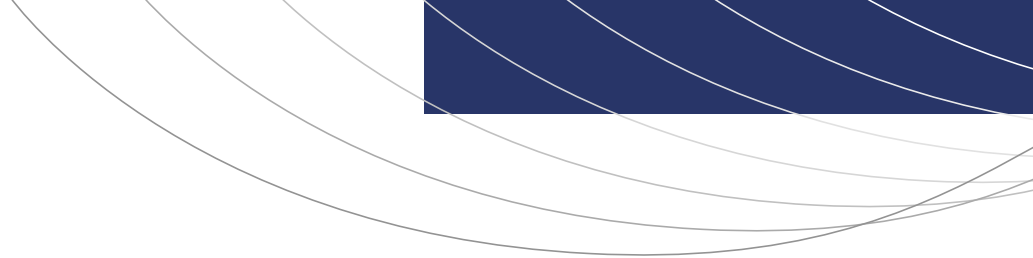


# Comair Limited

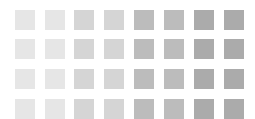
Annual Report 2005



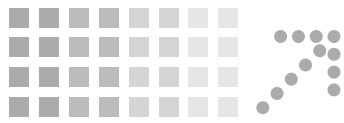


Cover: Comair-sponsored cadet pilot, First Officer Deen Gielink, pictured alongside Comair's state-of-the-art Boeing 737-300/400/500 Simulator.

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# Joint Chairman and Managing Director's Report

## Earnings Review

The past financial year presented another year of aggressive competition in the market for domestic air travel. Domestic yields continued to decline, making air travel more affordable than ever, resulting in unprecedented market volume growth of approximately 14%. Comair was well positioned to grow its market share further, resulting in passenger gains of 18% and an increase in turnover of 16%. Capacity grew by 12% along with improved seat occupancy levels. The above mentioned growth produced an operating profit of R114.1 million and headline earnings per share of 17.3 cents (prior year operating profit of R40.7 million and headline earnings per share of 12.1 cents).

Operating costs were affected by a 32% average increase in the dollar price of crude oil, raising the fuel component of operating costs from 20% to 26%, before taking into account the fuel surcharge on British Airways ticket sales which contributed towards the partial recovery of the fuel price increase. The strong rand also mitigated the high dollar cost of fuel and benefited other dollar based costs.

Cash generated by operations remained strong at R195.6 million (prior year R63.3 million), and after spending R107 million on aircraft and flight simulator acquisitions, resulted in a cash balance of R216 million at year-end (prior year R210 million).

The Directors have resolved to declare a dividend of 7.0 cents per share (prior year 2.0 cents) to all shareholders.

## Trading Environment

Airline operators in the private sector have struggled for a considerable time to compete against the state owned South African Airways, leading to several airline failures since deregulation. However, Comair has consistently achieved a growing market share under its British Airways brand, and more recently under its kulula.com brand, despite the predatory conduct on the part of South African Airways that has now led to complaints filed with the Competition Commission regarding abuse of dominance in terms of the Competitions Act.

Subsequent to year-end the Competition Tribunal ruled against South African Airways in an earlier case regarding its abuse of dominance. This sets a favourable precedent for Comair's own similar case, for which the company

currently awaits a date for hearing. A favourable ruling would provide for an improved trading environment and a claim for damages.

It is our view that the Government should review the effective compliance of its own policy, as documented in a White Paper, which commits it to a reduction in its direct involvement in the provision of air services, the principle of equal treatment and the promotion of a level playing field.

## Aircraft Fleet

Despite the start of a recovery in international aircraft values, the strong rand has provided an ideal opportunity for Comair to continue to upgrade its fleet to more efficient and stage 3 noise compliant aircraft.

Further to the three Boeing 737-300 aircraft acquired from Qantas in the 2004 financial year, Comair secured an additional four aircraft from the same fleet, of which two were delivered prior to the current year-end. The third aircraft was delivered in August 2005 and the fourth will be delivered in December 2005. The total acquisition of R200 million is funded one third by cash reserves and two thirds by long term loans, on which Comair had only drawn down on the funding for the first aircraft at year-end.

While this acquisition has increased the aircraft fixed costs on the Income Statement, this increase has been more than offset by the operating efficiency of these aircraft, which reduces Comair's exposure to the exchange rate and oil price variations. The Boeing B737-300's are stage 3 noise compliant and offer improved revenue earning potential by providing more capacity than similar Boeing B737-200 aircraft. Comair is investigating opportunities to take further advantage of the current aircraft market and exchange rate by accelerating its fleet replacement programme, ideally through the acquisition of further Boeing B737-300 and - 400 aircraft.

At year-end Comair's fleet comprised eight B737-200 aircraft, of which six are owned, three leased B737-400 aircraft, five owned B737-300 aircraft and six leased MD82 aircraft. The fleet comfortably exceeds the requirements of the anticipated noise abatement regulations.

Comair entered into the operating leases on the three Boeing B737-400 aircraft prior to September 11 2001, and these leases expire in 2010. Aircraft values have failed



to recover to pre-September 11 values, and consequently the lease instalments on these aircraft are no longer market competitive. Comair is investigating opportunities to adjust the future lease commitments to market value.

### **kulula.com Brand**

kulula.com achieved strong growth during the year by adding frequencies on existing routes and successfully commencing four new routes. kulula.com now operates 10 routes and 300 flights per week. With its low cost base and price leadership, the airline continues to grow the travelling market in South Africa and estimates that 7% of South Africans are now travelling domestically each year compared to only 4% when kulula.com was launched four years ago.

kulula.com continues to attract a growing number of business travellers with its focus on punctuality and target of 90% on time departures. Product extensions, particularly car rental, hotels and cabs performed well and contributed to kulula.com's profitability. kulula.com launched a major community initiative during the year by offering both men and women of the South African Police Service, as well as their families, substantially discounted flights to any kulula.com destination.

### **British Airways Brand**

Our British Airways operation continues to excel as the leading corporate airline in Southern Africa. The airline's commitment to service excellence was supported by being voted Best Domestic Airline by the Association of South African Travel Agents (ASATA) for the 5th time. Our product leadership was further enhanced by the acquisition of our new Boeing 737-300 fleet as well as the Executive Club Frequent Flyer programme which is more rewarding than competitors' programmes.

We continue to get strong support from British Airways long haul flights, as well as from other international carriers. Support from travel agents is expected to improve following the Competitions Tribunal ruling against SAA's anti-competitive agency incentives.

### **Flight Operations**

Safety standards remain an imperative for the company, and Comair once again received a positive rating from the British Airways Plc safety audit team, as well as from the KLM operations audit team..

Comair's flight simulators are highly utilised, with other airline training taking up any capacity surplus to Comair's own requirements. Comair's training capacity is held in high regard and presents an opportunity for revenue diversification.

### **Black Economic Empowerment**

Mindful of the imperative to redress the historical, social and economic inequalities of the past as well as to achieve sustained presence and ownership in business by historically disadvantaged South Africans, Comair has actively participated in the development of the BEE charter for Transport. Comair has made progress towards the targets set in the Draft Aviation Scorecard, including employment equity, training, management, social responsibility and procurement. Comair is investigating opportunities for a black shareholding in the company.

During the year the company contracted Empowerdex to undertake a rating of Comair's existing BEE initiatives. Despite not yet having concluded a BEE shareholding deal, the company scored a creditable "satisfactory broad based BEE contributor" rating, having scored well on employment equity, skills development, affirmative procurement and social development.

### **Prospects**

Comair expects to see continued improvements in its fleet efficiency, as well as reduced distribution costs.

Fuel prices have risen substantially in recent months and it is proving difficult to recover the associated cost with fuel levies and higher ticket prices. Performance in the new financial year will be significantly influenced by over-capacity in the market, the fluctuating rand/dollar exchange rate, robust competition on fares and the volatile fuel price.



## Five-Year Review

for the year ended 30 June 2005

	2005 R'000	2004 R'000	2003 R'000	2002 R'000	2001 R'000
<b>Group Income Statement</b>					
Revenue	1,713,583	1,474,549	1,365,907	1,284,962	1,160,000
Operating expenses	1,599,515	1,433,804	1,354,003	1,273,104	1,086,157
Operating profit before exceptional items	114,068	40,745	11,904	11,858	73,843
Aircraft deposit translation loss	-	(5,120)	(11,604)	-	-
Aircraft deposit write-off	-	(24,752)	-	-	-
Aircraft impairment	-	(115,106)	(35,000)	-	-
Aircraft forward cover exchange loss	-	(16,658)	-	-	-
Sun Air investment settlement	-	-	(3,600)	-	-
Profit on disposal of aircraft	-	-	-	-	25,483
Profit/(loss) from operations before taxation	114,068	(120,891)	(38,300)	11,858	99,326
Net investment (expense)/income	(12,144)	(15,257)	987	(1,085)	8,706
Profit/(loss) from ordinary activities before taxation	101,924	(136,148)	(37,313)	10,773	108,032
Taxation	(25,861)	39,448	14,386	4,539	(15,070)
Profit/(loss) for the year	76,063	(96,700)	(22,927)	15,312	92,962
<b>Group Balance Sheet</b>					
<i>Assets</i>					
Property, plant and equipment	419,894	343,927	295,452	334,304	309,989
Loan to share incentive trust	-	-	-	14,040	14,000
Unlisted investments	45,900	-	115,035	96,226	80,493
Deferred taxation	5,641	31,435	(8,017)	(26,629)	(31,168)
Current assets	335,945	316,639	293,623	344,894	372,881
	807,380	692,001	696,093	762,835	746,195
<i>Equity and liabilities</i>					
Share capital and reserves	311,272	234,236	339,050	383,933	402,221
Interest-bearing liabilities	177,740	190,787	21,331	171,460	181,237
Current liabilities	318,368	266,978	335,712	207,442	162,737
	807,380	692,001	696,093	762,835	746,195
<b>Salient Features</b>					
Operating margin	6.7%	2.8%	0.9%	0.9%	6.4%
Earnings margin	4.4%	(6.6%)	(1.7%)	1.2%	8.0%
Earnings per share (cents)	19.0	(24.2)	(5.7)	3.8	23.2
Headline earnings per share (cents)	17.3	12.1	6.8	3.8	23.2
Dividends per share declared (cents)	7.0	2.0	2.0	2.0	8.0
Weighted ordinary shares issued ('000)	399,441	399,431	399,434	399,407	399,395
Weighted ordinary shares in issue	420,000	420,000	420,000	420,000	420,000
Adjustment in respect of consolidation of share trust	(20,559)	(20,569)	(20,566)	(20,593)	(20,605)

# Group Value Added Statement

for the year ended 30 June 2005



	<b>2005</b>		<b>2004</b>	
	<b>R'000</b>	%	<b>R'000</b>	%
<b>Wealth Created</b>				
Group Revenue	1,713,583	-	1,474,549	-
Cost of materials and services	(1,317,502)	-	(1,237,891)	-
Value added	396,081	-	236,658	-
Income from investments	11,569	-	29,223	-
<b>Total value added</b>	<b>407,650</b>	<b>100%</b>	<b>265,881</b>	<b>100%</b>
<b>Wealth Distributed</b>				
<i>Employees</i>				
Salaries, wages and related benefits	242,779	60%	202,270	76%
<i>Providers of capital</i>				
Interest on loans	23,713	6%	44,480	17%
Dividends paid to shareholders	7,989	2%	7,989	3%
<i>Government</i>				
Taxation expense/(income)	25,861	6%	(39,448)	(15%)
<i>Re-invest in the group</i>				
Depreciation including impairment of assets	31,245	26%	50,590	19%
Attributable Profit/(loss)	76,063		(96,700)	
<b>Total value added</b>	<b>407,650</b>	<b>100%</b>	<b>265,881</b>	<b>100%</b>

*fair*  
~~Airfare~~

**kulula.com**

# Corporate Governance



## Introduction

Corporate governance is the ethical framework of business philosophy. This is evidenced throughout Comair, where integrity, professionalism and corporate citizenship are entrenched within the Company's values.

