fuel costs and reduced environmental impact.</p>	Permission Application Process	Page 50	<p>KPA-1: Transport safety and security</p> <p>1.1. Safety service provision</p> <p>1.2. Airspace capacity and efficiency</p> <p>1.3. Operational efficiency</p> <p>1.4. Operational efficiency</p> <p>1.5. Ensure commercial sustainability</p> <p>1.6. Performance-based navigation (PBN)</p> <p>KPA-2: Infrastructure development and high-level investment plan for transport</p> <p>2.1. Development of optimized and efficient aviation infrastructure in a cost-effective manner</p> <p>2.2. Operation of the satellite communication networks SADC VSAT 2</p> <p>2.3. Operation of the satellite communication networks and NAFISAT</p> <p>KPA-3: The fight against fraud and corruption</p> <p>3.1. Comply with relevant legislation, regulation and standards</p> <p>3.2. Fraud and whistle-blowing policy</p>
			Permission Regulations Review	Page 50	
<p>Refer to pages 50 to 53 as well as pages 83 to 85 in the ATNS-SR for more detail on operational efficiency improvement initiatives undertaken during the year.</p> <p>Please see a table outlining our progress in aligning with the ASBU concept online at http://www.atns.co.za/annual-reports.</p>					

Table 23: Material economic aspects (continued)



Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
	5. Deploy and use leading technologies	<p>In line with the vision of the South African Government to move the country towards a knowledge-based economy, ATNS is shifting from merely being a user of the acquired technologies to contributing to the value chain of technology innovation and the development of locally consumed technologies. In this way, ATNS is positioning the Company as a leader in ATM technology innovation on the African continent. Further, ATNS recognises the critical role of leading edge technology in ensuring operational efficiencies – in terms of safe operations, environmental impacts, empowered employees, and optimal infrastructure investment.</p> <p>ATNS has invested in the acquisition of new and advanced technology for Air Traffic Management, that will replace the current Air Traffic Management Automation system nationally, which is used by the Company's Air Traffic Controllers to manage and control the national airspace system. This programme will be one of the largest single Capex investments that ATNS has embarked upon in the last decade, and is steered under the programme: Collaborative ATNS Air Traffic System (CAATS). This investment programme will foresee ATNS entering an inspiring era of technology advancement in its operations for the benefit of the ATM community.</p>	The ATNS ATM Roadmap – and implementation of the ICAO ASBU modular concept	Page 49	<p>KPA-1: Transport safety and security</p> <p>1.1. Safety service provision</p> <p>1.2. Airspace capacity and efficiency</p> <p>1.3. Operational efficiency</p> <p>1.4. Operational efficiency</p> <p>1.5. Ensure commercial sustainability</p> <p>1.6. Performance-based navigation (PBN)</p> <p>KPA-2: Infrastructure development and high-level investment plan for transport</p> <p>2.1. Development of optimised and efficient aviation infrastructure in a cost-effective manner</p> <p>2.2. Operation of the satellite communication networks SADC VSAT 2</p> <p>2.3. Operation of the satellite communication networks and NAFISAT</p>
			IT Repositioning programme	Page 51	
	6. Exerting more influence and market confidence in our abilities	As the air traffic management and safety industry becomes more consolidated, ATNS needs to increase its market share in Africa so as to remain one of the ten global ANSPs that IATA envisions will constitute the global air traffic safety market in 2050. ATNS is well positioned to become one of these ten ANSPs by taking a more proactive approach to providing products and services to more countries and partnering with global suppliers. ATNS is playing a leading role on the continent by hosting the Civil Air Navigation Organization (CANSO) Regional Office and collaborating with other entities regionally and globally in its visibly active involvement in ICAO, IATA, and other industry networks and associations.			

Table 23: Material economic aspects (continued)




Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Develop leadership capability in Africa ATM space	6. Exerting more influence and market confidence in our abilities	Further, ATNS's Africa Indian Ocean (AFI) Strategy Project is key in achieving commercial success and driving sales and revenue in the non-regulated environment. It sets the agenda for Commercial Services for the next three to five years. The strategy aims to grow ATNS's non-regulated market share in the short to medium term by offering value-added services and products in a more competitive manner. It seeks to provide a framework on how ATNS should be selling and will further form the backbone of the ATNS International subsidiary, which has been set up to lead the Company's Africa expansionary strategy.	The ATNS 10-Year Business Plan	Page 48	KPA-1: Transport safety and security 1.1. Safety service provision 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency 1.5. Ensure commercial sustainability 1.6. Performance-based navigation (PBN) KPA-2: Infrastructure development and high-level investment plan for transport 2.1. Development of optimized and efficient aviation infrastructure in a cost-effective manner 2.2. Operation of the satellite communication networks SADC VSAT 2 2.3. Operation of the satellite communication networks and NAFISAT KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards 3.2. Fraud and whistle-blowing policy
			The ATNS ATM Roadmap – and implementation of the ICAO ASBU modular concept	Page 49	
			ATNS International Programme and Africa expansion strategy	Page 49	
			The Africa Indian Ocean (AFI) Strategy Project	Page 49	
			Infrastructure Investment Strategy	Page 51	
 Refer to page 49 in the ATNS-SR for more detail on the ATNS International Programme.					

Table 23: Material economic aspects (continued)

Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Develop leadership capability in Africa ATM space	7. Improving air traffic safety in Africa	ATNS's business is firmly anchored in aviation safety, and specifically safe, secure and cost effective air transport. This priority in safety has extended ATNS' sphere of influence across South Africa's borders in Africa. A key principle for the Africa expansion strategy is to promote enhanced traffic safety on the continent. Traditionally Africa's air traffic safety records have been below acceptable international standards due to poor infrastructure and skills limitations. With the steady increase in air traffic due to trade and passenger movements in and between the African states, safety will remain a critical objective for all ANSPs and one which ATNS is obliged to address. ATNS can strategically collaborate with ICAO to facilitate interoperability and modernisation of air transportation world-wide through its block upgrades initiative and to assist African countries in meeting the ICAO standards of performance improvements to improve overall safety.	Implementation of ICAO ASBU modular concept	Pages 49 and 81	KPA-1: Transport safety and security 1.1. Safety service provision 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency 1.6. Performance-based navigation (PBN) KPA-2: Infrastructure development and high-level investment plan for transport 2.1. Development of optimized and efficient aviation infrastructure in a cost-effective manner KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards
			Operational efficiency programmes	Pages 50 to 53 and 81 to 85	
			Infrastructure Investment Strategy	Page 51	
			Management of safety risks	Page 76	
			The Africa Indian Ocean (AFI) Strategy Project	Page 49	
			CANSO participation	Pages 43 and 59	

Material social aspects

Table 24: Material social aspects


Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Create a transformative organisation	1. Create a representative active workforce	<p>ATNS's long-term social value creation lies in being committed to the transformation of our society through employment equity and black economic empowerment. ATNS is committed to the principles of equity and anti-discrimination. We seek to create an organisation that reflects the diversity of our society and that maximises the potential of our employees. As a State-Owned Company, ATNS has a responsibility to align to the country's national goals and to support Government's initiatives to address the socio-economic legacy of the past. The Company has dedicated itself to providing employment for all demographics.</p> <p>In line with the Employment Equity Act, the current ATNS five-year EE Plan encompasses the following objectives:</p> <ul style="list-style-type: none"> • Creating a balanced profile of employees through all occupational categories and levels. • Eliminating any discriminatory practices in terms of race, gender or disability. • Providing for the Company's present and future requirements in terms of skilled staff, in line with the business plan. • Implementing, monitoring and evaluating appropriate measures to redress the effects of the past imbalances created by discriminatory employment policies and practices. 	ATNS's internal Employment Equity (EE) Plan	Pages 31 and 62	<p>KPA-3: The fight against fraud and corruption</p> <p>3.1. Comply with relevant legislation, regulation and standards</p> <p>KPA-5: Training to contribute to job creation</p> <p>5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate</p> <p>KPA-6: Broad-Based Black Economic Empowerment</p> <p>6.1. Achieve B-BBEE targets. And achieve preferential procurement targets as set by the Transport Charter</p> <p>KPA-7: Employment Equity</p> <p>7.1. ATS EE targets (AIMO, ATSO, ATCO 1-3)</p> <p>7.2. ATNS EE targets</p>
			B-BBEE Strategy and Plan - Enhance employment equity at senior management levels - Increase the number of black learnerships for people living with disabilities - Promote the use of B-BBEE empowered suppliers - Implement a comprehensive enterprise development (ED) programme - Develop socio-economic development (SED) programmes and partnering frameworks. - Developing the roles of women within ATNS.	Page 63	

Table 24: Material social aspects (continued)






Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Create a transformative organisation	2. Broad-Based Black Economic Empowerment	<p>As a State-Owned Company, ATNS has a key responsibility as a national agent of commerce to strengthen the economic position of South Africa. Through our B-BBEE practices, we have the opportunity to shape the future of the South African air traffic management sector. Broadly, these practices extend to job creation, poverty alleviation and skills development.</p> <p>Certain initiatives have been identified to improve ATNS's contribution level, including the development of a B-BBEE Strategy in accordance with the B-BBEE Codes of Good Practice that will guide the organisation towards an improved rating. The Codes of Good Practice will be implemented during the 2014/15 financial year with the intention of achieving a 'Level 3' rating by 2015/16.</p>	Developing a B-BBEE Strategy in accordance with the B-BBEE Codes of Good Practice	Page 63	<p>KPA-6: Broad-Based Black Economic Empowerment</p> <p>6.1. Achieve B-BBEE targets. And achieve preferential procurement targets as set by the Transport Charter</p> <p>KPA-7: Employment Equity</p> <p>7.1. ATS EE targets (AIMO, ATSO, ATCO 1-3)</p> <p>7.2. ATNS EE targets</p>
			Enhancing employment equity at senior management levels	Pages 31 and 62	
			Increasing the number of black learnerships for people living with disabilities	Pages 31 and 62	
			Promoting the use of B-BBEE empowered suppliers to achieve the 70% compliance target	Pages 31, 53 and 54	
			Implementing a comprehensive enterprise development (ED) programme	Pages 31 and 53	
 Refer to page 62 in the ATNS-SR for more detail on initiatives undertaken during the year to build a transformative organisation.					