Under the stewardship of the Board, an open governance process is managed, through which stakeholders may derive assurance that the Company is being managed in an ethical and disciplined manner according to risk parameters based on the principles of transparency, accountability, responsibility and fairness.

## Statement of Compliance

The Board is of the opinion that throughout the financial year under review, other than as set out below, it has complied in all material aspects with the principles of King II and the provisions as set out in the Listing Requirements of the JSE. To the best of its knowledge and belief, areas of non-compliance are as follows:

- While the Chairman of the Board is a non-executive director, he is not considered to be independent; and
- Executive Directors have no fixed term contracts of employment. Notwithstanding same, one-third of the Directors are required to retire by rotation every year and if eligible are considered for re-appointment at the Company's Annual General Meeting.

## Code of Ethics

The Company has a strong culture of entrenched values, which forms the cornerstone of expected behaviour of the Company towards its stakeholders. These values are embodied in a written document known as the Company Code of Ethics. The Code is continually evaluated and updated and commits Directors and employees to the highest standards of behaviour when dealing with stakeholders, both internal and external.

## Financial Reporting and Going Concern

The Directors are responsible for the preparation of the annual financial statements in a manner that fairly and accurately represents the state of affairs and results of the Company. The Directors are responsible for adopting sound accounting practices, maintaining adequate accounting records and ensuring an effective system of internal controls and for safeguarding of assets. The financial statements of the Company have been prepared on the "Going Concern" basis and the Board is of the view that the Company has adequate resources to continue operating for the foreseeable future.

## Board of Directors

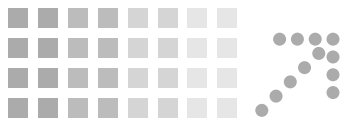
The Company has a unitary board structure. The composition of the Board of the Company is set out on page 18. The roles of the Chairman and Managing Director are separate. The Non-Executive Directors, with a strong independent element, are of sufficient number to ensure that no single individual has unfettered power of decision-making and authority. As at 30 June 2005, the Board comprised of four independent Non-Executive Directors, four Non-Executive Directors and five Executive Directors as defined in the Listing Requirements of the JSE Limited.

The Board is considered to be appropriately skilled with regard to its responsibilities and the activities of the Company. The skills and experience profiles of the Board members are regularly reviewed, to ensure an appropriate and relevant Board composition.

The Board retains full and effective control of the Company and is accountable and responsible for the performance and affairs of the Company. The Board is accountable to all Comair stakeholders for exercising leadership, integrity and judgement in pursuit of the strategic goals and objectives of the Company. The Board's primary functions include, amongst others:

- Determining and providing strategic direction to the Company;
- Adoption of strategic plans and ensuring that same, through the Executive Directors, are communicated to the applicable management levels;
- Approving the annual business plan and budget compiled by management;
- Approving the Company's financial statements and interim reports;
- Appointing the Managing Director and ensuring that succession is planned;
- Evaluating the viability of the Company on a "going concern" basis;
- Identifying and continually reviewing key risks as well as the mitigation thereof by management;
- Approving of major capital expenditure and significant acquisitions and disposals; and
- Monitoring non-financial aspects pertaining to the business of the Company.

The Managing Director, who reports to the Board, is responsible for the running of the day-to-day business of the Company and for the implementation of policies and strategies adopted by the Board. The Executive Directors and Executive Managers of the Company's various business units and subsidiaries assist him in this task.



The Company Secretary is responsible for providing the Board collectively, and each Director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements of the Republic of South Africa. The Directors of the Company keep the Company Secretary advised of all their dealings in securities. The Company Secretary monitors that the Directors receive approval from the Chairman or a designated Director, for any dealings in securities and ensures adherence to closed periods for share trading. The Directors have unlimited access to the services of the Company Secretary.

The Board has created an Audit and Risk Management Committee, a Nominations Committee and a Remuneration Committee, as set out below, to enable the Board to properly discharge its duties and responsibilities and to effectively fulfil its decision making process. The Board and its Committees are supplied with relevant and timely information enabling them to discharge their responsibilities.

### Board Committees

The Board Committees have specific terms of reference, appropriately skilled members, independent Non-Executive Director membership, Executive Directors and Executive Management participation and access to specialist advice when considered necessary.

#### Audit and Risk Management Committee

The members of this committee are all Non-Executive Directors with the majority of the members being independent. All members are financially literate and all possess substantial business and financial expertise. The Committee meets at least two times per year. Both internal and external auditors have unrestricted access to the Committee.

The Chairman of the Board, Managing Director, Financial Director, internal auditor and external auditors attend the Audit and Risk Management Committee Meetings by invitation. The Committee held three meetings during the financial year under review.

##### Composition of Committee and attendance

Membership	Attendance
Chairman: PJ Welgemoed	3/3
Members:	
RC Sacks	1/3
L Cromwell-Griffiths	3/3
KI Mampeule	2/3

The Committee, amongst other things, identifies and evaluates exposure to financial risk, the adequacy of internal controls and provides effective communication between Directors, management and the internal and external auditors. The main responsibilities of the Audit and Risk Committee are, amongst others, to:

- Review and recommend to the Board for approval the Company's annual report, interim reports and results announcement;
- Review and evaluate the effectiveness and performance of the external auditors as well as the scope, adequacy and costs of audits to be performed;
- Evaluate and approve the external auditors' plans, findings and reports;
- Review, evaluate and approve the activities, scope, adequacy and effectiveness of the Company risk management functions;
- Evaluate the effectiveness of the internal auditing function, including its activities, scope and adequacy and receive and approve the internal audit plan, internal audit reports and material changes to same;
- Set the principles for recommending the use of external auditors for non-audit services;
- Evaluate procedures and systems, including but not limited to, internal controls, disclosure controls and the internal audit function; and
- Monitor the ethical conduct of the Company and Group.

#### Nominations Committee

The members of this Committee, which members also serve on the Remuneration Committee, are all Non-Executive Directors with the majority of the members being independent.

This Committee, as well as the Remuneration Committee, considers the issue of succession planning at Executive Director and Executive Management level. The Managing Director, in consultation with the Board Chairperson, Remuneration and Nominations Committee, is responsible for ensuring that an adequate succession plan is in place.

The Committee met three times during the financial year under review. The composition of the Committee and attendance at meetings are set out below:

##### Composition of Committee and attendance

Membership	Attendance
Chairman: RC Sacks	2/3
Members:	
JM Kahn	3/3
L Cromwell-Griffiths	3/3

Amongst others, the main responsibilities of the Nomination Committee are to:

- Make recommendations on the appointment of new Executive and Non-Executive Directors;
- Make recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors;
- Review plans for succession and ensure their adequacy, for the Chairperson, Managing Director and Executive Directors;
- Review the Board structure, size and composition and make recommendations with regard to any adjustments deemed necessary; and
- Ensure that formal Board appointment policies and procedures are followed and that such appointment policies and procedures are reviewed and updated when necessary.

## Remuneration Committee

The members of this Committee, which members also serve and act as the Nominations Committee, are all Non-Executive Directors with the majority being independent. The Managing Director attends meetings by invitation only and is not entitled to vote. The Managing Director does not participate in discussions regarding his own remuneration. The Committee met three times during the financial year under review. The composition of the committee and attendance at meetings is set out below:

### *Composition of Committee and attendance*

<b>Membership</b>	<b>Attendance</b>
Chairman: RC Sacks	2/3
Members:	
JM Kahn	3/3
L Cromwell-Griffiths	3/3

The remuneration policy and the execution thereof is the responsibility of the Remuneration Committee. Non-Executive Directors qualify for an annual director's fee. The fee is augmented for services as Chairperson on any of the Committees. These fees are reviewed annually. One of the Company's aims is to attract and retain competent and committed executive employees where performance needs to be recognised and encouraged. Remuneration is reviewed at appropriate intervals to motivate employees to perform to the required standards, and is linked to the Company's and individual's performance. The fees for Non-Executive Directors and the remuneration packages for Executive Directors are disclosed on page 19.

Amongst other things, the main responsibilities of the Remuneration Committee are to:

- Determine the Company's general policy on remuneration as well as specific policies in respect of Executive Directors and Executive Management remuneration;
- Review and determine remuneration packages for Executive Directors and Executive Management including but not limited to basic salary, annual bonuses, benefits, performance based incentives, share incentive scheme awards and pensions;
- Review the Company's Code of Ethics;
- Annually review the general level of remuneration for Directors of the Board as well as its committees and recommend proposals in this respect for approval by shareholders at general meetings;
- Make recommendations in respect of awards from the Comair Share Incentive Scheme; and
- Review employment equity and skills development plans.

## Discharge of Responsibilities

The Board is of the view that the Committees have discharged their responsibilities for the financial year under review in compliance with their terms of reference.

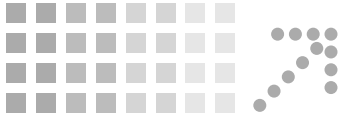
## Risk Management

Effective risk management is critical to the Company's operations. The Company therefore follows a comprehensive Risk Management process, which involves identifying, understanding and managing the risks associated with its various business. As the Company, through its various business units, is exposed to a wide range of risks, some of which may have serious consequences, the identification of risk and its management forms part of Executive Management's business plan. Executive Management meets at least four times per year to assess and consider the risks associated with the Company's operations. The Audit and Risk Committee also reviews the risk management process.

## Internal Control

The Board has responsibility for ensuring that the Company implements and monitors the effectiveness of its systems of internal control. The identification of risk and the implementation and monitoring of adequate systems of internal control to manage both financial and operational risk are delegated to the Internal Auditor, who in turn makes recommendations to Executive Management as well as to the Audit and Risk Management Committee.

While all internal control systems do have inherent shortcomings, the Company's internal control system



is designed to provide reasonable assurances as to the reliability of financial information and in particular the financial statements, as well as to safeguard, verify and maintain accountability of its assets and to detect fraud and potential liability, while complying with applicable laws and regulations.

The Company's External Auditors consider the internal control systems of the Company as part of their audit and advise of deficiencies when identified.

### Internal Audit

The internal audit function is an independent appraisal mechanism which evaluates, amongst other things, the Company and Group's internal control procedures, disclosure requirements and information systems, so as to ensure that these function effectively.

### External Audit

The Company's external auditors are PKF (JHB) Inc. The independence of the external auditors is recognised. The Audit and Risk Committee meets with external auditors to review the scope for the external audit, and any other audit matters that may arise. The external auditors attend Audit and Risk Committee Meetings and have unrestricted access to the Chairman of the Committee.

### Relations with Shareholders

The Company uses its best endeavours to maintain dialogue with its shareholders and other interested parties. The Company also meets with its institutional shareholders generally twice a year, after the release of its annual and interim results. The Company's website ([www.comair.co.za](http://www.comair.co.za)) contains the latest, as well as historical, financial and other information about the Company, including the Company's financial reports. The Board encourages shareholders to attend its Annual General Meeting, notice of which is contained in the Annual Report, at which shareholders have the opportunity to put questions to the Board.

### Black Economic Empowerment

The Company recognises the importance of implementing a well-balanced Black Economic Empowerment (BEE) programme that addresses the inequality of the past through a dedicated and ongoing process. The Company has maintained specific focus on the further development of the BEE programme and has achieved progress in a number of areas and in particular insofar as affirmative procurement and skills development are concerned. In order to measure its progress the Company appointed a company known as

Empowerdex to provide the Company with an overall rating with the Company having achieved a "B" level rating. While the Company has made great progress in addressing some of the significant BEE imperatives, it is aware that the task of transformation is by no means complete.

From an ownership perspective, BEE ownership has not yet been achieved. The Company is continuously looking to provide opportunities for previously disadvantaged (PDI) groups to acquire ownership in the Company. Evidence of this commitment is that in 1998, at the time of the Company's listing on the Johannesburg Stock Exchange, 9,5% of its issued share capital was sold to a Black Empowered company known as Co-ordinated Network Investments (Pty) Ltd (CNI). Unfortunately, CNI has subsequently disposed of their shareholding in the Company. The expectation is that an announcement concerning BEE ownership will be made in the foreseeable future.

Apart from the ownership perspective, the Company is of the view that, in order to sustain its business performance into the future, the profile of the Company's employees at all levels needs to more accurately reflect the demographics of the country. Employment equity and affirmative action are viewed as business imperatives which are merely guided by legislation. The Company is committed to redressing the inequities of the past, identifying and developing talented PDIs and ultimately ensuring that its management levels are more representative of the South African population at large.

From a Human Resource point of view, the Company is also committed to training and educating its employees so as to equip them with the necessary skills to perform the functions they have been employed to perform. On-going in-house training takes place throughout the Company.

### Environment

The Company is committed to improving its environmental performance and reducing the adverse impact of its activities on the global and local environment. For the airline industry, two key issues are: the local environmental impact of aircraft noise and emissions around airports; and the global climate change effect of carbon dioxide and other aircraft emissions.

### Airport Impact: a Balanced Approach

In terms of noise management, the Company supports the International Civil Aviation Organisation's (ICAO's) recommended 'balanced approach'.

We believe that a similar 'balanced approach', using a

combination of instruments, can also be taken to managing local air quality.

### Aircraft Noise

Annoyance and sleep disturbance are the most commonly reported adverse effects of aircraft noise. The Company considers that the key policy objective should be to reduce or limit the total number of people exposed to high levels of aircraft noise, in order to maintain or improve overall quality of life.

Existing regulation and a long history of voluntary action have already had the impact of internalising external costs of current aircraft noise to a large extent. International standards pertaining to aircraft noise and agreements on phasing out older aircraft have played a major part in this, supported by operating restrictions including the use of airspace, night restrictions and airport ground operations. The Company, has over the past three years, started with its fleet replacement strategy including the acquisition of three Boeing 737-400, seven Boeing 737-300 aircraft and six MD82 aircraft. The stage 3 noise compliant aircraft will replace its Boeing 737-200s as noise abatement regulations are imminent. The new aircraft are not only quieter, but also offer better performance and fuel economy, thus assisting the Company in reducing exposure to fuel price fluctuations.

Further environmental benefits include reduced noise on takeoff and landing, decreased engine emissions in flight and reduced engine maintenance requirements.

### Safety and Security

A strong culture of safety and security exists within the Company, which is supported by well-defined reporting, and management processes that ensure any issues are dealt with thoroughly and effectively.

The safety and security of our staff and customers remains a number one priority and safety standards remain paramount. The Company again received extremely favourable audit ratings from both British Airways PLC and the South African Civil Aviation Authority.

### Health and Safety

Within the Company there is a strong culture of health and safety with well managed reporting, recording and notification systems.

The Company strives to provide its employees with a clean, safe working environment. The Company has

appointed individuals who are responsible for ensuring that the Company complies with its obligations under the Occupational Health and Safety Act.

Safety incidents and damage are reported through the safety management system. A formal structure exists to allow safety issues to be addressed within each department. The Company has an open reporting culture and encourages the reporting of all incidents.

### Social Performance

#### Our People

Personnel are the most important assets of the Company and focus is maintained on the attraction, retention and development of the best employees. Emphasis is placed on leadership training and development at all levels within the Company.

The Company's stability and its success to date can largely be ascribed to its people. The Company's management team is a group of experienced and highly skilled airline professionals who are dedicated to running a successful operation.

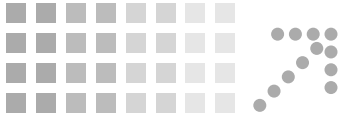
#### Skills Development

Continual development and learning is regarded as being a means of achieving competitive advantage.

Regular bimonthly seminars, to which guest speakers are invited, also contribute to keeping the management team up to date in terms of changes and new developments in the industry and business in general. It is the passion of the Company's people to deliver service excellence that has made both the organisation's brands, British Airways and kulula.com, household names. The Company's service culture can be ascribed to rigorous recruitment and selection and a commitment to continuous training and development of all staff members. The Company spends well in excess of 5% of payroll on training and development of its staff, ensuring that the highest standards of safety and service are maintained.

In addition to recurrent pilot training, the Company runs extensive internal training programmes for cabin attendants, airport and call centre staff, the majority of whom are new in the job market.

The National Department of Transport's (DoT's) target for this dimension is 5% of the total payroll. The DoT has further agreed that all training costs can be taken into consideration when calculating the contribution. In view of the amount and associated costs of mandatory training,



Comair should have no difficulty in achieving and maintaining this target.

### Our Customers

To better understand customers' needs, Comair conducts monthly onboard research with randomly selected customers, to gain insight into the service offered on both airlines and determine what can be done to improve the travel experience. In addition, both the British Airways and kulula.com brands have dedicated Customer Relations Departments to monitor and control customer feedback. Customer issues are then reported at the highest level, and in order to deliver the highest standards of customer service, the Company then diligently addresses all customer concerns.

### Community

The DoT has set a target of 2,5% of turnover per annum for community upliftment. In view of operating conditions and profit margins, the private sector has responded with a proposal of 0,5% of profit after tax.

Notwithstanding, as a corporate citizen, the Company endeavours wherever possible to improve the lives of fellow South Africans.

The Company believes that social responsibility should not just be seen as a budgeted write-off but rather a duty and an obligation to help those less fortunate and to make a positive impact on society in general.

It is exactly this attitude among its staff that has ensured that the Company has been able to provide assistance to the following organisations over the years:

#### CIDA

The CIDA City Campus, South Africa's first virtually-free tertiary institution, is an organisation that the British Airways brand is proud to be associated with. For the past four years, British Airways has provided CIDA with flights for lecturers from around the country to Johannesburg and Cape Town to ensure that its students receive the highest level of education from experts around South Africa. CIDA is a catalyst for providing more open access to relevant tertiary education as a fundamental driver for wealth creation. The institution's graduates will generate between R800 million and R2 billion in income over the course of their working careers. This is 100 times more than the cost of the investment in their education. There are currently 160 CIDA graduates who are already working in full-time jobs. The students have all entered the economy earning starting salaries generally between R60 000 and R120 000 a year.

There is no finer return-on-investment than every single rand spent in investing in economically relevant higher education and entrepreneurial opportunity. These earnings will go directly into the hands of historically disadvantaged families. This is real and meaningful empowerment, pulling families out of poverty and into middle class society, thereby creating long-term stability and economic democracy. Most of these graduates are earning in one year what their families have not earned in a lifetime.

#### Africa Book Connection (ABC)

In line with its focus on education, the British Airways brand has become involved with the Africa Book Connection (ABC). To address the shortage of textbooks in the country, and the non-availability of these due to costs involved, ABC launched a large-scale multi-media campaign, aimed at sourcing relevant used textbooks to distribute to libraries in every tertiary education institution in South Africa. British Airways assists ABC in solving the textbook crisis by creating public awareness and sponsoring flights for ABC Board Members to attend meetings around the country to secure financing.

#### The De Wildt Cheetah Centre

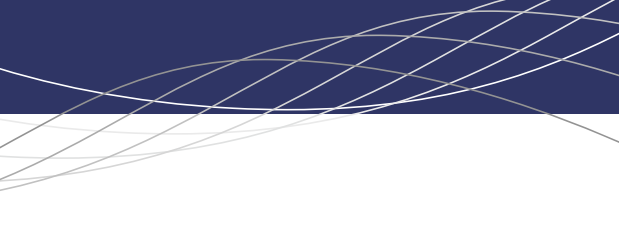
The De Wildt Cheetah Centre was established in 1971 with the aim of breeding an endangered species. Over the past two decades, the centre's efforts have resulted in the major achievement of breeding what was once a threatened species – the cheetah.

As part of the Company's social responsibility programme, the British Airways brand entered into a partnership with the De Wildt Cheetah Centre three years ago. De Wildt posed the question to British Airways: "Are you fit to carry a king?" (referring to the endangered King Cheetah). British Airways rose to the occasion, and has been proudly doing so ever since.

The Centre looks back with satisfaction on a job well done in ensuring the survival of the cheetah, successfully breeding the king cheetah in captivity for the first time in the world. The Company is proud to have played an important part in this development, and looks forward to assisting the centre further in the years to come.

#### Eastern Province Development Project

Over the past two years, the British Airways brand has supported the development of Eastern Cape rugby by sponsoring four schools in under-privileged communities. British Airways has taken these schools "under its wing" and, as such, provided them with new kits, pole guards, first aid kits and medical boards. This gesture follows



the airline's sponsorship of four schools in 2004, and is an extension of its involvement with the Eastern Province Rugby Union.

As the capital of under-privileged rugby, this region has proved itself by providing opportunities to players representing the province. Sport has proven to be the key in bringing communities together, and teaching people about the importance of values; hence British Airways' decision to again sponsor four schools from this region. The Company trusts that its contribution will add value to these boys and contribute to rugby development in the area.

#### **Cow Parade**

The Company is a firm believer in "what goes around, comes around", which is why the kulula.com brand jumped at the opportunity of becoming one of the founding sponsors of Cow Parade South Africa, which is an international art exhibition that raises funds for children with childhood cancer. The cows stampeded through South Africa over the duration of the exhibition, and were on show for their fans in and around Johannesburg, Durban and Cape Town. kulula.com became very passionate about Cow Parade, and decided to concentrate all its efforts into raising as much money as possible for this worthy cause.

Through its involvement with Cow Parade, kulula.com has raised R1 million for the Children's Haematology Oncology Clinic (CHOC). kulula.com raised the money by selling Cow Parade pins and cow shaped chocolates onboard. kulula.com also donated R1 to CHOC for every online booking made between 01 October 2004 and 01 May 2005. kulula.com's generous fans also helped raise this amount by filling kulula.com's cash cow and Cow Parade tins, which also contributed to this hefty amount.

In addition to raising R1 million for this worthy cause, kulula.com became the first airline in the world to dedicate an entire aircraft from its fleet to this initiative by painting one of its planes with a special Cow Parade design, which goes by the name of "da udder plane".

Now that Cow Parade has come to an end, kulula.com has decided to continue working with CHOC, as it is a special organisation that does so much good for these special children. kulula.com is currently looking into a new project which will be implemented in 2005/6.

#### **Project Starfish/Reach for a Dream**

kulula.com is involved in a community project known as Project Starfish, where it has assisted many children who

were abandoned and orphaned because their parents have contracted HIV/AIDS. Children are flown to Durban to experience the sun and sea sand and realise their dream of flying in an aeroplane for the very first time. Project Starfish has been running for more than two years, and the feedback from the children is extremely motivating.

#### **Helping the Children**

In March 2005, kulula.com began flying its fans between Johannesburg-East London and Cape Town-George, increasing its reach to a total of nine routes.

On this occasion, kulula.com treated the media and important East Londoners to a special sundowner flight that gave its guests an opportunity to marvel at the spectacular East London coast.

Among the important guests that boarded the inaugural flight was a bundle of very special children from the East London Children's Home and the Children's Haven MTR Smit. kulula.com was delighted to have been given the opportunity to assist these organisations that work so hard at brightening the lives of so many neglected, underprivileged, abandoned and disabled children.

The main aim of the exercise was to bring a small amount of joy to these special children who have been forced to deal with so much grief at such a young age. It was the first flying experience for all of the children on board, and the kulula.com team was thrilled that they were able to share the experience with them.

On board the inaugural flight, the kulula.com team met and fell in love with a little girl from the MTR Smit Children's Haven. kulula.com is dedicated to bringing as much joy to her life as possible, and they sent her and her sister to Durban for a weekend of celebration for her birthday. Our thanks to uShaka Marine World and Protea Hotels.

#### **South African Police Services**

kulula.com together with Airports Company South Africa instituted a social investment initiative for the South African Police Services (SAPS) which allows members of SAPS and their immediate families to fly kulula.com at drastically reduced fares. The top management of SAPS expressed their sincere appreciation to both kulula.com and ACSA for their very generous gesture. The Deputy National Commissioner of SAPS said: "The men and women of SAPS often perform a thankless task and it is heartwarming when the business sector recognises and rewards their sterling efforts."

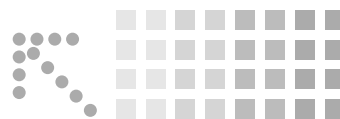


## Best domestic airline

We're delighted – for the fifth time in six years, we have been voted best domestic airline by the Diners Club ASATA awards.