Table 24: Material social aspects (continued)

Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Build a culture of safety	3. Build a culture of safety	Safety is the primary driver for ATNS's collective efforts and the Company strives to build a shared culture of safety among its employees as well as its external stakeholders from the wider ATM community. At a global level, civil aviation is planned to be seamlessly integrated across national boundaries, with common service standards and quality, irrespective of who provides the Air Navigation Service; be it a State, a group of States or delegated service providers. As an ICAO member state, South Africa has endorsed the ICAO Air Traffic Management Operational Concept, which defines the seamless global aviation system concept. This concept is in turn translated into the Global Air Navigation Plan (GANP), supported by the Global Aviation Safety Plan (GASP) and underpinned by the ICAO Standards and Recommended Practices (SARPs).	Safety management system (SMS) and policy ATNS Safety Management Plan, including: - Regional airport safety programme - Advanced ATM concepts - Safety Culture Maturity Model - Continuation training	Page 64 Pages 64 to 70 Page 67	KPA-1: Transport safety and security 1.1. Safety service provision 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency 1.6. Performance-based navigation (PBN) KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards. KPA-4: Implementation of Environmental Plan <ul style="list-style-type: none"> Human resources/training
	 Refer to pages 43, 49, 81, and 83 in the ATNS-SR for more detail on ATNS's alignment with the ASBU modular concept. Also refer to page 64 for additional information on ATNS's safety Management System and strategic initiatives undertaken during the year to enhance safety performance.				
 Build a skilled and capable employee resource base	4. Enhancing skills and building competencies	ATNS continues to recruit, train and develop its staff to ensure the adequate supply of skills within the Company's operational departments. Globally regarded as a beacon of safety in airspace navigation, ATNS is regarded as a centre of excellence and an institute of reference. This standing can only be maintained if ATNS continues to employ and develop competent people who are aligned with the Company's desired culture of safety, professional excellence and sustainability awareness. ATNS's Human Resource (HR) function monitors HR developments in the local and global labour markets as well as in the air navigation sector to benchmark performance standards and market-related remuneration levels. The Company's Human Capital Strategy is adjusted to align with ATNS' strategic objectives as well as the specific national development objectives outlined in the Company's Shareholder Mandate and associated key performance areas.	- Managing change and building leadership: ATNS's Leadership Blueprint. - Performance management and reward. - Promoting excellence through recruitment and training – the ATA is an ISO9001:2000 accredited training institution. - Contributing to a pool of engineering skills through bursaries and learnerships.	Pages 71 to 74	KPA-5: Training to contribute to job creation 5.1. Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate. 5.2. Manage the training pipeline for ATS and technical staff 5.3. Review and implement the HR plan to recruit, develop, retain, and reward employees across all disciplines.

Material environmental aspects

Table 25: Material environmental aspects




Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach			
 Manage the organisation's contribution to Climate Change	1. Reducing CO2 emissions	As an ANSP, ATNS has an influence on carbon emissions from aircraft, mainly relating to the efficiency of the ATM network. Accordingly, ATNS recognises the need to address GHG emissions from aviation activities, and that this requires the active engagement and cooperation of the Company and its various stakeholders. Climate change may contribute to a number of changes in weather patterns including an increased frequency and intensity of severe weather events. Such environmental events negatively impact the aviation industry. ATNS recognises the need to understand potential risks associated with climate change and, therein, ensuring safe and efficient air transport. The risks of not doing so are very high as it directly impacts on safety.	ATNS Climate Change and Sustainability Strategy	Page 87	KPA-1: Transport safety and security 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency 1.6. Performance-based navigation (PBN) KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards KPA-4: Environmental protection <ul style="list-style-type: none"> Minimise gaseous emissions Human resource training on matters of sustainability. Performance assessment 			
			Performance-based navigation (PBN)	Pages 65 and 83				
			Airspace efficiencies	Page 83				
			Procedure design	Page 83				
			Oceanic random routing areas	Page 83				
			Reduced vertical separation minima (RVSM) initiative	Page 83				
			ATFM tool to balance demand and capacity	Page 83				
			INSPIRE initiative	Pages 84 and 85				
			 Refer to page 83 in the ATNS-SR for more detail on ATNS's initiatives to reduce CO2 emissions.					
			 Please see a table outlining our progress in aligning with the ASBU concept online at http://www.atns.co.za/annual-reports .					

Table 25: Material environmental aspects (continued)



Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Manage and preserve scarce and vulnerable resources	2. Managing natural resources: electricity and fuel.	ATNS provides a service to the airspace users within South Africa on a sustainable basis to meet user expectations in terms of safety, efficiency, predictability and affordability. In providing this service ATNS does not consume raw material or natural resources in a production process. However, ATNS provides a service within South African sovereign and delegated airspace, and in this context airspace can be considered a natural resource. The services of ATNS, therefore, influence the impact airspace users have on natural capital through gaseous emissions and noise. Further, ATNS uses energy to provide communication, navigation and surveillance services to the airlines and to facilitate the safe movement of aircrafts in the controlled airspace. The first ATNS Carbon Emission Inventory and footprint was calculated in the previous year using leading practice methodology. The inventory involves accounting for all greenhouse gas (GHG) emissions released as a result of ATNS's operations. In line with international best practice, the calculation of the carbon inventory was done in accordance with the GHG Protocol Corporate Standard. The results of the 2012/13 carbon inventory acts as a baseline against which future ATNS carbon footprints will be benchmarked.	ATNS Climate Change and Sustainability Strategy.	Page 87	KPA-1: Transport safety and security 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency 1.6. Performance-based navigation (PBN) KPA-4: Environmental protection <ul style="list-style-type: none"> Minimise gaseous emissions Human resource training on matters of sustainability. Performance assessment
			Energy assessment initiative.	Page 85	
			Energy management activities.	Page 85	
			Carbon Emission Inventory initiative.	Page 85	
			Green IT initiative.	Page 85	
 Refer to page 85 in the ATNS-SR for more detail on ATNS's initiatives to measure and manage its impact on natural resources.					

Table 25: Material environmental aspects (continued)



Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPA) to measure the effectiveness of our management approach
 Manage and preserve scarce and vulnerable resources	3. Reducing aircraft noise and improving of airspace air quality.	ATNS supports the activities of ICAO's technical Committee on Aviation Environmental Protection (CAEP) in establishing global standards and recommendations for minimising the impact of aviation on the environment, and specifically the reduction of airspace noise and improvement of airspace air quality. The key risk associated with not addressing aircraft noise is the adverse reactions of communities impacted by the noise. This could lead to complications and delays in future development and expansion of airports. Additionally, this could lead to flight restrictions, which may have a negative impact on fuel burn as aircraft may be forced to use a less efficient route to minimise noise.	ATNS Climate Change and Sustainability Strategy.	Page 87	KPA-1: Transport safety and security 1.2. Airspace capacity and efficiency 1.3. Operational efficiency 1.4. Operational efficiency KPA-4: Environmental protection <ul style="list-style-type: none"> Operational efficiency Performance assessment of noise abatement initiatives.
			Noise abatement initiatives, including: - Flight procedure design	Page 86	
 Refer to page 86 in the ATNS-SR for more detail on ATNS's initiatives to reduce noise in the air traffic management environment.					



Table 25: Material environmental aspects (continued)

Strategic objective	Material issue	Why it is material to ATNS	Key aspects of our Management approach	Reference in the ATNS-SR	Applicable Key Performance Areas (KPAs) to measure the effectiveness of our management approach
 Develop enterprise-wide awareness for environmental impacts sustainability	4. Embedding a culture of sustainability	ATNS approaches the management of climate change and sustainability performance within the organisation strategically. Although ATNS is in the early stages of its sustainability journey, the Company is committed to making environmental sustainability practices part of our core business, not to simply achieve compliance, but to ensure a viable, relevant and sustainable future for the Company. Training and education on environmental impacts and socially responsible behaviour form an integral part of the Company's overall drive to create long-term environmental sustainability. ATNS has developed a Sustainability and Climate Change (SCC) Strategy to build a strong foundation for promoting sustainable business practices in its operations and embedding sustainability awareness throughout the organisation. The SCC Strategy provides multiple bases for identifying and monitoring material sustainability risks and opportunities; and facilitates the overall management of material environmental impacts. The strategy addresses legislation and regulatory frameworks relating to Climate Change and how these frameworks impact ATNS's customers and the wider aviation industry. The SCC Strategy relates to both ATNS's own operational sustainability performance as well as the implications of environmental impacts from its customers' activities and that of the aviation industry at large.	ATNS Climate Change and Sustainability Strategy.	Page 87	KPA-3: The fight against fraud and corruption 3.1. Comply with relevant legislation, regulation and standards. KPA-4: Environmental protection • Minimise gaseous emissions • Human resource training on matters of sustainability. • Performance assessment
			ATNS Code of Ethics.	Page 34	
 Refer to page 88 in the ATNS-SR for more detail on ATNS's Sustainability and Climate Change Strategy.					