Domestic and regional services are operated by Comair Limited.

# Report of the Independent Auditors



## To the members of Comair Limited

We have audited the annual financial statements and group annual financial statements of Comair Limited set out on pages 17 to 38 for the year ended 30 June 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to report on these financial statements based on our audit.

## Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

## An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

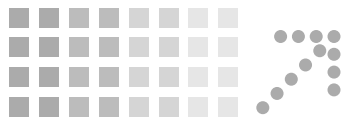
## Audit Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2005, and the results of their operations and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

# PKF

PKF (Jhb) Inc.  
Chartered Accountant (SA)  
Registration number 1994/001166/21  
Registered Accountants and Auditors

*Johannesburg  
5 September 2005*



## Statement of Responsibility by the Board of Directors

The Directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report.

The financial statements, presented on pages 17 to 38 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and include amounts based on judgements and estimates made by management.

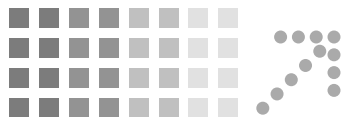
The going-concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the Company or the Group will not be going concerns in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the Company and the Group.

The financial statements have been audited by the independent accounting firm, PKF (Jhb) Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements which appear on pages 17 to 38 were approved by the Board of Directors on 5 September 2005 and signed on its behalf.

*P van Hoven*  
Managing Director  
5 September 2005

*D Novick*  
Chairman  
5 September 2005

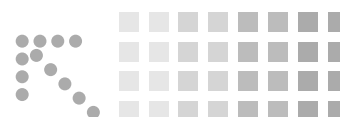


## Statement of the Company Secretary

I, Derek Henry Borer, the Company Secretary of Comair Limited, certify that all returns required of a public company have, in respect of the financial year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

*DH Borer*  
Company Secretary  
5 September 2005

# Report of the Directors



The Directors have pleasure in presenting their report, which forms part of the audited financial statements of the Company and the Group for the year ended 30 June 2005.

## Nature of the Business

Comair provides domestic and regional air services in the Southern African market, trading under the brand names of British Airways and kulula.com. The airline operates a fleet of twenty-two jet aircraft.

## Financial Results

Full details of the financial results are set out on pages 17 to 38 of the Annual Financial Statements for the year ended 30 June 2005.

## Dividends

The Directors of Comair have resolved to declare a dividend (Dividend number 7) of 7.0 cents per share (prior year: 2.0 cents per share) to all shareholders. The last day to trade (cum the dividend) in order to participate in the dividend will

be Friday, 23 September 2005. The shares will commence trading "ex" dividend from the commencement of business on Monday, 26 September 2005 and the record date is Friday, 30 September 2005. Share certificates may not be dematerialised or re-materialised between Monday, 26 September 2005 and Friday, 30 September 2005, both days included. The dividend payment will be made on Monday, 3 October 2005.

## Share Capital

There have been no changes in the authorised share capital, issued share capital or share premium account during the year under review. The unissued shares are under control of the directors until the next Annual General Meeting.

## Subsidiaries

Details of the Company's subsidiaries are recorded in the notes to the annual financial statements.

## Events Subsequent to Balance Sheet date

There are no material facts or circumstances that have occurred between the accounting date and the date of this report.

## Directors' Interest in Share Capital

The Directors of the Company held the following direct and indirect interests in the issued share capital of the Company at 30 June 2005:

	2005		2004		2005		2004	
	Beneficial		Beneficial		Total Shares	Percentage	Total Shares	Percentage
	Direct	Indirect	Direct	Indirect				
D Novick	-	81 137 408	-	81 137 408	81 137 408	19.318	81 137 408	19.318
MD Moritz	-	81 137 408	-	81 137 408	81 137 408	19.318	81 137 408	19.318
P van Hoven	3 049 097	6 155 550	3 049 097	6 155 550	9 204 647	2.192	9 204 647	2.192
GS Novick	307 800	-	307 800	-	307 800	0.073	307 800	0.073
ER Venter	19 400	-	19 400	-	19 400	0.0005	19 400	0.0005
MN Louw	1 000	-	1 000	-	1 000	-	1 000	-
PJ Welgemoed	104 200	-	104 200	-	104 200	0.025	104 200	0.025
*DH Borer	327 500	-	327 500	-	327 500	0.078	327 500	0.078
<b>TOTAL</b>	<b>3 808 997</b>	<b>168 430 366</b>	<b>3 808 997</b>	<b>168 430 366</b>	<b>172 239 363</b>	<b>41.010</b>	<b>172 239 363</b>	<b>41.010</b>

\*Alternate Director

There were no non-beneficial interests held by the Directors.

There have been no changes in the Directors' interests in share capital from 30 June 2005 to the date of posting of this annual report.

## Special Resolutions

Since the last annual report, the Company has passed one special resolution and that was at its Annual General Meeting held on 29 October 2004, namely a special resolution as contemplated in terms of sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973) as amended, i.e. a general approval to repurchase shares. Other than the foregoing, no other special resolutions were passed.

## Board of Directors

The names, ages, qualifications, nationality, business addresses, attendance at Board Meetings and occupations of the Directors of Comair Limited who served during the financial year under review, are set out below.

Name, Age, Qualification	Nationality	Business Address	Four Board Meetings held During the year: Attendance	Occupation
Donald Novick Age: 67 CA (SA)	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Non-Executive Chairman
Martin Darryl Moritz Age: 60 (B Com; LLB)	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Non-Executive Deputy Chairman
Pieter van Hoven Age: 61	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Managing Director
Bertrandus Johannes van der Linden Age: 57	Netherlands	1 Marignane Drive, Corner Atlas Road Bonaero Park, Kempton Park, 1619	4	Service Delivery Director
Rodney Cyril Sacks Age: 55 H Dip Law; H Dip Tax	South African	Suite 101, 1010 Railroad Street, Corona, California, U.S.A	2 of 4	Independent Non-Executive Director
Dr. Peter Johannes Welgemoed Age: 62 B Com (Honours); M Com; D Com	South African	C/o Comair Limited, 1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Independent Non-Executive Director
Jacob Meyer Kahn Age: 66 BA (Law); MBA (UP); D Com (hc); SOE	South African	South African Breweries Plc, 1st Floor, No. 2 Jan Smuts Avenue, Braamfontein, Johannesburg, 2001	4	Independent Non-Executive Director
Gidon Saul Novick Age: 35 B Com; CA (SA); MBA	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	3 of 4	Commercial Director
Martin Nicolaas Louw Age: 50 B Mil	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Director Flight Operations
Erik Rudolf Venter Age: 35 B Com; CA (SA)	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Financial Director
Khutso Ignatius Mampeule Age: 40 BA; MSc; MBA	South African	C/o Lefa Group Holdings (Pty) Limited, Unit 46, Themi Office Park, Calderwood Road, Lonehill, 2062	4	Independent Non-Executive Director
Lloyd Cromwell-Griffiths Age: 60 ATPL	British	British Airways Plc, The Compass Centre, Heathrow Airport, Middlesex, TW6 1JA, UK	4	Non-Executive Director
Alan Kerr Buchanan Age: 47 MA; LLB	British	British Airways Plc, Waterside (HBA3), Harmondsworth, Middlesex, UB7 OGB, UK	3 of 3	Non-Executive Director (Appointed 29/11/2004)
Derek Henry Borer Age: 43 B Com; LLB	South African	1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619	4	Alternate Director to Bertrandus Johannes van der Linden

## Share Incentive Scheme

Executive Directors participate in a share incentive scheme with the following allocations at July 2004 and as at 30 June 2005:

Name	Allocated at 1 July 2004		Awarded During the Year		Exercised During the Year			Total as at 30 June 2005		Gains Made on Exercise of Options During the Year R '000
	Number	Average Price	Number	Price	Number	Allocated Price	Exercise Price	Number	Average Price	
P van Hoven	3,092,498	0.80	500,000	0.80	-	-	-	3,592,498	0.80	-
BJ van der Linden	2,197,054	0.79	100,000	0.80	145,600	0.71	1.30	2,151,454	0.80	85
ER Venter	1,974,293	0.78	500,000	0.80	-	-	-	2,474,293	0.78	-
GS Novick	1,962,488	0.78	500,000	0.80	-	-	-	2,462,488	0.78	-
MN Louw	1,043,000	0.77	750,000	0.80	-	-	-	1,793,000	0.78	-
DH Borer	774,800	0.80	100,000	0.80	-	-	-	874,800	0.80	-
	11,044,133	-	2,450,000	-	145,600	-	-	13,348,533	-	85

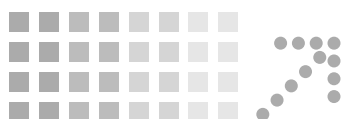
A total of 20,256,316 options have been issued to employees through the share incentive scheme, and 302,791 options remain available for issue at year end.

## Directors' Remuneration

	For Services as Directors and Related Committee Work	Package (1)	Performance Related (2)	Pension and Medical (3)	Total 2005	Total 2004
	R'000	R'000	R'000	R'000	R'000	R'000
<i>Executives</i>						
P van Hoven	-	1,131	600	205	1,936	1,260
BJ van der Linden	-	856	350	144	1,350	979
GW Orsmond	-	-	-	-	-	345
ER Venter	-	770	410	106	1,286	817
GS Novick	-	767	410	101	1,278	819
MN Louw	-	819	420	101	1,340	864
DH Borer	-	538	285	86	909	565
	-	4,881	2,475	743	8,099	5,649
<i>Non-Executives</i>						
PJ Welgemoed	130	-	-	-	130	95
JM Kahn	110	-	-	-	110	85
KP Mampeule	100	-	-	-	100	80
RC Sacks	-	-	-	-	-	85
	340	-	-	-	340	345
	340	4,881	2,475	743	8,439	5,994

### Notes:

- (1) "Package" includes the following regular payments made in respect of the financial year while actively employed: cash salary, S & T allowances and vehicle allowances.
- (2) "Performance related" refers to incentive rewards in respect of the financial year ended 30 June 2005. No performance related payments were made in the prior year.
- (3) "Pension and Medical" includes the regular payments made for pension fund, medical aid contributions and risk benefits.
- (4) Remuneration receivable by the Directors of Comair will not vary as a result of any proposed issue for cash or repurchase of shares.



# Balance Sheet

as at 30 June 2005

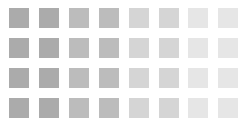
		Group		Company	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
<i>Notes</i>					
<b>Assets</b>					
<i>Non-current assets</i>					
		471,435	375,362	484,664	388,800
Property, plant and equipment	1	419,894	343,927	410,489	336,127
Loan to share incentive trust	2	-	-	13,222	13,320
Investment in subsidiaries	3	-	-	9,412	7,918
Deferred taxation	4	5,641	31,435	5,641	31,435
Unlisted investment	5	45,900	-	45,900	-
<i>Current assets</i>					
		335,945	316,639	334,514	313,127
Inventory	6	7,017	12,480	7,017	12,480
Trade and other receivables		93,535	93,939	93,063	93,149
Aircraft deposits	7	10,452	-	10,452	-
Forward exchange contracts	21	9,269	-	9,269	-
Taxation		-	19	-	22
Cash		215,672	210,201	214,713	207,476
		<b>807,380</b>	<b>692,001</b>	<b>819,178</b>	<b>701,927</b>
<b>Equity and Liabilities</b>					
<i>Capital and reserves</i>					
		311,272	234,236	324,559	247,544
Share capital	8	3,994	3,994	4,200	4,200
Share premium		8,042	8,042	8,456	8,456
Non-distributable hedging reserve		9,269	-	9,269	-
Accumulated profits		289,967	222,200	302,634	234,888
<i>Non-current liabilities</i>					
		177,740	190,787	177,740	190,787
Interest-bearing liabilities	9	177,740	190,787	177,740	190,787
<i>Current liabilities</i>					
		318,368	266,978	316,879	263,596
Trade payables		290,189	238,680	288,762	235,298
Taxation		62	-	-	-
Interest-bearing liabilities	9	28,117	28,298	28,117	28,298
		<b>807,380</b>	<b>692,001</b>	<b>819,178</b>	<b>701,927</b>

# Income Statement

for the year ended 30 June 2005



	Notes	Group		Company	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
Revenue		1,713,583	1,474,549	1,712,520	1,472,896
Operating expenses	10	(1,599,515)	(1,433,804)	(1,599,984)	(1,432,010)
Operating profit before exceptional items		114,068	40,745	112,536	40,886
Aircraft deposit translation loss		-	(5,120)	-	(5,120)
Aircraft deposit write-off		-	(24,752)	-	(24,752)
Aircraft impairment		-	(115,106)	-	(115,106)
Aircraft forward cover exchange loss		-	(16,658)	-	(16,658)
Profit/(loss) from operations before taxation		114,068	(120,891)	112,536	(120,750)
Interest expense		(23,713)	(44,480)	(23,715)	(45,410)
Interest income		11,569	8,768	12,395	9,564
Preference dividend income		-	20,455	724	20,455
Profit/(loss) from ordinary activities before taxation		101,924	(136,148)	101,940	(136,141)
Taxation	11	(25,861)	39,448	(25,794)	39,452
Profit/(loss) for the year		76,063	(96,700)	76,146	(96,689)
Earnings per share (cents)	12	19.0	(24.2)		
Headline earnings per share (cents)	12	17.3	12.1		
Diluted earnings per share (cents)	12	18.7	(24.2)		
Diluted headline earnings per share (cents)	12	17.0	12.1		
Dividend per share declared (cents)		7.0	2.0		



# Statement of Changes in Equity

for the year ended 30 June 2005

	Share Capital	Share Premium	Hedging Reserve	Accumulated Profit	Total
	R'000	R'000	R'000	R'000	R'000
<b>Group</b>					
Balance at 1 July 2003	3,994	8,042	-	327,014	339,050
Loss for the year	-	-	-	(96,700)	(96,700)
Dividend paid	-	-	-	(7,989)	(7,989)
Shares purchased by share trust	(5)	(11)	-	(504)	(520)
Shares sold by share trust	5	11	-	379	395
<b>Balance at 30 June 2004</b>	<b>3,994</b>	<b>8,042</b>	<b>-</b>	<b>222,200</b>	<b>234,236</b>
Profit for the year	-	-	-	76,063	76,063
Dividend paid	-	-	-	(7,989)	(7,989)
Gain from cash flow hedges	-	-	9,269	-	9,269
Shares purchased by share trust	(9)	(18)	-	(997)	(1,024)
Shares sold by share trust	9	18	-	690	717
<b>Balance at 30 June 2005</b>	<b>3,994</b>	<b>8,042</b>	<b>9,269</b>	<b>289,967</b>	<b>311,272</b>
<b>Company</b>					
Balance at 1 July 2003	4,200	8,456	-	339,977	352,633
Loss for the year	-	-	-	(96,689)	(96,689)
Dividend paid	-	-	-	(8,400)	(8,400)
<b>Balance at 30 June 2004</b>	<b>4,200</b>	<b>8,456</b>	<b>-</b>	<b>234,888</b>	<b>247,544</b>
Profit for the year	-	-	-	76,146	76,146
Dividend paid	-	-	-	(8,400)	(8,400)
Gain from cash flow hedges	-	-	9,269	-	9,269
<b>Balance at 30 June 2005</b>	<b>4,200</b>	<b>8,456</b>	<b>9,269</b>	<b>302,634</b>	<b>324,559</b>

# Cash Flow Statement

for the year ended 30 June 2005



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<i>Notes</i>				
<b>Cash from operating activities</b>	175,513	22,076	175,282	19,992
Cash receipts from customers	1,713,988	1,445,155	1,712,605	1,443,993
Cash paid to suppliers	(1,518,356)	(1,381,876)	(1,518,349)	(1,382,255)
Cash generated by operations	13 195,632	63,279	194,256	61,738
Interest paid	(23,713)	(40,779)	(23,715)	(41,709)
Interest received	11,569	7,567	12,395	8,363
Preference dividend received	-	-	724	-
Taxation refunded/(paid)	14 14	(2)	22	-
Cash available from operating activities	183,502	30,065	183,682	28,392
Dividends paid	(7,989)	(7,989)	(8,400)	(8,400)
<b>Cash utilised in investing activities</b>	(156,507)	(42,512)	(154,817)	(41,215)
Additions to property, plant and equipment	(107,213)	(195,992)	(104,039)	(194,847)
Proceeds on disposal of property, plant and equipment	7,058	266	6,970	258
Decrease in loan to share incentive trust	-	-	98	263
Aircraft deposits (paid)/utilised	(10,452)	17,724	(10,452)	17,724
Proceeds on disposal of unlisted investments	-	135,490	-	135,490
Acquisition of preference share investments	(45,900)	-	(45,900)	-
Investment in subsidiary	-	-	(1,494)	(103)
<b>Cash (utilised)/generated by financing activities</b>	(13,535)	62,139	(13,228)	62,264
Net cost of share trust purchases	(307)	(125)	-	-
(Decrease)/increase in interest bearing liabilities	(13,228)	62,264	(13,228)	62,264
Net increase in cash	5,471	41,703	7,237	41,041
Cash at the beginning of the year	210,201	168,498	207,476	166,435
Cash at the end of the year	215,672	210,201	214,713	207,476



# Accounting Policies

## Principal Accounting Policies

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, the going concern principle and using the historical cost basis except where otherwise stated.

The accounting policies adopted and applied are set out below and are, in all material respects, consistent with those of the prior year.

## Revenue Recognition

Revenue comprises all airline-related revenue earned. Revenue arising from the provision of transportation services to passengers is recognised on an accrual basis in the period in which the services are rendered.

Dividends are recognised in the period in which the receipt is established.

## Borrowing costs

Interest costs are charged against income using the effective interest rate method.

## Principles of consolidation

**Subsidiaries:** Subsidiaries are companies and entities over which the company has the ability to control the financial and operating activities so as to obtain benefit from their activities. Where an investment in a subsidiary is acquired or disposed of during the financial period, its results are included from, or to, the date control became, or ceased to be, effective. All intragroup transactions are eliminated on consolidation. Investments in subsidiaries of the company are accounted for at cost. The carrying amount of these investments is reviewed annually and written down for impairment where considered necessary.

**Goodwill arising on acquisition:** Goodwill, being the difference between the considerations paid for subsidiaries acquired and the fair value of their net assets at dates of acquisition is capitalised and tested for impairment at least annually.

**Share incentive trust:** The group share incentive trust is included in the consolidated financial statements as a subsidiary.

## Foreign Currency

Foreign currency transactions are recorded at the exchange rate ruling on the transaction dates. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Profits or losses arising on translation of foreign currency transactions are included in earnings.

## Deferred Taxation

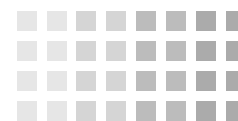
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rate that is expected to apply in the period when the liability is settled or the asset realised.

## Property, Plant and Equipment

Freehold property, aircraft and related equipment, vehicles, furniture, computers and flight simulator equipment are depreciated on a systematic basis, which is estimated to amortise the assets to their anticipated residual values over their planned useful lives.



Property, plant and equipment is stated at cost less accumulated depreciation.

Aircraft modifications are capitalised only to the extent that they materially improve the value of the aircraft from which further future economic benefits are expected to flow. Maintenance and repairs which neither materially add to the value of assets or appreciably prolong their useful lives are charged against income.

### Depreciation Rates

Freehold property	2%
Aircraft and related equipment	4%
Motor vehicles	20%
Furniture and equipment	10%
Computer equipment	20%
Flight simulator equipment	20%

### Leased Assets

Leases, whereby the lessor provides finance to the Group and where the Group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised and depreciated to realisable value over the shorter of the lease period or the useful life of the asset.

The capital element of future obligations under leases is included as a liability in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the instalments is charged against income over the lease period.

Leases of assets to the Group under which all risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

### Financial Instruments

Financial Instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition:

- Trade and other receivables are stated at cost less provision for doubtful debts;

- Cash and cash equivalents are recognised at fair value; and
- Interest bearing borrowings are recognised at amortised cost.

Investments designated as available for sale instruments (which are not subsidiaries or associates) are initially measured at cost including transaction costs. They are subsequently stated at fair value. Fair value of unlisted investments is determined by the directors, using an appropriate valuation method. Unrealised changes in the fair values of investments are taken directly to equity. Upon realisation, these gains and losses are recognised in the income statement.

Derivative instruments which are not designated hedging instruments are recognised at fair value and the corresponding adjustment recognised in the income statement.

### Hedge Accounting

For the purpose of hedge accounting, hedges are classified in two categories:

- Fair value hedges, which hedge the exposure to changes in the fair value of recognised assets or liabilities. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in earnings for the period;
- Cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a particular asset or liability or a forecasted transaction. For hedges that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholder's equity, and the ineffective portion is recognised in earnings for the period. For cash flow hedges affecting future transactions, the gains or losses, that are recognised in shareholders equity, are transferred to earnings in the same period in which the hedged transaction affects earnings. Where the hedged transaction results in the recognition of an asset or liability, then at such time the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.



## **Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis.

## **Retirement and Medical Funds**

Current contributions to the Group's defined contribution retirement funds are based on current salary and are recognised in the results for the year.

## **Impairment**

The carrying value of assets is reviewed at each balance sheet date to assess whether there is any indication of impairment. If such indication exists, the recoverable amount of the assets are estimated. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

## **Provisions**

A provision is recognised when the group has a present legal or constructive obligation, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

# Notes to the Annual Financial Statements

for the year ended 30 June 2005



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>1. Property, Plant and Equipment</b>				
<b>Property and Buildings</b>				
Cost	10,082	9,915	10,082	9,915
Accumulated depreciation	(2,181)	(1,700)	(2,181)	(1,700)
<b>Book Value</b>	<b>7,901</b>	<b>8,215</b>	<b>7,901</b>	<b>8,215</b>
<b>Aircraft and Flight Simulator Equipment</b>				
Cost	620,461	516,988	606,612	505,686
Impairment	(115,106)	(115,106)	(115,106)	(115,106)
Accumulated depreciation	(105,013)	(76,661)	(99,846)	(72,970)
<b>Book Value</b>	<b>400,342</b>	<b>325,221</b>	<b>391,660</b>	<b>317,610</b>
<b>Vehicles, Furniture and Equipment and Computer Equipment</b>				
Cost	34,790	31,558	29,436	26,487
Accumulated depreciation	(23,139)	(21,067)	(18,508)	(16,185)
<b>Book Value</b>	<b>11,651</b>	<b>10,491</b>	<b>10,928</b>	<b>10,302</b>
<b>Total Property Plant and Equipment</b>	<b>419,894</b>	<b>343,927</b>	<b>410,489</b>	<b>336,127</b>
<b>Property, Plant and Equipment - Reconciliation of carrying value</b>				
<b>Property and Buildings</b>				
Carrying value at the beginning of the year	8,215	8,692	8,215	8,692
Additions	166	5	166	5
Depreciation	(480)	(482)	(480)	(482)
<b>Carrying value at the end of the year</b>	<b>7,901</b>	<b>8,215</b>	<b>7,901</b>	<b>8,215</b>
<b>Aircraft and Flight Simulator Equipment</b>				
Carrying value at the beginning of the year	325,221	276,128	317,610	268,215
Additions	103,472	192,892	100,925	191,787
Disposals	-	(20)	-	-
Depreciation	(28,351)	(28,673)	(26,875)	(27,286)
Impairment	-	(115,106)	-	(115,106)
<b>Carrying value at the end of the year</b>	<b>400,342</b>	<b>325,221</b>	<b>391,660</b>	<b>317,610</b>
<b>Vehicles, Furniture and Equipment and Computer Equipment</b>				
Carrying value at the beginning of the year	10,491	10,632	10,302	10,314
Additions	3,575	3,095	2,948	3,055
Disposals	(1)	(207)	-	(206)
Depreciation	(2,414)	(3,029)	(2,322)	(2,861)
<b>Carrying value at the end of the year</b>	<b>11,651</b>	<b>10,491</b>	<b>10,928</b>	<b>10,302</b>
<b>Total Property, Plant and Equipment</b>	<b>419,894</b>	<b>343,927</b>	<b>410,489</b>	<b>336,127</b>