Key business concepts

The Company has identified the following business concepts to steer its strategic direction going forward:



Areas of Excellence

Certain strategic skills and capabilities are specifically instrumental in driving our business. These are the things we're best at in our industry. They make our strategy work. In good times we invest maximally in the enhancement of these skills and capabilities. And, in challenging times they are the areas we are least likely to cut down on.



6. Performance Review



Ensure long-term financial sustainability

Permission Planning

- The Module Managers project team has been active throughout the year and all modules are being reviewed, updated and aligned with regulatory requirements. The first user consultation meeting with the airline industry took place on 13 November 2013. The objective of the meeting was to discuss the traffic forecasts, macro-economy, and current permission financial issues. The engagement with users continued during January, February and March 2014, when the CAPEX, Human Capital and Finance modules were presented.

Increasing revenue in the non-regulated business

- During the year, the ATNS International programme progressed well. The business plan and financial model were updated in Quarter 4 of 2013 based on changes in the marketplace and the internal business environment since the plan was first drafted. The updated 10-year business plan and financial model were approved in principle by the ATNS Executive Committee (EXCO) and Board of Directors in October 2013.
- Additional progress to date includes the preparation of a draft Ministerial approval submission for the establishment of the subsidiary and a project charter and programme plan outlining the remaining activities, delegated responsibilities, and target completion dates.

Financial performance

- Revenue for the year increased by 8% to R1,2 billion (2013: R1,1 billion), despite challenging economic conditions.
- Operating costs increased by 6% to R981,0 million (2013: R925,8 million) mainly due to increased staff costs.
- Personnel costs increased to R627 million (2013: R570 million) mainly due to increased employee headcount and normal annual salary increases and incentive bonuses.
- The solvency and liquidity ratios improved under the reporting period with the current ratio being 6.7: 1 from 4.1: 1 in the previous period. This better positioned the Company to raise funding for the imminent capital expenditure.
- Profit for the year amounted to R244 million (2013: R194 million), an increase of 26% compared to the prior year.

Deferred taxation

- The deferred taxation liability is R83 million (2013: R72 million).

Cash flows

- Cash generated from operations amounted to R389 million (2013: R333 million), an increase of 17% from the prior year, despite the prevailing difficult economic conditions in the global aviation industry.

Borrowings

- There were no interest bearing loans and borrowings at the reported date. ATNS repaid borrowings amounting to R118 million.
- The gearing ratio for the current financial year is 0% (2013: 8%). The Company has a gearing threshold of 45%.

Derivative financial 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. For both the years ended 2013/14 and 2012/13 ATNS did not hedge.

Pension and post-retirement benefit obligations

- 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 latest actuarial assessment 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's contributions to the ATNS Retirement Fund amounted to R49 million (2013: R44 million). ATNS does not provide any post-retirement benefits to employees and has no exposure to any post-retirement benefit obligations.

Contingencies and commitments

- The Company has a matter which is currently under legal proceedings. At the reporting date, it was not possible to perform a reliable estimate of the contingent exposure.

Guarantees

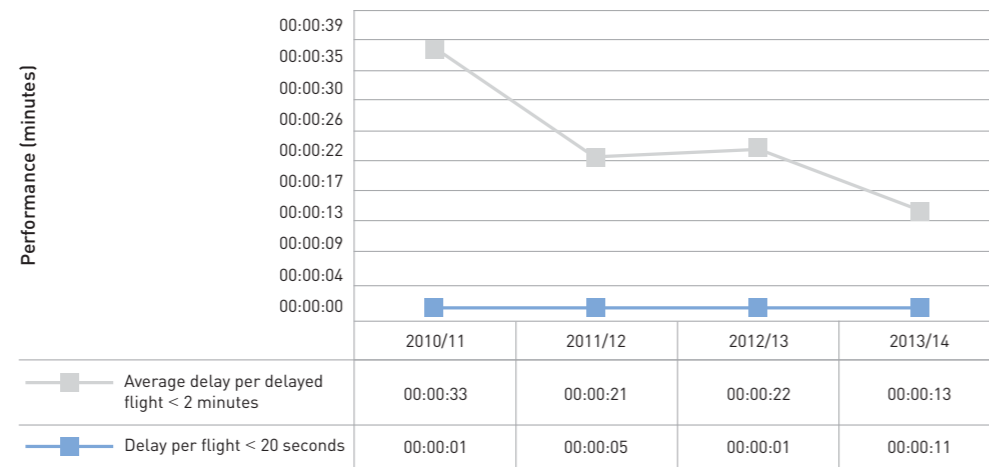
- The Company has a guarantee that it would pay to suppliers amounting to R 3,049,916 (2013: 2,792,306) and cessions and other matters arising in the ordinary course of business.



Enhance operational efficiencies in line with global ATM standards (continued)

Performance-Based navigation

- A National PBN Steering Committee has been established under ATNS's leadership, as well as a South African PBN Implementation Task Team to ensure PBN implementation in accordance with South African PBN Roadmap and implementation plan.
- ATNS has introduced PBN training courses at the ATA that could benefit those states that plan to implement PBN at a national level.
- ATNS is in the process of reviewing existing conventional and Area Navigation (RNAV) routes and the implementation of Required Navigation Performance Approaches (RNP APCH) on 50% of instrument runways. Furthermore RNAV 1 and 2 Standard Instrument Departures (SID) and Standard Terminal Arrival Routes (STAR) for 50% of international airports are being developed. Three of the six international airports, O R Tambo International, Cape Town International, King Shaka International airports, are being serviced by PBN procedures. Uppington International, Bram Fischer and Port Elizabeth airports will be serviced by those procedures as and when dictated by operational requirements.
- ATNS has invested in the acquisition of new and advanced technology for Air Traffic Management, that will replace the current Air Traffic Management Automation system nationally, which is used by ATNS's Air Traffic Controllers to manage and control the national airspace system. This programme will be one of the largest single CAPEX investments that ATNS has embarked upon in the last decade, and is steered under the programme: Collaborative ATNS Air Traffic System (CAATS).
- The following Capital Investment projects were prioritised in 2013/14:
 - Communications: R41,712,736
 - Navigation: R272,625
 - Surveillance: R45,065,286
 - Display Systems: R21,812,966
 - Software: R54,447,840
 - General: R11,321,643



Develop leadership capability in the Africa ATM space

Infrastructure investment

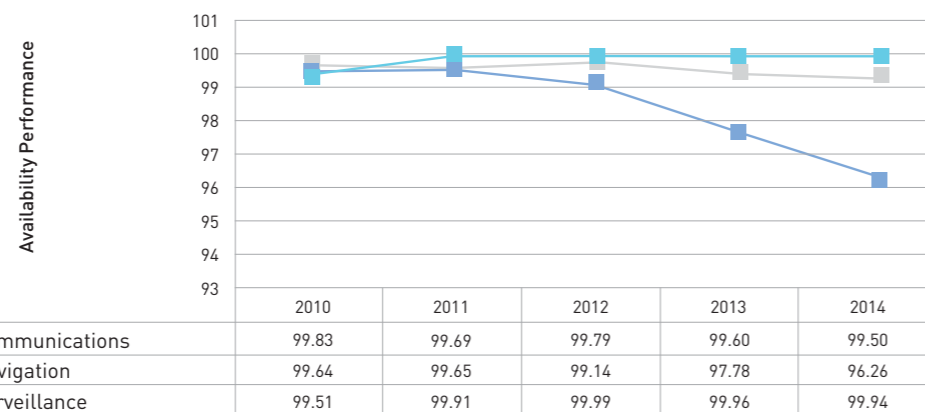
- A project team has been established to manage and monitor the tactical aspects of the African Indian Ocean strategy. Progress to date includes the following:
 - Consolidating the reporting and updating of account development plans (ADPs).
 - Analysing and updating market research for the 10-year business plan based on business and market intelligence.
 - Prioritising products and services for market development and entry.
 - Categorising the 'top-7' customers for more focused market promotion.
 - Defining a sales and revenue budget for 2014/15 based on work completed for the AFI strategy to date.