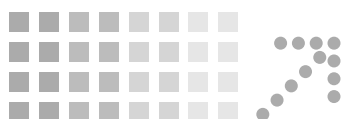
## Notes (continued) *for the year ended 30 June 2005*

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>1. Property, Plant and Equipment (continued)</b>				
Property and buildings owned consist of erven 1092 and 1096, Bonaero Park extension 2 and erf 931, Bonaero Park extension 1, acquired on 21 June 1994 for R230 000 and subsequently improved to the value of R7 884 166 and improvements of R1 967 834 to leased property.				
<b>2. Loan to Share Incentive Trust</b>				
This loan relates to Comair Share Incentive Trust's acquisition of 21 million ordinary shares at 72 cents per share in June 1998. The term of the loan is unspecified and it bears no interest.				
At year-end the trust held 20,559,107 shares representing 4.9% of shares in issue (prior year: 20,568,840 shares representing 4.9%) at a closing price of 128c (prior year: 76c).				
	-	-	13,222	13,320
<b>3. Investment in Subsidiaries</b>				
<b>3.1 Commuter Handling Services (Pty) Limited</b>				
102 shares at cost (100% shareholding)				
Loan	-	-	10,652	9,158
Provision for diminution			(1,240)	(1,240)
Interest is charged at prime less 2% per annum and there are no fixed repayment terms.				
This subsidiary provides passenger handling services to Comair at cost, and made a loss for the year, after tax, of R67 135 (prior year profit of R12 244). The company is incorporated in South Africa.				
<b>3.2 Laroc Aviation Limited</b>				
2 ordinary shares of GBPO.01 each at cost (100% shareholding).				
This subsidiary owned an aircraft on lease to Comair, and was acquired by Comair during the year. Profit for the year, after tax, was R724 000. The company was dormant at year-end and is incorporated in Mauritius.				

## Notes (continued) for the year ended 30 June 2005



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>3.3 Amber (Pty) Limited</b>				
1 ordinary share of R1 at cost (100% shareholding)				
This subsidiary owned two aircraft on lease to Comair, and was acquired by Comair during the year. The company was dormant for the year and is incorporated in South Africa.				
	-	-	9,412	7,918
<b>4. Deferred Taxation</b>				
<b>On temporary differences arising from:</b>				
Property, plant and equipment	(32,968)	(23,931)	(32,968)	(23,931)
Provisions	29,716	20,768	29,716	20,768
Prepayments	(1,215)	(1,845)	(1,215)	(1,845)
STC asset	9,040	-	9,040	-
Losses	1,068	36,443	1,068	36,443
	5,641	31,435	5,641	31,435
<b>5. Unlisted Investment</b>				
Preference shares in Amber (Pty) Limited				
5549 shares at R10 000 per share at cost	-	55,490	-	55,490
Add dividend accrued	-	80,000	-	80,000
Investments redeemed	-	(135,490)	-	(135,490)
The shares were redeemed on 31 May 2004				
Preference shares in KWJ Investments (Pty) Ltd	45,900	-	45,900	-
45 900 shares at R1000 per share at cost.				
Comair will purchase a further 104 100 shares in bi-annual instalments of R10 710 000 with the last purchase on 30 June 2010.				
Total Directors' valuation of unlisted investments	45,900	-	45,900	-
<b>6. Inventory</b>				
Aircraft spares	8,780	8,780	8,780	8,780
Catering equipment and consumables	2,958	3,700	2,958	3,700
Write-down of aircraft spares to realisable value	(4,721)	-	(4,721)	-
	7,017	12,480	7,017	12,480



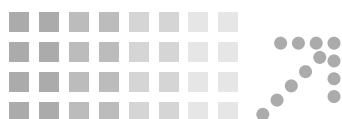
## Notes (continued) *for the year ended 30 June 2005*

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>7. Aircraft Deposits</b>				
Opening balance	-	47,596	-	47,596
Deposits made	19,738	-	19,738	-
Deposits utilised	(9,286)	(17,724)	(9,286)	(17,724)
Aircraft deposit write-off	-	(24,752)	-	(24,752)
Foreign exchange translation adjustment	-	(5,120)	-	(5,120)
	10,452	-	10,452	-
<b>8. Share Capital</b>				
Authorised:				
1000 000 000 ordinary shares of 1 cent each	10,000	10,000	10,000	10,000
1000 000 000 "N" ordinary shares of 0.01 cent each	100	100	100	100
1000 000 preference shares of 1 cent each	10	10	10	10
	10,110	10,110	10,110	10,110
Issued:				
420 000 000 ordinary shares of 1 cent each	4,200	4,200	4,200	4,200
Adjustment in respect of consolidation of share trust	(206)	(206)	-	-
	3,994	3,994	4,200	4,200
The authorised preference shares are redeemable cumulative preference shares and rank prior to ordinary shares as regards dividends and capital. There are no voting rights attached to the preference shares.				
<b>9. Interest Bearing Liabilities</b>				
Churchill Finance Services 23 Limited Aircraft finance lease agreement which is payable in equal quarterly payments of R10 852 239. The last payment is due on 30 September 2010. Interest is calculated at 13% per annum. Three aircraft mortgages serve as collateral covering security (net book value R162 million, prior year net book value R169 million).	172,852	192,980	172,852	192,980

## Notes (continued) for the year ended 30 June 2005



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>Laroc Aviation Limited</b>				
Aircraft finance lease agreement which was payable in equal quarterly payments of R4 665 959. The last payment was due on 31 August 2004. Interest was calculated at 13% per annum. An aircraft mortgage served as collateral covering security (prior year net book value R19 million).	-	4,561	-	4,561
<b>Nedbank</b>				
Flight simulator instalment sale agreement from Nedbank, payable by 20 quarterly instalments, with the last payment due on 1 July 2009. The agreement provided for flexible settlement terms and was settled early in February 2005.	-	21,544	-	21,544
<b>Rand Merchant Bank</b>				
Aircraft instalment sale agreement from Rand Merchant Bank, payable in 20 quarterly instalments, with the last payment due on 30 June 2010. Interest is charged at a fixed rate of 10.5%. One aircraft mortgage serves as collateral covering security (net book value R50 million).	33,005	-	33,005	-
Sub-total	205,857	219,085	205,857	219,085
Less short-term portion	(28,117)	(28,298)	(28,117)	(28,298)
	177,740	190,787	177,740	190,787
Present value of interest bearing liabilities	205,857	219,085	205,857	219,085
Finance charges	76,029	95,080	76,029	95,080
Minimum lease payments	281,886	314,165	281,886	314,165
commitments for year one	52,036	52,133	52,036	52,133
commitments for year two to five	208,146	195,549	208,146	195,549
commitments after year five	21,704	66,483	21,704	66,483
<b>10. Operating Expenses</b>				
Operating expenses are stated after incorporating the following items:				
Audit fees	281	282	250	258
Managerial, technical, administrative and secretarial services	366	325	290	247



## Notes (continued) for the year ended 30 June 2005

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>10. Operating Expenses (continued)</b>				
Depreciation - aircraft assets	28,351	28,673	26,875	27,286
Depreciation - other fixed assets	2,894	3,511	2,802	3,343
Impairment of aircraft assets	-	115,106	-	115,106
Deposit write-off	-	24,752	-	24,752
Directors emoluments	8,439	5,994	8,439	5,994
- for services as Directors	340	345	340	345
- for managerial and other services	7,356	4,954	7,356	4,954
- retirement and medical benefits	743	695	743	695
Rentals under operating leases	155,406	151,086	153,841	149,750
- property rentals	7,680	7,135	6,327	6,037
- aircraft rentals	146,082	143,457	146,082	143,457
- equipment and vehicle rentals	1,644	494	1,432	256
Total staff costs	242,779	202,270	223,220	183,952
Employment costs	230,550	192,148	210,991	173,830
Contributions to defined contribution funds	12,229	10,122	12,229	10,122
Number of employees	1,738	1,519		
Profit on disposal of property, plant and equipment	(7,057)	(64)	(6,970)	(52)
(Profit)/loss on exchange differences	(2,968)	18,499	(2,968)	18,499
<b>11. Taxation</b>				
Normal tax - current	67	4	-	-
Deferred tax - current	33,786	(39,452)	33,786	(39,452)
Deferred tax - rate change	1,048	-	1,048	-
STC asset raised	(9,040)	-	(9,040)	-
	25,861	(39,448)	25,794	(39,452)
Reconciliation of taxation rate	%	%	%	%
South African normal tax rate	(29.0)	30.0	(29.0)	30.0
<i>Taxation effect of:</i>				
Exempt income	0.2	15.0	0.2	15.1
Disallowable expenditure	(4.5)	(16.0)	(4.4)	(16.1)
Rate adjustment	(1.0)	-	(1.0)	-
STC asset raised	8.9	-	8.9	-
Effective taxation rate	(25.4)	29.0	(25.3)	29.0

## Notes (continued) for the year ended 30 June 2005



	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>12. Headline Earnings</b>				
Earnings attributable to ordinary shareholders	76,063	(96,700)	76,146	(96,689)
Add back Aircraft impairment	-	115,106	-	115,106
Add back Aircraft deposit translation loss	-	5,120	-	5,120
Add back Aircraft deposit write-off	-	24,752	-	24,752
Less profit on disposal of property, plant and equipment	(7,057)	-	(6,970)	-
Headline earnings attributable to ordinary shareholders	69,006	48,278	69,176	48,289
Weighted ordinary shares in issue ('000)	399,441	399,431		
Weighted ordinary shares in issue	420,000	420,000		
Adjustment in respect of consolidation of share trust	(20,559)	(20,569)		
Adjustment for dilutive effect of share options in issue	7,214	-		
Diluted weighted ordinary shares in issue ('000)	406,655	399,431		
Earnings per share (cents)	19.0	(24.2)		
Headline earnings per share (cents)	17.3	12.1		
Diluted earnings per share (cents)	18.7	(24.2)		
Diluted headline earnings per share (cents)	17.0	12.1		
<b>13. Cash Generated by Operations</b>				
Profit/(loss) from operations	114,068	(120,891)	112,536	(120,750)
Depreciation	31,245	32,182	29,677	30,629
Aircraft impairment	-	115,106	-	115,106
Aircraft deposit write-off	-	24,752	-	24,752
Profit on disposal of assets	(7,057)	(64)	(6,970)	(52)
Cash from operations before working capital changes	138,256	51,085	135,243	49,685
Decrease in working capital	57,376	12,194	59,013	12,053
- Inventory	5,463	483	5,463	483
- Accounts receivable decrease/(increase)	404	(29,395)	86	(28,903)
- Accounts payable	51,509	41,106	53,464	40,473
	195,632	63,279	194,256	61,738



## Notes (continued) *for the year ended 30 June 2005*

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>14. Taxation Refunded/(Paid)</b>				
Taxation receivable at beginning of year	19	22	22	22
Taxation charge for the year	(67)	(4)	-	-
Taxation owing/(receivable) at end of the year	62	(19)	-	(22)
Taxation refunded/(paid)	14	(2)	22	-
<b>15. Retirement Benefits</b>				
<b>Post-retirement benefits</b>				
The Group contributed to several retirement funds, all of which are governed by the Pension Funds Act, 1956.				
The funds cover the majority of its employees and are all defined contribution schemes. Contributions paid by Group companies are charged against income as incurred.				
An actuarial valuation was performed on the Comair Pension Fund in July 2003, for the year ended June 2003. The fund was reported to be actuarially sound.				
<b>16. Operating Lease Commitments</b>				
<b>Commitments for year one</b>				
Property and buildings	7,520	6,612	7,520	6,612
Aircraft	143,291	143,776	143,291	143,776
	150,811	150,388	150,811	150,388
<b>Commitments for year two to five</b>				
Property and buildings	33,719	27,821	33,719	27,821
Aircraft	455,588	497,330	455,588	497,330
	489,307	525,151	489,307	525,151
<b>Commitments after year five</b>				
Property and buildings	24,662	15,971	24,662	15,971
Aircraft	12,471	93,108	12,471	93,108
	37,133	109,079	37,133	109,079
<b>Total operating lease commitments</b>	<b>677,251</b>	<b>784,618</b>	<b>677,251</b>	<b>784,618</b>



## 17. Cash Encumbered

The company has pledged cash investments totalling R20 million (2004 - R20 million) in respect of aircraft lease obligations.