Network performance

Quarterly performance for network management (SADC VSAT II and NAFISAT) is as follows:

Table 26: Network management performance for 2013/14

System	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
SADC VSAT II	98,5%	99,95%	99,83%	99,99%	99,92%
NAFISAT	98,5%	99,99%	97,19%	99,98%	99,97%





Create a transformative organisation

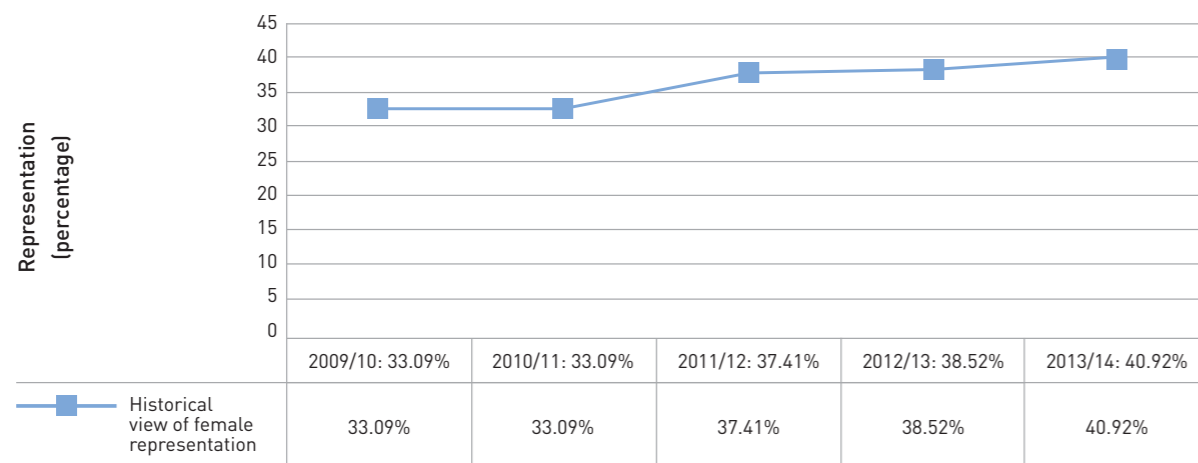
Broad-Based Black Economic Empowerment

- During the year, ATNS analysed its OPEX expenditure of the current supplier database to ensure that registered suppliers are BEE compliant. ATNS achieved 75% for operational expenditure (OPEX) and 88% for CAPEX against the target of 65% and 45%, respectively, as at the end of the fourth quarter.

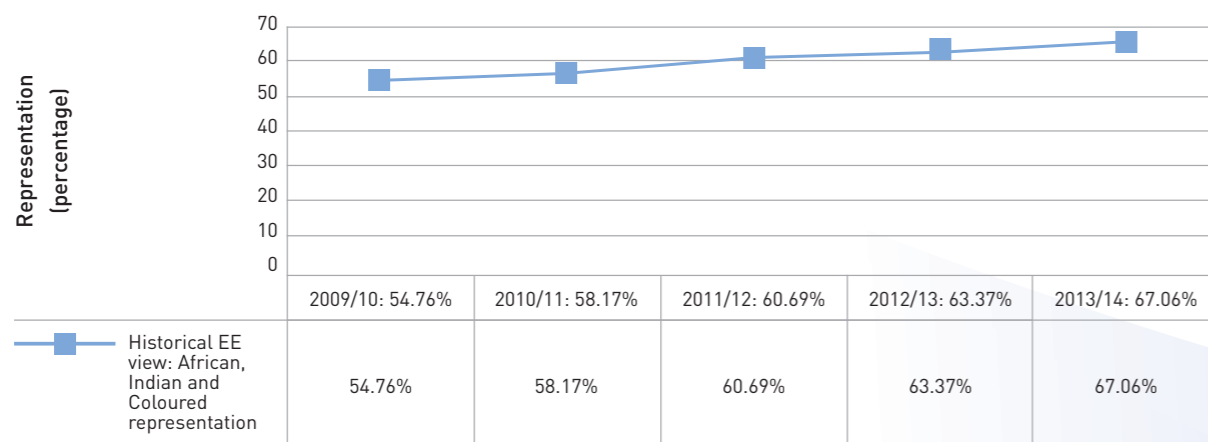
Employment equity

- ATNS achieved the black employment target of 67,06% with 50% representation of black employees.
- 40,92% female employee representation was achieved against a target of 46%.
- ATNS achieved representation of 2,85% in terms of People with Disabilities (PWD) against a target of 3,5%.

Graph 11: Historical view of female representation



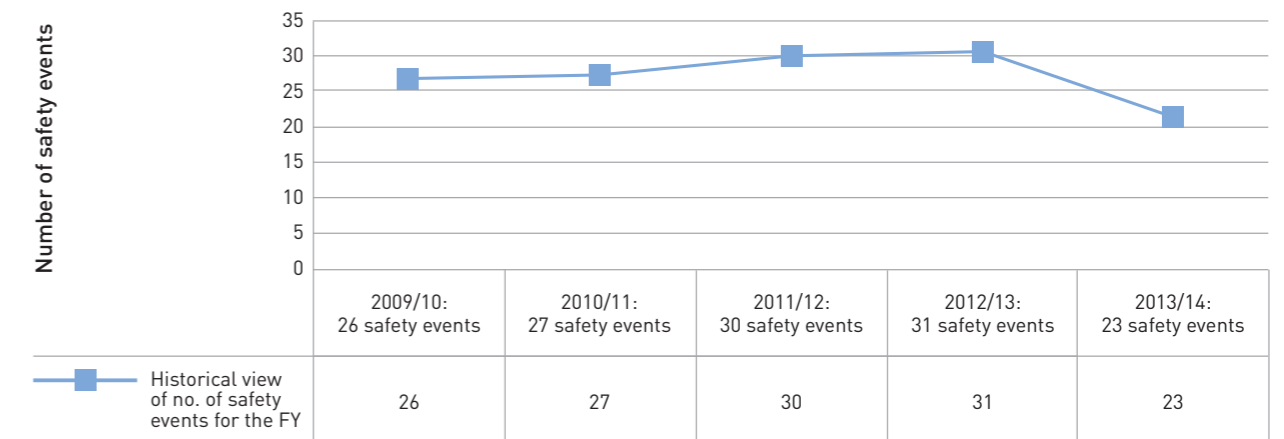
Graph 12: Historical EE view: 2010 to 2014



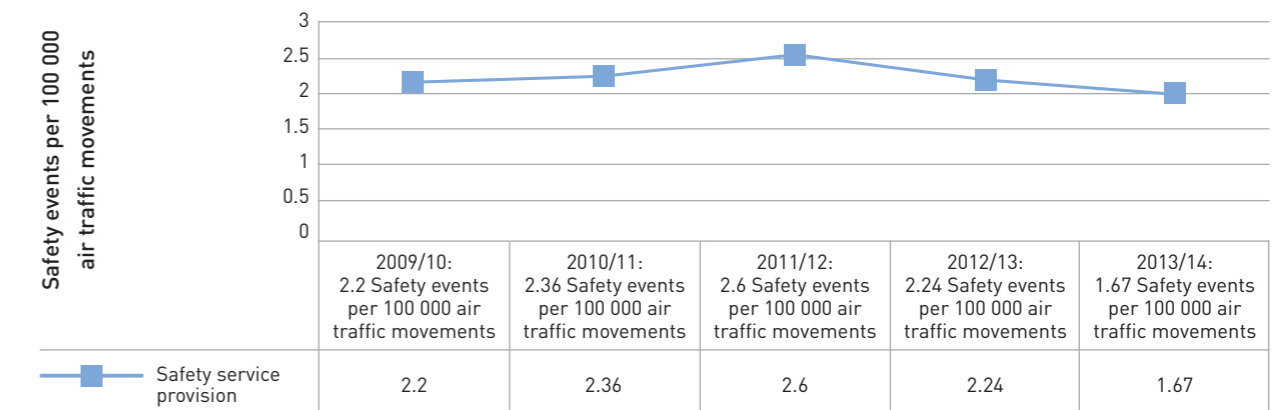
Build a culture of safety

- During the year, ATNS reviewed the Company' Safety Management System (SMS) process, which resulted in a significant reduction in safety investigation timeframes.
- The Company has approved and published a Safety Roadmap addressing aspects of safety, QMS and risk audits, safety investigation and safety assessments; and has introduced safety dashboards for each operational unit.
- SMS benchmarking has been conducted against CANSO and EUROCONTROL Standards of Excellence. During the year, comprehensive safety audits were conducted to include air traffic services, technical services and criteria relating to human factors.

Graph 13: Historical view of the number of safety events for 2013/14



Graph 14: Historical view of safety service provision: safety ratio comparisons

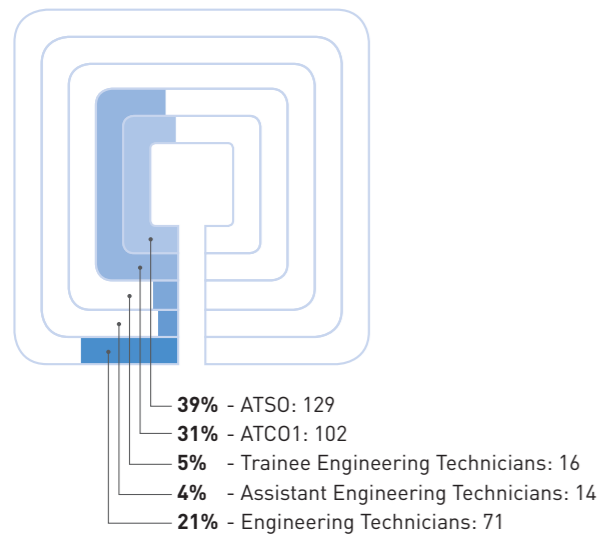




Build a skilled and capable employee resource base

- During the year, ATNS trained a total of 1,472 students at a pass rate of 96%.
- The continual training of ATS personnel and engineers through the current training pipeline has resulted positively in the growth of qualified ATCO1s (Air Traffic Control Officers) and engineering technicians.
- In recognition of its continued status as an Aviation Training Center of Excellence within the continent, the Aviation Training Academy (ATA) hosted the TRAINAIR Plus Regional Symposium in December 2013. Overall 180 delegates attended from across the globe, representing 40 nations.
- The ATA retained its ICAO TRAINAIR Plus associate membership status in 2013. This status is held by only two training institutes in Southern Africa. This membership will continue to strengthen our product portfolio.
- Successful audits by various international Civil Aviation Authorities has resulted in accreditation by the following authorities:
 - Ghana Civil Aviation Authority
 - Angola Civil Aviation Authority
 - Seychelles Civil Aviation Authority
 - Nigeria Civil Aviation Authority
 - Namibia Civil Aviation Authority
- In 2013 the workplace forum was established to facilitate optimal employee relations. This is an inaugural initiative by the organisation to create an opportunity for all levels of employees to be heard on a formal platform.
- ATNS embarked on a 'total rewards philosophy' during the year to ensure that the Company fulfils its desire to be an employer of choice in the aviation sector.

Graph 15: Employees numbers for ATNS professional disciplines



Manage the organisation's contribution to Climate Change

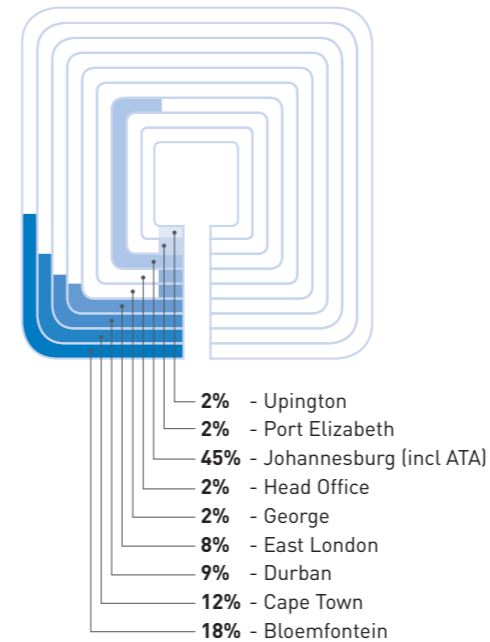
- ATNS appointed Cygnet Consulting to calculate the organisation's carbon inventory for the 2013 financial year (1 April 2012 to 31 March 2013). The carbon inventory involved accounting for all Greenhouse Gas (GHG) emissions released as a result of ATNS's operations.
- ATNS's total carbon inventory for the 2013/14 financial year is 16,356 tons of CO₂e.



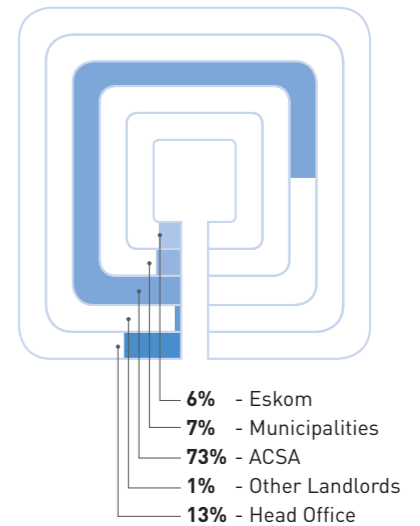
Manage and preserve scarce and vulnerable resources

- The Company performs an annual energy assessment and calculates a yearly carbon inventory to measure the Company's energy usage and fuel efficiency. During the year, Audit firm, Deloitte, conducted an energy assessment of ATNS's operations to establish the overall energy footprint for the organisation.
- Approximately 97% of the organisation's carbon emissions relate to electricity consumption, whilst the remaining 3% relate to the use of fuel. This represents a 36% increase on the 2012/13 carbon inventory, which totalled 10,469 tons of CO₂e. This increase is most likely explained by an improvement in data used for the calculation compared with the previous year, with specific reference to data for Scope 2 emissions.

Graph 16: Scope 1 – Fuel consumption by site



Graph 17: Scope 2 Electricity by supplier / site type



Develop enterprise-wide awareness for environmental impacts

- During the year, ATNS made positive progress in designing a comprehensive sustainability and climate change awareness learning programme for employees to help entrench the culture of 'global citizenship' across the Company's operations, and to enhance employees' understanding of sustainability and climate change in the aviation context.



Maintain an impeccable governance framework

- ATNS continued to promote its whistle-blowing policy and anonymous fraud and crime hotline which stakeholders are encouraged to utilise should they be exposed to or come into contact with incidents of bribery, fraud, theft or other dishonest conduct within ATNS.
- The Company continued to comply with all relevant legislation, regulations and standards.
- During the year, all matters raised relating to fraudulent activities were resolved within a 90-day period.














Ensure regulatory alignment and compliance

- ATNS continued to comply with relevant legislation, regulations and standards.
- No material findings were reported during the fourth quarter as per Internal Audit reports.

Overview of key performance indicators (KPIs)

Table 27: ATNS Key Performance Table

Item no.	Key Performance Area	Measurement	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target
KPA-1: Transport safety and security						
1.1	Safety service provision	Number of safety events per 100,000 air traffic movements. Inclusive of all movements	2,24 safety events per 100,000 air traffic movements 	2,0 safety events per 100,000 air traffic movements	1,67 safety events per 100,000 air traffic movements 	2,0 safety events per 100,000 air traffic movements
1.2	Airspace capacity and efficiency	Airspace capacity (Airport)	FAJS = 60 FALE = 24 FACT = 30 	FAJS = 60 FALE = 24 FACT = 30	FAJS = 56 FALE = 22 FACT = 37 	FAOR = 60 FALE = 24 FACT = 30
		*Runway throughput demand in movements per hour				FAOR = 53 FALE = 24 FACT = 30
1.3	Operational efficiency	Average delay per delayed flight	Not measured	120 sec	11 sec 	120 sec
1.4	Operational efficiency	Average Service availability	C: 99,60% N: 97,78% S: 99,96% 	C: 99,64% N: 98,74% S: 99,77%	C: 99,50% N: 96,26% S: 99,94% 	C 99,109% N 99,315% S 99,863%
1.5	Ensure commercial sustainability	Meeting financial target as per budget	D/E = 9% C/A = 4,1:1 ROCE = 27,62% 	D/E = 25% C/A = 3,65 ROCE = 11,2%	D/E = 0% C/A = 7.08:1 ROCE = 30,21% 	D/E = 10-45% C/A = 2,5:1 ROCE = 8%
1.6	Performance-based navigation (PBN)	1. Review existing conventional and RNAV routes	Not measured	RNP APCH (Baro-VNAV where operational benefits can be gained) in 50% of instrument runways – 50% by 30 June 2013	RNP APCH (Baro-VNAV where operational benefits can be gained) in 50% of instrument runways – 55,5% by 31 October 2013 	RNP APCH in 60% of instrument runways located at ACSA airports by 31 March 2015
		2. RNP APCH (Baro-VNAV where operational benefits can be gained) in 50% of instrument runways	Not measured	RNAV 1 and 2 SID/STAR for 50% of international airports – 66,7% by 31 October 2013	RNAV 1 and 2 SID/STAR for 50% of international airports – 55,5% by February 2014 	RNAV 1 and 2 SID/STAR for 4 international airports (ACSA-owned) by 31 March 2015

* New measure




 Fully achieved
 Partially achieved
 Not achieved

Table 27: ATNS Key Performance Table (continued)