## 18. Borrowing Powers

There are no restrictions on the Group's borrowing powers.

## 19. Capital Commitments

The company has committed to capital expenditure of R87.7 million, being the balance of payments due in respect of two Boeing B737-300 aircraft to be acquired in August 2005 and in December 2005. The payments are to be made in US dollars and were fully hedged at year end at an average forward rate of R6.09/US\$.

## 20. Related Party Transactions

British Airways Plc holds indirectly 18.3% of the issued shares of the company, and provides various services to the company on an arms length basis, including the provision of inventory management and departure control systems and ticket accounting services. The total amount owing for such services at year-end was R3 012 590 (prior year: R4 025 450).

## 21. Financial Risk Management

### Interest rate risk

The Company is exposed to interest rate risk as it borrows and places funds. This risk is managed by fixing the rate on long term loans and placing surplus funds in investments that yield a market linked return.

### Credit risk

Credit risk relates to potential exposure on bank and call deposits and loans and trade receivables. At the balance sheet date, the company did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

### Liquidity risk

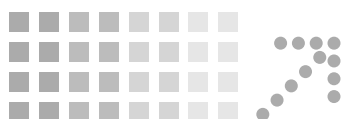
The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

### Foreign currency risk

The Company undertakes certain transactions denominated in foreign currency which therefore have exposure to exchange rate variations. The Company may enter into forward exchange contracts to manage exchange rate exposure. Where appropriate, open positions are maintained. The Company does not speculate in derivative instruments and all foreign exchange contracts are supported by underlying transactions.

Approximately 40% of operating costs are incurred, and approximately 12% of revenue is earned, in foreign currency. The following uncovered foreign currency amounts are included in the financial statements at year-end: net short term liabilities of US\$1 093 012 and net short term receivables of GBP 5 733 484.

Forward exchange contracts that constituted designated hedges of currency risk at year-end related to the commitment to purchase two Boeing B737-300 aircraft in the first half of the 2006 financial year. These contracts were for a commitment to purchase US\$14.4 million at an average forward rate of R6.09/US\$. The fair value at year-end, being the amount that the company would pay or receive to terminate the contracts at that date, was R9.3 million (favourable).



## 22. Share Incentive Trust

In terms of the staff share incentive scheme, shares are offered on an option or outright sale basis. Options vest over a period of 1 to 5 years (previously this was 1 to 3 years). All options must be taken up by way of purchase by no later than 10 years after the date of grant. The exercise price of the option is not less than the market value of the ordinary shares on the date preceding the day of grant and the option is exercisable provided the participant has remained in the Company's employ until the option vests. In the case of retirement/death/retrenchment, all options immediately vest. Options can be converted into shares or cash or a combination of both, depending on the participant's choice.

In the event of retirement/death/retrenchment of a participant, options may be taken up and paid for/converted into cash within 12 months of such an event. The Directors of the Company have the discretion to extend this by a further 12 months. In the case of the resignation of a participant, options, which have vested, may be exercised within 30 days after date of resignation. Options which have not vested will be forfeited.

The staff share incentive scheme is allowed to hold a total of 7.5% (31.5 million shares) of issued share capital in Comair Limited. Currently the scheme holds 4.9% (prior year: 4.9%) of issued share capital. The maximum number of options to be held by any participant in the scheme shall not exceed 1% (4.2 million shares) of ordinary shares then in issue.

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants, including Directors:

	2005	2005	2004	2004
	<b>Number of share options</b>	<b>Weighted average exercise price (R)</b>	<b>Number of share options</b>	<b>Weighted average exercise price (R)</b>
Balance at the beginning of period	16 324 906	0.87	7 975 699	1.03
Options accepted	4 900 000	0.82	9 700 000	0.75
Options exercised	(871 064)	0.80	(526 101)	0.75
Options forfeited	(97 526)	1.13	(824 692)	1.06
Balance at the end of period	20 256 316	0.86	16 324 906	0.87

Share options extended and accepted during the year were done at the ruling market price on the date preceding the extension date.

## Notes (continued) for the year ended 30 June 2005



The options outstanding at 30 June 2005 become unconditional between the following dates:

		2005	2004
	Subscription price (R)	Number of share options	Number of share options
18 September 1998 and 1 January 2002	0.71	1 762 037	2 180 077
18 September 1998 and 1 January 2002	1.00	2 695 163	2 982 587
12 January 1999 and 1 January 2002	1.10	30 001	32 728
15 July 1999 and 1 July 2002	1.60	110 000	110 000
25 January 2000 and 1 January 2003	2.20	85 459	88 641
13 March 2000 and 1 January 2003	2.20	512 000	512 000
10 August 2000 and 1 July 2003	2.60	40 769	43 846
31 January 2001 and 1 March 2004	1.85	136 218	136 218
30 August 2001 and 1 September 2004	1.65	51 514	61 210
23 January 2002 and 1 March 2005	1.25	69 600	69 600
26 August 2002 and 1 September 2005	0.75	349 332	386 665
4 March 2003 and 1 March 2006	0.75	9 514 223	9 721 334
1 September 2004 and 1 September 2007	0.80	4 650 000	-
26 November 2004 and 26 November 2009	1.25	250 000	-
<b>Total</b>		<b>20 256 316</b>	<b>16 324 906</b>

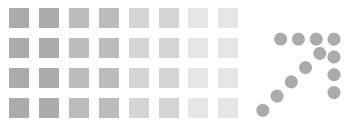
Should the participant resign from the company before options fully vest, the unvested portion will be forfeited.

Share options granted to Directors are as follows:

	2005	2004
	Number of share options	Number of share options
Balance at beginning of period	11 044 133	2 544 133
Options granted	2 450 000	8 500 000
Options exercised	(145 600)	-
<b>Balance at end of period</b>	<b>13 348 533</b>	<b>11 044 133</b>

The options outstanding for Directors at 30 June 2005 become unconditional between the following dates:

		2005	2004
	Subscription price (R)	Number of share options	Number of share options
18 September 1998 and 1 July 2003	0.71	716 800	862 400
18 September 1998 and 1 July 2003	1.00	1 669 733	1 669 733
25 January 2000 and 1 January 2003	2.20	12 000	12 000
4 March 2003 and 1 March 2006	0.75	8 500 000	8 500 000
1 September 2004 and 1 September 2007	0.80	2 450 000	-
<b>Total</b>		<b>13 348 533</b>	<b>11 044 133</b>



## Notes (continued) *for the year ended 30 June 2005*

It is company policy that employees who have access to price-sensitive information are not allowed to deal in shares or exercise share options of the company for the periods from 1 January until publication of half-year results and from 1 July until publication of full-year results. No trading is allowed when the company is trading under a cautionary announcement.

Options granted to Directors as at 30 June 2005:

				2005	2004
	<b>Within 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	<b>Total</b>
P van Hoven	500 000	2 000 000	1 092 498	3 592 498	3 092 498
BJ van der Linden	100 000	1 500 000	551 454	2 151 454	2 197 054
ER Venter	500 000	1 750 000	224 293	2 474 293	1 974 293
G Novick	500 000	1 750 000	212 488	2 462 488	1 962 488
MN Louw	750 000	1 000 000	43 000	1 793 000	1 043 000
DH Borer	100 000	500 000	274 800	874 800	774 800
<b>Total</b>	<b>2 450 000</b>	<b>8 500 000</b>	<b>2 398 533</b>	<b>13 348 533</b>	<b>11 044 133</b>

# Notice of Annual General Meeting



**This document is important and requires your immediate attention.**

Comair Limited  
Registration number 1967/006783/06  
Incorporated in the Republic of South Africa  
("Comair" or "the Company")  
ISIN Code: ZAE000029823 Share Code: COM

## Notice of Annual General Meeting

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the Annual General Meeting of shareholders of Comair will be held at the Premier Conference Centre, Retail Level, Domestic Terminal, Johannesburg International Airport on Friday 28 October 2005 at 12h00 for the following business:

1. To consider and adopt the Annual Financial Statements of the Company for the year ended 30 June 2005 together with the reports of the Directors and auditors contained therein.
2. That the Directors' remuneration policy as set out in the remuneration report contained in the reports and accounts for the year ended 30 June 2005 be and is hereby approved.
- 3.1 To re-elect the following directors of the Company:
  - 3.1.1 D Novick
  - 3.1.2 RC Sacks
  - 3.1.3 MN Louwwho retire by rotation at the Annual General Meeting, but, being eligible, offer themselves for re-election.
- 3.2 To re-elect the following Director of the Company:
  - 3.2.1 AK Buchananwho was appointed as Director of the Company on 29 November 2004 and who retires at the Annual General Meeting, but, being eligible, offers himself for re-election.

A brief curriculum vitae in respect of each Director referred to in 3.1 and 3.2 appears on page 42 of this annual report.

- 4 To authorise the Directors to re-appoint PKF (JHB) Inc as the independent auditors of the Company for the ensuing year and to determine the remuneration of the auditors.

As special business, to consider and, if deemed fit, pass with or without modification, the following resolutions, those numbered 5, 6, and 8 as Ordinary Resolutions, and number 7 as a Special Resolution.

## Ordinary Resolutions

Control of authorised but unissued shares

5. **"Resolved that** the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company, which authority shall be restricted to 10% of the issued ordinary shares as at 30 June 2005, and that the Directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the Directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the Company and the JSE Limited ("JSE") Listings Requirements, when applicable."

Approval to issue shares for cash

6. **"Resolved that** the Directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Act, the Articles of Association of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:
  - 6.1 the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - 6.2 any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees";
  - 6.3 the number of shares issued for cash shall not in the aggregate in any one financial year exceed 10% (ten per cent) of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued



- pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to date of application) may be included as though they were shares in issue at the date of application;
- 6.4 this authority is valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- 6.5 a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and
- 6.6 in determining the price at which an issue of shares may be made in terms of this authority post the listing of the Company, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company.
- This Ordinary Resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting".
- ### Special Resolution Number 1
- Approval to repurchase shares
- 7 "Resolved that, as a general approval contemplated in sections 85(2) and 85(3) of the Act, the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements from time to time, when applicable, and
- 7.1 the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- 7.2 this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- 7.3 in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- 7.4 acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty per cent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- 7.5 the Company and the Group will be in a position to repay its debt in the ordinary course of business for the next 12 months;
- 7.6 the consolidated assets of the Company and the Group, fairly valued in accordance with Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the Company for the next 12 months;
- 7.7 the ordinary capital and reserves of the Company and the Group will be adequate for the next twelve months;
- 7.8 available working capital will be adequate to continue the operations of the Company and the Group for the next 12 months;
- 7.9 the Company may not enter the market to proceed with the repurchase until the Company's sponsor, Nedbank Capital, a division of Nedbank Limited, has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE;
- 7.10 the Company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread;
- 7.11 the Company or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- 7.12 when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- 7.13 the Company may only appoint one agent to effect any repurchase(s) on its behalf.
- Other disclosure in terms of the JSE Listings Requirements Section 11.26

The JSE Listings Requirements require the following disclosure, some of which is elsewhere in the annual report of which this notice forms part:

Directors and management – page 18;  
Major shareholders of Comair – page 44;  
Directors interests in securities – page 17; and  
Share capital of the Company – page 30.

### Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the Directors, whose names are given on page 18 of the annual report of which this notice forms part (the annual report), are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

### Directors' responsibility statement

The Directors, whose names are given on page 18 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

### Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of Comair and its subsidiaries since the auditors signed off on the financials.

The Directors of the Company have no specific intention to effect the provisions of Special Resolution number 1 but will, however, continually review this position having regard to prevailing circumstances.

### Reason for and effect of Special Resolution 1

The reason and effect for special resolution 1 is to authorise the Company by way of a general authority to acquire its own issued shares and/or its holding company

on such terms, conditions and such amounts determined from time to time by the Directors of the Company by the limitations set out above.