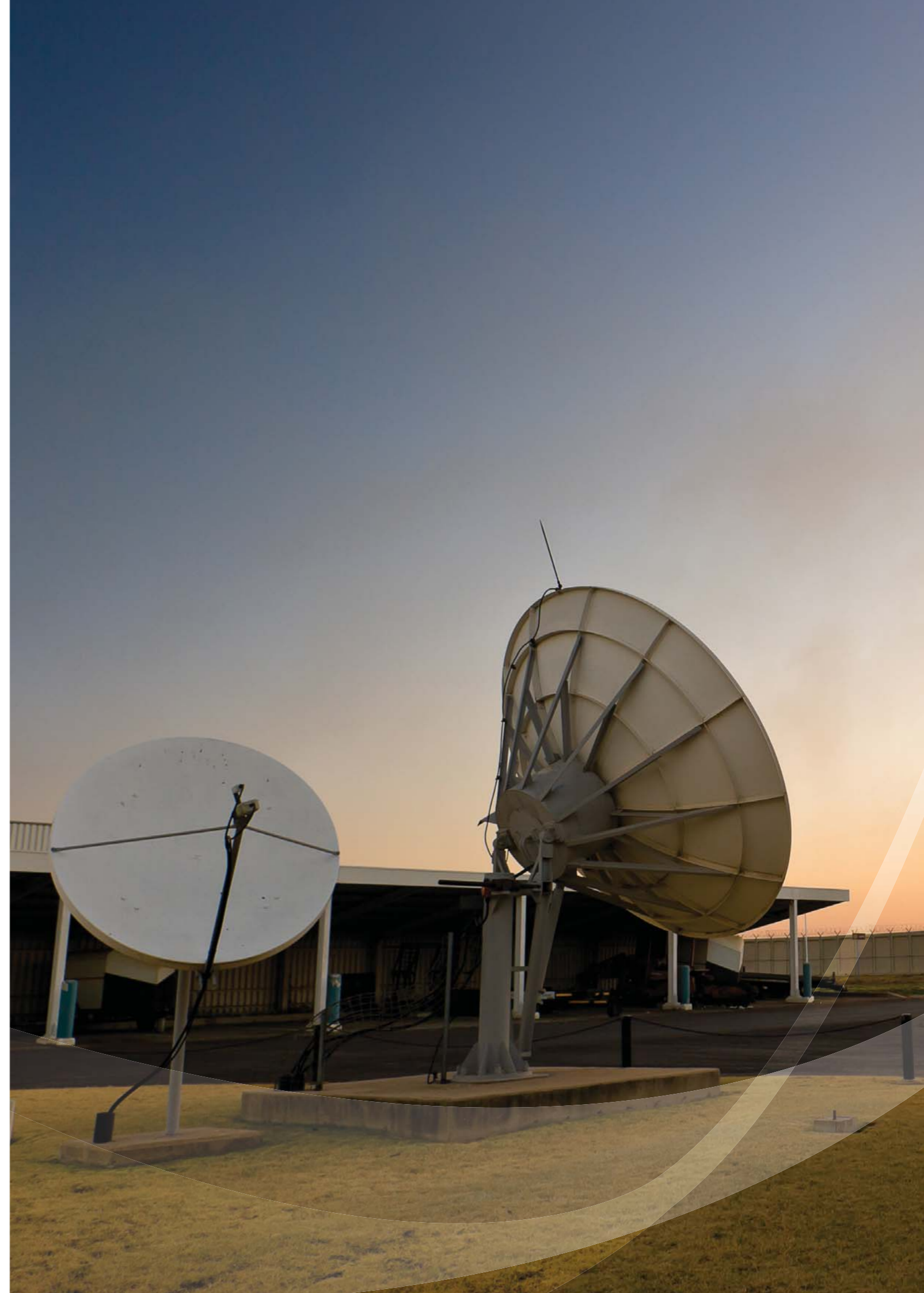
Item no.	Key Performance Area	Measurement	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target
KPA-2: Infrastructure development and high-level investment plan for Transport						
2.1	Development of optimised and efficient aviation infrastructure in a cost-effective manner	Compliance with the acquisition and implementation of milestones of the CAPEX plan	R197 million 	R385 million	R174 million 	R151 million
2.2	Operation of the satellite communication networks: SADC VSAT 2	Achievement of the revenue and network availability as per SLA targets	SLA – 99.87% Revenue – R26,85 million 	SLA – 98.5% Revenue – R26,5 million	SLA – 98.5% Revenue – R26,5 million 	SLA – 98.5% Revenue R26,8 million
2.3	Operation of the satellite communication networks: NAFISAT	Achievement of the revenue and network availability as per SLA targets	SLA – 98.84% Revenue – R25,01 million 	SLA – 98.5% Revenue – R26,1 million	SLA – 98.5% Revenue – R26,1 million 	SLA – 98.5% R 26,4 million
KPA-3: The fight against fraud and corruption						
3.1	Comply with relevant legislation, regulation and standards	Reports with no material findings from auditors	No material non-compliance findings were reported in the period under review. 	Unqualified audit report	Unqualified audit report	Unqualified audit report to be achieved for 2014/2015
		Sound internal control systems	Zero material non-compliance findings 	Zero material non-compliance findings	Zero material non-compliance findings 	
3.2	Fraud and whistle-blowing policy	Matters investigated as per policy timelines	All reported matters were resolved within 30 days 	Resolution of all matters raised within 90 days	Resolution of all matters raised within 90 days 	Resolution of matters reported through the Whistle Blowing within 90 days
KPA-4: Environmental protection						
4.1	Implementation of environmental plan	ATNS 2014/15 Carbon footprint inventory report	Implementation of the environmental and sustainability plan is underway. Calculated ATNS carbon footprint and completed energy management audit. Awaiting measurable targets from the DoT 	Calculate ATNS Carbon Footprint Inventory for 2012/13 FY	Calculate ATNS Carbon Footprint Inventory for 2012/13 FY 	Calculate and report on ATNS Carbon Footprint 2014/15 quarterly
		Trained ATNS employees on Sustainability and climate change matters	Not measured	S & CC Awareness training programme for ATNS employees	S & CC Awareness training programme for ATNS employees 	Deliver Environmental awareness training to 50% of ATNS employees
		Environmental performance assessments	Not measured	EXCO-approved Stakeholder Engagement Policy	EXCO-approved Stakeholder Engagement Policy 	Conduct environmental assessment for en-route airspace changes

Table 27: ATNS Key Performance Table (continued)

Item no.	Key Performance Area	Measurement	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target
KPA-5: Training to contribute to job creation						
5.1	Address societal challenges, thereby building a meaningful legacy for ATNS and the communities in which we operate	Trained ATS and engineering learnerships	ATS bursars/ trainees - 47 Engineering learnerships - 17	ATS - 60 Engineering learnerships - 17 ATS Bursars = 60	ATS - 74 Engineering learnerships - 10	ATS - 60 Engineers learnerships - 5 ETS - GEDP 6 External Bursaries 1 Unemployed Graduates 6
5.2	Manage the training pipeline for ATS and technical staff	<ul style="list-style-type: none"> Achievement of the numbers as per budget Adoption and approval of training plan Compliance with the milestones of the plans 	ATCO 3 - 190 ATCO 2 - 42 ATCO 1 - 116	ATCO 3 - 238 ATCO 2 - 37 ATCO 1 - 117 Eng. Technicians - 86 Eng. Satellite Technicians - 5	ATCO 3 - 206 ATCO 2 - 40 ATCO 1 - 109 Eng. Technicians - 71 Eng. Satellite Technicians - 5	ATCO 3 - 226 ATCO 2 - 37 ATCO 1 - 119 Eng. Technicians - 84 Eng. Satellite Technicians - 5 (GEDP) Graduate Engineering Development programme - 6 Engineering Learnership - 5
5.3	Review and implement the HR plan to recruit, develop, retain, and reward employees across all disciplines	Training investment as percentage of a salary bill	2% Rand value of salary bill	2% Rand value of salary bill	2,94% Rand value of salary bill	3% Rand value of salary bill
KPA-6: Broad-Based Black Economic Empowerment						
6.1	Achieve B-BBEE targets Achieve preferential procurement targets as set by the Transport Charter	Achievement of B-BBEE targets as per the Transport Charter	OPEX spend - 91% CAPEX spend - 24	B-BBEE OPEX spend 65% CAPEX spend 45% Obtain the first B-BBEE rating	OPEX spend 75%, CAPEX spend 88% BBBEE strategy to achieve level 3 rating has been developed.	B-BBEE level 3
KPA-7: Employment equity						
7.1	ATS EE targets (AIMO, ATSO, ATCO 1-3)	6% increase - year on year - African	ATS AIC - 52.33%	Achieve a target of 55% ATS AIC	Achieve a target of 56,01% ATS AIC	Achieve a target of 57% ATS AIC
		7% increase - year on year - females	ATS female -35.70%	Achieve a female target of 40% ATS	Achieve a female target of 36,82% ATS	Achieve a female target of 40% ATS
7.2	ATNS EE targets	6% increase - year on year African (based on YTD)	ATNS AIC - 63.37%	Achieve a target 66% AIC	Achieve a target 67,06% AIC	Achieve a target 70% AIC
		9% increase - females (based on YTD)	ATNS female - 38.52%	Achieve a company target of 46% female representation	Achieve a company target of 40,92% female representation	Achieve a company target of 46% female representation
		1% increase - people with disability (PWD) (based on YTD)	ATNS & PWD - 2.91%	ATNS & PWD - 3.5%	ATNS & PWD - 2.85%	ATNS & PWD - 3%



7. Outlook

The coming financial period (ending 31 March 2015) will be crucial for the Company as the permission application for the period 2015 to 2020 will be submitted. This permission will outline the financial, human and technology resources which the Company will need to implement its strategy in the period covered by the permission.

In the final year of the permission, as shown in Graph 18, it is projected that revenue will be 14% below the permission at R1,3 billion. This is attributable to the expected continued decline in air traffic movements due to current economic conditions.

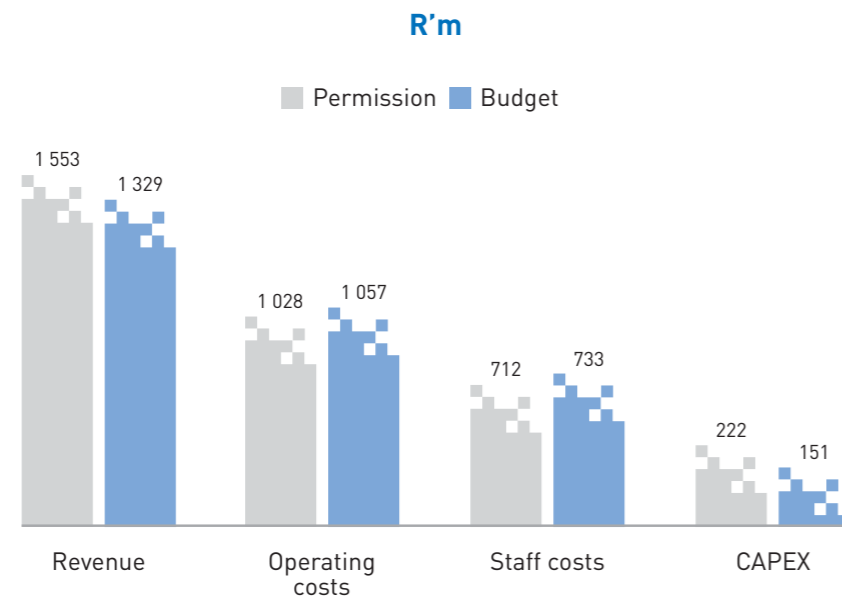
The operating costs are projected at 3% above the permission. This is due to some acquired services increasing at a rate

higher than the Consumer Price Index (CPI) and the Rand being weaker than what was projected in the permission.

Staff costs are projected to be 3% higher than the permission due to increased numbers in personnel, which were not catered for in the permission. These costs were excluded from the permission as a result of the Company reviewing its strategy after the permission was submitted. However, the increased numbers did not lead to an increase in promulgated permission tariffs.

CAPEX is projected to be 32% below the permission. This is mainly due to the deferment of some projects, which will be included in the 2015 – 2020 permission, wherein the Company is expected to draw level.

Graph 18: Projections for the period 2014/15



Priorities for the year ahead



Ensure long-term financial sustainability

Permission process

- Continue to collaborate with the Regulating Committee for ACSA and ATNS to ensure favourable and sustainable outcomes for the industry.
- Generate appropriate additional supplementary components/modules as required by the Regulating Committee for each permission application based on the contents of key modules.

ATNS International Programme

- Continue to develop alignment criteria for the ATNS International programme and propose high-level and detailed design options in terms of processes, systems, technology, structure, and operations.
- Develop a change management strategy and detailed change management plan to support the implementation of approved changes on the ATNS International programme.

AFI Strategy Project

- Develop an enabling market intelligence environment for the AFI Strategy Project.
- Perform an 'As-Is' internal gap analysis to identify areas for improvement.
- Develop a three to five-year market entry strategy for expansion, including pricing and distribution models, human resource requirements, and processes and policies.
- Develop and embed an efficient business and sales reporting structure.



Enhance operational efficiencies in line with global ATM standards

- Implement 2014/15 Capital Expenditure Plan of R151 million.
- Implement PBN in South Africa, achieving the ICAO near and medium-term targets as articulated in the South African PBN Roadmap.
- Review the ATNS Roadmap to include the newly introduced ICAO ASBU concept.
- Continue to measure and track the progress in operators' performance in terms of ATNS's operational improvement initiatives.
- Deliver on Business Process (BP) initiatives by engaging various ATNS process owners together with business processes and aligning information technology systems.
- Continue to implement organisational alignment initiatives, including:
 - Establishing internal subject matter expert task forces.
 - Registering more internal consultants with relevant professional bodies.
 - Increasing internal resources, mapping and improving processes, and leveraging technologies to support a larger customer base and product portfolio.
 - Upgrading ATNS's VSAT network and ATA training facility to increase capacity and meet customer demands.
- Continue to reduce overall traffic delays – target 120 seconds as an average for flight delays.
- Target service availability as per SLA targets at 99,109% for communication services; 99,315% for navigation services; and 99,863% for surveillance services.
- Implement RNP APCH in 60% of instrument runways located at ACSA airports and RNAV 1 and 2 SID/STAR for 4 international airports (ACSA-owned).



Develop leadership capability in the Africa ATM space

- Continue to collaborate strategically with ICAO to facilitate interoperability and modernisation of air transportation through the ICAO block upgrades initiative.
- Continue to host the Civil Air Navigation Organization (CANSO) Regional Office and collaborate with other entities regionally and globally in the Company's visibly active involvement in ICAO, IATA, and other industry networks and associations.



Create a transformative organisation

- Continue to implement the new B-BBEE Codes of Good Practice to guide ATNS toward an improved BEE rating.
- Compile the new five-year Employment Equity Plan for ATNS, considering macro-economic demands and industry trends.



Build a culture of safety

- Align service provision contracts between the regulated airport service providers and non-regulated contract parties and outsourced airport management service providers to streamline regional airport safety programmes.
- ATS coordination: ensure the coordination of accurate and timely liaison of all appropriate forward traffic coordination in the area of traffic climbing, descending and others in level flight.
- Continue to implement the Safety Culture Improvement Plan and Safety Culture Model, containing five iterative stages of maturity to assist service providers (e.g. technology and system developers) to measure sequential progress.
- Continue to award ATNS employees for their contribution to safety management.
- Continue to provide all ATS personnel with the necessary operational knowledge and understanding to retain the current level of competence required by ATNS. It is intended that re-currency/continuation training will reinforce and confirm past knowledge and maintain current competence levels.



Build a skilled and capable employee resource base

- Continue to invest in development programmes for ATNS employees, with an emphasis on African, Indian and 'Coloured' employees, women and people with disabilities. Target 3% of the Rand salary bill on organisational training for the year ahead.
- Continue to update the ATNS Training Plan and forecast to ensure training throughput is closely managed.



Manage the organisation's contribution to Climate Change

- Provide quarterly carbon footprint calculations for ATNS's carbon footprint.
- Conduct environmental assessments for en-route airspace changes.



Manage and preserve scarce and vulnerable resources

- Ensure compliance with NEMA requirements for air-quality standards and continue to engage stakeholders to refine ATNS's approach to air quality management.
- Refine the Company's 'green practices' with regards to paper and waste.
- Engage ACSA in the year ahead to explore options for improving electricity related data sourced from these sites.



Develop enterprise-wide awareness for environmental impacts

- Create a senior management portfolio for a dedicated manager of environmental sustainability.
- Deliver environmental awareness training to a minimum of 50% of ATNS employees.
- Continue to update the legal and regulatory register in terms of operational compliance to 'green practices'.
- Continue to implement the Sustainability and Climate Change Strategy and Plan

8. Consolidated 5-year review

This section reviews ATNS's financial performance for the regulated business over a five-year period, commencing in the 2009/10 financial year and culminating in 2013/14.

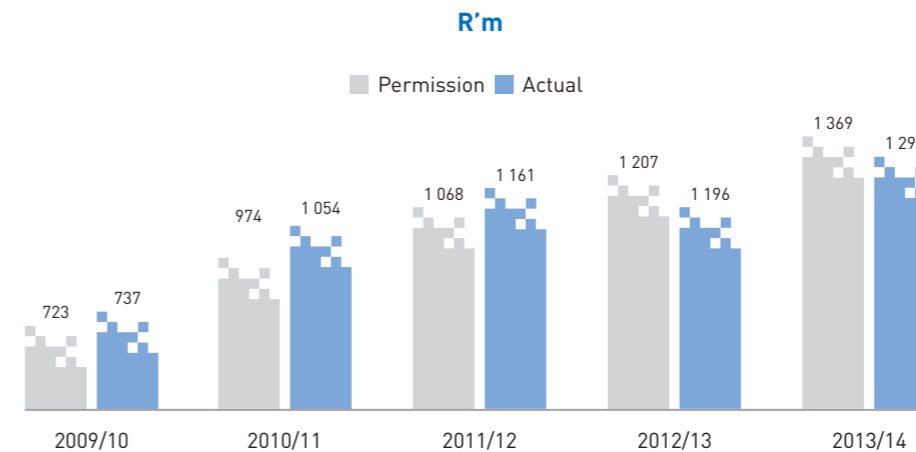
Permission revenue was expected to grow from R723 million in 2009/10 to R1,4 billion by 2013/14, giving a compound annual growth rate (CAGR) of 14%. However, due to the GDP forecast being revised down from 4% to around 2% for the better part of the permission period, this resulted in actual revenue being slightly lower than the permission at R1,3 billion, compared to the expected R1,4 billion. The CAGR for the actual revenue was 2% below the permission at 12%.

The under-performance of actual revenue relative to the permission could have been significant given the slow-down of air traffic movement subsequent to the GDP being revised

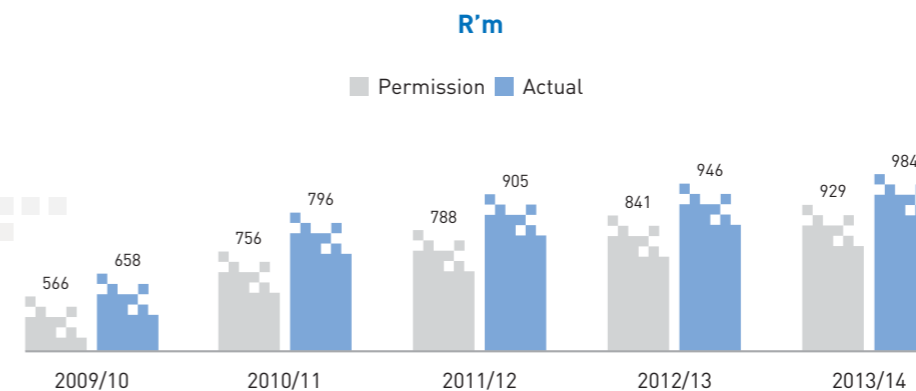
downward. However; airlines started changing their aircraft mix from large to even larger aircraft. This worked to the company's advantage as margins are slightly higher on larger aircraft. The latter trend is expected to continue at a moderate rate. The inherent risk of air traffic movements not materialising as projected will remain. This will compel the Company to look for other sources of revenue over and above the regulated revenue.