### Ordinary Resolution

Authorisation for DH Borer to sign necessary documents to give effect to resolutions

8. **"Resolved that** Derek Henry Borer be and is hereby authorised on behalf of the Company to sign all documents as may be necessary in order to give effect to the Special and Ordinary Resolutions".

### Other Business

9. To transact such other business as may be transacted at an Annual General Meeting.

### Voting and Proxies

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who are:

- holding Comair ordinary shares in certificated form; or
- are recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Forms of proxy must be lodged with or posted to the Company's principle place of business, 1 Maignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619 (PO Box 8050, Bonaero Park, 1622) or the Transfer Secretaries, to be received not later than 48 hours (excluding Saturdays, Sundays and public holidays) before



the time appointed for the holding of the Annual General Meeting, being Friday, 28 October 2005, at 12h00. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting.

By order of the Board

Derek H. Borer  
Company Secretary

Date: 14 September 2005  
Place: Bonaero Park

## Directors Standing for Election or Re-election

### 1. Donald Novick (Age: 67)

"Dave", as he is called in the Aviation industry, joined Comair as Company Secretary/Accountant in 1961. He was appointed Commercial/General Manager in 1966 and Managing Director in 1971. Following a management buy-out in 1976, he was appointed Chairman of Comair. He has considerable experience in the Aviation industry. He has served on numerous commissions and committees to advise the Government on transport and aviation matters.

### 2. Rodney Cyril Sacks (Age: 55)

Rodney was a partner at Werksmans Attorneys, Johannesburg, between 1976 and 1989, specialising in corporate law and litigation. He is currently Chairman, Chief Executive Officer and Director of Hansen Natural Corporation, a public company based in California, U.S.A. Hansen Natural Corporation, through its subsidiary Hansen Beverage Company, is one of the leading marketers and distributors of alternative beverages in the U.S.A. Prior to the acquisition of Hansen Beverages in 1992, Rodney was the Chairman and Chief Executive Officer and Director of the listed holding company.

### 3. Martin Nicolaas Louw (Age: 50)

Martin started his career with the SA Air Force in January 1973, as a pupil pilot. He spent 22 years in the SAAF as a fighter pilot, flight instructor, staff officer and project officer for airborne weapons systems, rising to the rank of Lieutenant Colonel. In 1994 he resigned from the SAAF and joined Kentron as international marketer and later IST as project manager. He joined Comair as a first officer in 1996 and has since served as Chief Training Captain and Fleet Captain on B727, before becoming an Executive Manager and currently Director Flight Operations. Martin still flies actively as a captain on the B737.

### 4. Alan Kerr Buchanan (Age: 47)

After qualifying as a Scottish solicitor, Alan worked in Hong Kong for two and a half years specialising in ship financing. He moved to London in 1988 where he specialised in aircraft finance. He was seconded to British Airways in 1989 before joining the airline as their Principal Legal Advisor, Finance in 1990. He was appointed Company Secretary in 2000. He also serves as the Deputy Chairman of Keynote Housing Group, a social housing organisation based in the English Midlands.

## Share Price Performance



	2005	2004
<b>Market Price (cents per share)</b>		
Closing (30 June)	128	76
High	171	120
Low	73	67
<b>Closing Price/Earning Ratio</b>	6.8	6.3
<b>Number of Shares in Issue</b>		
At year end (millions)	420	420
Weighted Average (millions)	420	420
Volume of Shares traded (millions)	59,2	67,9
Volume of Shares traded to number in issue	14.1%	16.20%



# Shareholder Analysis

## 1. Shareholder Spread

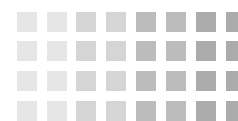
Bands	Number of Shareholdings	%	Number of Shares	%
1 – 1 000 Shares	1 945	58.64	614 070	0.15
1 001 – 10 000 Shares	967	29.15	3 816 889	0.91
10 001 – 100 000 Shares	318	9.59	10 546 300	2.51
100 001 – 1 000 000 Shares	61	1.84	16 263 709	3.87
1 000 001 Shares and Over	26	0.78	388 759 032	92.56
<b>Total</b>	<b>3 317</b>	<b>100.00</b>	<b>420 000 000</b>	<b>100.00</b>

## 2. Distribution of Shareholders

Type of Shareholder	Number of Shareholdings	%	Number of Shares	%
Banks	13	0.39	12 361 545	2.94
Close Corporations	50	1.51	1 740 881	0.41
Endowment Funds	6	0.18	503 600	0.12
Individuals	3 022	91.11	19 526 169	4.65
Insurance Companies	3	0.09	578 598	0.14
Investment Companies	4	0.12	1 940 500	0.46
Mutual Funds	27	0.82	87 225 702	20.77
Nominees and Trusts	98	2.95	10 032 454	2.39
Other Corporations	31	0.93	939 860	0.22
Pension Funds	9	0.27	12 243 033	2.92
Private Companies	51	1.54	175 317 714	41.74
Public Companies	2	0.06	77 007 200	18.34
Share Trust	1	0.03	20 582 744	4.90
<b>Total</b>	<b>3 317</b>	<b>100.00</b>	<b>420 000 000</b>	<b>100.00</b>

## 3. Holdings of Three Percent (3%) or More

	Number of Shares	% of Shareholding
Diamar Investments (Pty) Limited	81 137 408	19.318
Telmore Investments (Pty) Limited	81 137 408	19.318
Britair Holdings Limited	77 000 000	18.333
Alan Gray (through various funds and investment companies with no fund or investment company holding more than 4,933% of the total issued share capital of the company)	64 473 852	15.351
Comair Share Incentive Trust	20 582 744	4.900
Oasis (through various funds and investment companies with no fund or investment company holding more than 2,33% of the total issued share capital of the company)	19 075 075	4.541



#### 4. Public/non Public Shareholders: Public Shareholder Spread (Including Geographical Area)

Type of Shareholder	Number of Shareholders in South Africa			Number of Shareholders other than in South Africa			Total Shareholders		
	Number of Shareholders	Number of Shares	% of Shares	Number of Shareholders	Number of Shares	% of Shares	Number of Shareholders	Number of Shares	% of Shares
<b>Non Public</b>									
Directors	12	172 239 363	41.010				12	172 239 363	41.010
Britair Holdings Limited (Strategic Holding)				1	77 000 000	18.333	1	77 000 000	18.333
Comair Share Incentive Trust	1	20 559 107	4.900				1	20 559 107	4.900
<b>Public</b>									
Resident	3 269	137 597 068	32.756				3 269	137 597 068	32.756
Non-Resident				34	12 604 462	3.001	34	12 604 462	3.001
<b>Total</b>	<b>3 282</b>	<b>330 395 538</b>	<b>78.666</b>	<b>35</b>	<b>89 604 462</b>	<b>21.334</b>	<b>3 317</b>	<b>420 000 000</b>	<b>100.00</b>

The percentage of Public Shareholders in terms of paragraphs 4.25, 4.26 and 4.27 of the Listing Requirements of the JSE Limited at 30 June 2005 was 35,757% represented by 3 303 Shareholders holding 150 177 893 ordinary shares in the Company.



# Form of Proxy



## Form of Proxy for Annual General Meeting

### Comair Limited

Registration number 1967/006783/06 | Incorporated in the Republic of South Africa | ("Comair" or "the Company")  
ISIN Code: ZAE000029823 | Share Code: COM

The form of proxy is only to be completed by those shareholders who are:

- holding Comair ordinary shares in certificated form; or
- are recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Forms of proxy must be lodged with or posted to the Company's principle place of business, 1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619 (PO Box 8050, Bonaero Park, 1622) or the Transfer Secretaries to be received not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time appointed for the holding of the Annual General Meeting, being Friday, 28 October 2005 at 12h00. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting.

I/We (Block Letters)

of (address)

Telephone: (Work) (area code)

Telephone: (Home) (area code)

being a holder of [ ] certificated shares and "own-name" dematerialised shares of the Company and entitled to [ ] votes hereby appoint (see Note 1):

(Please print)

1. \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ or failing him/her
3. \_\_\_\_\_ the Chairman of the Annual General Meeting

as my/our proxy to vote for me/us at the Annual General Meeting which will be held for the purpose of considering, and, if deemed fit, passing, with or without modifications, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name/s (see note 2 ) as follows:

	Number of votes		
	For	Against	Abstain
1. To consider and adopt the Annual Financial Statements			
2. To approve the director's remuneration policy			
3. To re-elect the following directors:			
D Novick			
RC Sacks			
MN Louw			
AK Buchanan			
4. To re-appoint and determine the auditor's remuneration			
5. Ordinary Resolution: control of authorised but unissued shares			
6. Ordinary Resolution: approval to issue shares for cash			
7. Special Resolution Number 1: approval to repurchase shares			
8. Ordinary Resolution: authorisation for DH Borer to sign necessary documents to give effect to resolutions			

and generally to act as my/our proxy at the said Annual General Meeting.

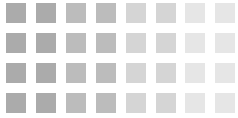
(Please indicate with an "X" whichever is applicable. If no direction is given, the proxy holder will be entitled to vote or abstain from voting as the proxy holder deems fit.)

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day \_\_\_\_\_ of \_\_\_\_\_ 2005

Signature/s \_\_\_\_\_ assisted by me (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

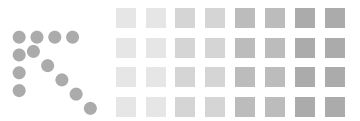
Please read the notes on the reverse side hereof



## Notes to the Form of Proxy

1. A certificated shareholder or "own-name" dematerialised shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled and authorised to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box provided. Failure to comply herewith will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. Where the proxy is the Chairman, such failure shall be deemed to authorise the Chairman to vote in favour of the resolutions to be considered at the Annual General Meeting in respect of all the shareholder's votes exercisable thereat.
3. The completion and lodging of this form will not preclude the relevant shareholders from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Forms of proxy must be lodged with or posted to the Company's principal place of business, 1 Marignane Drive, corner Atlas Road, Bonaero Park, Kempton Park, 1619 (PO Box 8050, Bonaero Park, 1622) or the Transfer Secretaries to be received not later than 48 hours before the annual general meeting, being Friday, 28 October 2005 at 12h00.
4. The Chairman of the Annual General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the Chairman is satisfied as to the manner in which the shareholder wishes to vote.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity such as a power of attorney or other written authority must be attached to this form unless previously recorded by the transfer secretaries of the Company or waived by the Chairman of the Annual General Meeting.
6. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
  - (a) under a power of attorney
  - (b) on behalf of a companyunless that person's power of attorney or authority is deposited at the principal place of business of the Company as set out in Note 3 not less than 48 hours before the holding of the Annual General Meeting.
7. An instrument of proxy shall be valid for any adjournment or postponement of the Annual General Meeting, unless the contrary is stated therein, but shall not be used at the resumption of an adjourned Annual General Meeting if it could not have been used at the Annual General Meeting from which it was adjourned for any reason other than that it was not lodged timeously for the meeting from which the adjournment took place.
8. A vote cast or act done in accordance with the terms of a form of proxy shall be deemed to be valid notwithstanding
  - (a) the previous death, insanity or any other legal disability of the person appointing the proxy; or
  - (b) the revocation of the proxy; or
  - (c) the transfer of a share in respect of which the proxy was given, unless notice as to any of the above-mentioned matters shall have been received by the Company at its principal place of business as set out in Note 3 or by the Chairman of the Annual General Meeting if not held at the principal place of business of the Company, before the commencement or resumption (if adjourned) of the Annual General Meeting at which the vote was cast or the act was done or before the poll on which the vote was cast.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing her/her legal capacity are produced or have been registered by the Company's transfer secretaries.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy.
11. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

# Administration



**Registered office**

2nd Floor  
FHS HOUSE  
15 Girton Road  
Parktown  
2193

**Transfer secretaries**

Computershare Investor Services 2004 (Pty) Ltd  
70 Marshall Street  
Johannesburg  
2107

**Principal Place of Business**

1 Marignane Drive  
Bonaero Park  
Kempton Park  
1619

# Comair Limited