The actual CAGR on operating costs from 2009/10 to 2013/14 was 2% below the permission at 8%. Costs remained high at around 82% of revenue and this is expected to continue into the future. A significant portion of this relates to staff costs at around 60%, while around 10% of operating costs have a foreign currency component. The latter exposes the Company to foreign exchange fluctuations risk. Different options to counter this risk exposure have been considered,

Graph 19: Overview of performance of permission against actual revenue for the period 2009/10 to 2013/14



Graph 20: Overview of operating costs for the 5-year period 2009/10 to 2013/14



including obtaining foreign exchange contracts to cover material exposure.

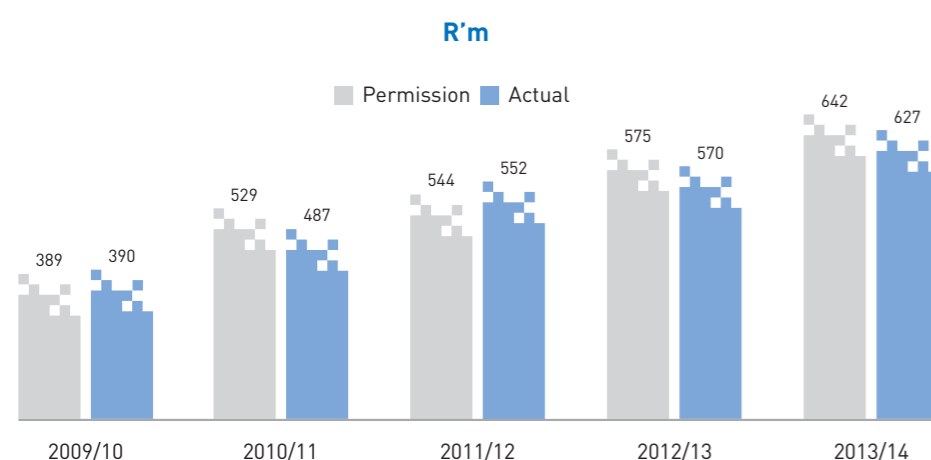
Approximately 60% of staff costs are for air traffic control related services. The Company competes with its international peers for air traffic controllers resulting in high salaries offered to retain these skills. The Company has considered other mitigating options, including clearing the congestion in the training pipeline to have a sufficient pool of air traffic controllers. This will remain high for a foreseeable future irrespective of the significant anticipated investment in technology.

The compound average growth rate on capital expenditure was a negative 5% compared to the projected 12% in the

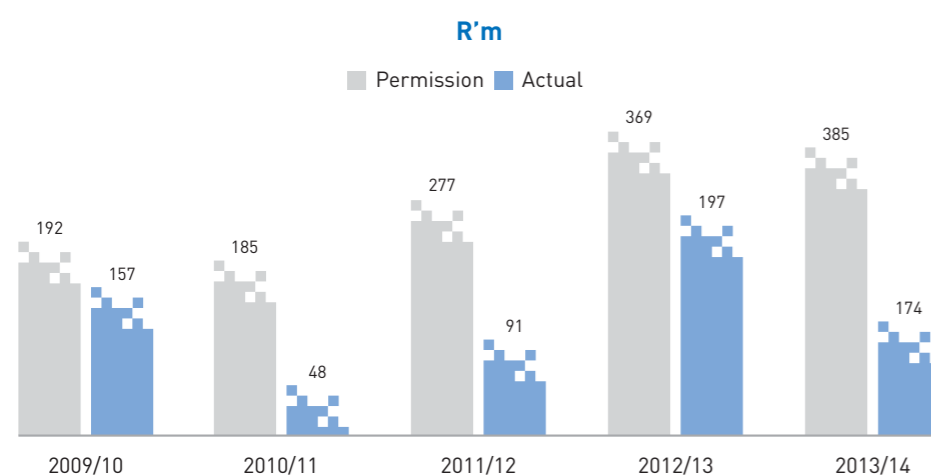
permission. This is attributable to the Company deferring some of the capital expenditure projects due to a change in technology. The technology highly influences the Company's capital investment as a driver for efficient and effective provision of air traffic management services.

The deferring of projects resulted in the Company not raising projected loans with financiers which, in turn, led to the actual interest paid being lesser than the projections. The expected 'catch-up' will continue into the next permission from 2015 to 2020. However; the deferring of projects did not negatively affect a safe provision of air traffic management services, as the Company succeeded for the first time to achieve its target of 2 safety incidents per 100,000 movements.

Graph 21: Overview of staff costs for the period 2009/10 to 2013/14



Graph 22: Overview of CAPEX performance for the period 2009/10 to 2013/14



Abbreviations and acronyms

AASA	Airline Association of Southern Africa
AATO	Association of African Aviation Training Organisation
ACSA	Airports Company South Africa
ADS	Automatic Dependent Surveillance
ADS-B	Automatic Dependent Surveillance Broadcast
AFCAC	Africa Civil Aviation Committee
AFI	African Indian Ocean Region
AFIS	Aeronautical Flight Information Service
AFRAA	African Aviation Authority
AIM	Aeronautical Information Management
AIP	Aeronautical Information Publication
AIROPS	Airspace User Operations
ANSP	Air Navigation Service Provider
AORRA	Atlantic Ocean Random Routing Area
APIRG	AFI Planning and Implementation Regional Group
ATA	Aviation Training Academy
ATC	Air Traffic Controller
ATCO	Air Traffic Control Officer
ATFM	Air Traffic Flow Management
ATNS	Air Traffic and Navigation Services
ATM	Air Traffic Management
ATMRPP	Air Traffic Management Required Performance Panel
ATS	Air Traffic Services
ATS/DS	Air Traffic Service/Direct Speech
BARSA	Board of Airline Representatives of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BD	Business Development
BI	Business Intelligence
C	Communication
CA	Current Assets
CAC	Civil Aviation Committee
CAD	Centralized Aeronautical Database
CAMU	Central Airspace Management Unit
CANSO	Civil Air Navigation Services Organization
CAPEX	Capital Expenditure
CAR	Civil Aviation Regulation
CATS	Civil Aviation Technical Standard
CDU	Curriculum Development Unit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CISM	Critical Incident Stress Management
CNS	Communication, Navigation and Surveillance
D/E	Debt/Equity Ratio
DME	Distance Measuring Equipment
DoT	Department of Transport
DRC	Democratic Republic of the Congo
DSCR	Debt Service Coverage Ratio
EE	Employment Equity
EGNOS	European Geostationary Navigation Overlay System
EIA ROD	Environmental Impact Assessment Record of Decision
ERM	Enterprise Resource Management
ETS	Engineering and Technical Services
EUROCONTROL	European Organization for the Safety of Air Navigation
FACT	Cape Town International Airport
FAJS	OR Tambo International Airport
FALE	King Shaka International Airport
FEC	Foreign Exchange Contracts

FIR	Flight Information Region
FMCG	Fast Moving Consumer Goods
GA	General Aviation
GASP	Global Aviation Safety Plan
GDP	Gross Domestic Product
GNSS	Global Navigational Satellite System
GPS	Global Positioning Systems
HR	Human Resources
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICAS	Independent Counselling and Advisory Service
IFRS	International Financial Reporting Standards
ILS	Instrument Landing Systems
IP	Internal Protocol
ISO	International Standards Organization
IT	Information Technology
IVSAT	Internal Very Small Aperture Terminal
JFPDP	Joint Flight Procedure Development Programme
KPI	Key Performance Indicator
MIDVSAT	Middle East Communication Network
MIS	Management Information System
MLAT	Multilateration
MSSR	Mono-pulse Secondary Surveillance Radar
N	Navigation
NAFISAT	North East African Communication Network
NAMP	National Airspace Master Plan
NASCOM	National Airspace Committee
NEXTGEN	Next Generation
OEM	Original Equipment Manufacturer
OPEX	Operational Expenses
OT	Operational Technology
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
S	Surveillance
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SAIEE	South African Institute of Electrical Engineers
SARPS	Standards and Recommended Practices
SARS	South African Revenue Services
SESAR	Single European Sky Air Traffic Management Research
SID	Standard Instrument Departure
SLA	Service Level Agreement
SMS	Safety Management System
SOE	State-owned Enterprise
SWIM	System Wide Information Management
TS	Technical Services
UACC	Upper Airspace Control Centre
UN	United Nations
USTDA	United States Trade and Development Agency
VCCS	Voice Communication and Control System
VDF	VHF Directional Finder
VSAT	Very Small Aperture Terminals
WAN	Wide Area Network
WGS-84	World Geodetic System – 1984

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