



Comair Limited

Annual Report_2006

Comair Limited

Administration

Registered Office

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FHS HOUSE
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Parktown
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Transfer Secretaries

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

Principal Place of Business

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Bonaero Park
Kempton Park
1619

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Chairman and Joint CEO's Report

Overview

In our 60th year of operation, thanks to the committed effort of our team, Comair can report a solid performance for the year ended 30 June 2006, despite unprecedented high oil prices. This maintains what we believe to be a world record as being the only airline to have achieved operating profits for 60 consecutive years.

Comair increased Headline earnings per share by 8% to 20 cents per share despite an operating cost escalation of R149 million arising from the increased price of fuel. We have focused our efforts this year on growing our revenue base while further reducing our controllable costs, aided by our fleet replacement programme whereby we continue to introduce more modern and cost efficient aircraft. The market continued to grow strongly during the year on the back of the fast growing middle class in South Africa as well as a buoyant economy. Our growth in passenger volumes to over 3 million customers exceeded the market growth and resulted in record turnover as well as record occupancy levels.

This year we also celebrate 10 years as a British Airways franchise, a partnership that has helped us become the first choice business airline in the country. We also celebrate the 5th birthday of kulula.com, South Africa's first and leading low fare airline. kulula.com has revolutionised air travel and attracted almost 6 million customers to date, while becoming the country's biggest on-line retailer.

Our single biggest strength remains the quality of our people. We are fortunate to be able to attract the best talent in the industry and continue to set increasingly challenging customer service standards for ourselves. In addition to benchmarking ourselves against other airlines we also test ourselves against the best customer service organisations in the country. The investment in our Leadership Development Programme has helped to identify the stars that will continue to drive our business forward in the future.

Financial Performance

Our strong brands helped us achieve a 15% growth in turnover to R2 billion which we converted to an attributable profit of R79 million (prior year: R73 million), representing an attributable profit margin of 4%. We will continue to strive for a margin that will compete with those of the best airline performers around the world. Fuel as a proportion of total costs increased from 25% in the prior year to 32% this year. Cash generated by operations remained very strong at R222 million, leaving us with a cash balance of R319 million at year end (prior year R216 million). Comair will be paying a dividend of 7 cents per share as per last year.

Two Leading Brands

The investment that we have made over the years in our two brands, British Airways and kulula.com, is proving its worth. We increasingly see ourselves as a brand management company with our ultimate success very dependent on the strength that our brands and reputation carry in the market, allowing us to consistently outperform our competitors' occupancies.

We are also finding more ways to create synergies between our brands. Our management team is responsible for both brands; the company has a single back office infrastructure and the two brands provide back-up capacity for each other from time to time.

Innovations and Route Developments

Our team spends a lot of time identifying ways to improve the travel experience of our customers while also making air travel more affordable. Comair concluded a long-term deal with Discovery Health whereby their Vitality members can benefit from a discount of between 15% and 30% off any kulula.com flight so that now, more than ever, it definitely pays to be healthy.

On route development initiatives, we commenced kulula.com services from Lanseria Airport to Cape Town. This has allowed Comair to set up a second Johannesburg base while giving our customers living to the North and West of Johannesburg as well as in Pretoria a more convenient alternative. We also benefit from lower airport charges at Lanseria. Route development on the British Airways brand entailed obtaining the rights to fly to Mauritius, which, when commenced in November, will be the furthest destination that we have served to date.

We will continue to explore route opportunities both in South Africa and beyond. Within South Africa we will be looking at smaller lucrative routes that have not had competition in the past and where excessively high airfares are currently charged. On the cross border routes we have our eyes set on expansion to other African destinations as these rights become available. Air travel within Africa is still desperately underserved and overpriced and represents a great opportunity.

Competition

Our biggest challenge remains the continued state support of South African Airways and SA Express. South African Airways has, furthermore, announced plans to launch a third state owned domestic airline which is likely to be an additional burden on South African taxpayers. We remain of the view that government should not invest in, nor compete for domestic air services when the private sector is more than ready and willing to provide these services, and in a more efficient manner. The global trend has been for governments to divest of their domestic airline services, and we trust that the South African government will take cognisance of such successful privatisation initiatives from around the world.

Comair's case at the Competition Tribunal, concerning SAA's anti-competitive incentives to travel agents, remains in progress and we are confident of a favourable ruling which will allow us to proceed with a civil action for damages against SAA.

Safety

The safety of our customers will continue to be our first priority. We have extended our state-of-the-art training facility near Johannesburg International Airport where we operate two Boeing 737 flight simulators. We not only train our own pilots to the highest standards but also have several training contracts with international airlines. This year we completed an IATA Operations Safety Audit (IOSA), representing the single most important safety certification process an airline can undertake. After a very extensive audit of all aspects of our organisation, we were awarded IOSA certification – only the third African Airline to achieve this. Over and above this we again achieved a favourable audit report following our annual British Airways safety audit.

Transformation in Travel

Our efforts to help bring about transformation in the travel and aviation sector were bolstered by concluding the biggest aviation empowerment transaction in South Africa's history when we finalised our deal with the Thelo Consortium for a 16.1% equity stake in the company. We are privileged to welcome Ronnie Ntuli and his consortium on board.

Our transformation efforts started a long time ago and we are proud of our achievements to date. We have built a team that is largely representative of the South African population and almost

two thirds of our employees are women. We are also very proud of our ongoing Cadet Pilot Training Programme where we have, to date, committed R4 million to the training of eight HDI pilots. One of our biggest transformation goals is to make air travel accessible to a broader base of South Africans, and we have set a target of extending the air travel experience to 10% of South Africans by 2010. Since we launched kulula.com five years ago, we have played a major part in doubling the number of South Africans that benefit from air travel.

One of our social responsibility initiatives for this year has been to offer all members of our South African Police Services and their families discounted travel on kulula.com.

Change in Leadership

After an incredible 41 years with the company, including 27 years as Managing Director, Piet van Hoven retired from Comair in June 2006. Piet's contribution has been exceptional, not only to the company but to the entire industry, and we are very grateful that Piet will continue to serve on the Board of Comair. We are confident that the new structure, with the appointment of joint CEOs, will continue to build on the past success of the company.

Looking Ahead

We are in the process of renewing the terms of our British Airways franchise agreement and look forward to extending what has been a mutually beneficial partnership.

There is great opportunity for Comair to diversify its revenue base to related activities beyond air travel. We have already built revenue streams from initiatives such as car rental, on board catering and flight training and we will continue to explore related business opportunities. One such opportunity is the recent launch of our kulula.com VISA credit card in co-operation with First National Bank, which we are confident will represent the most attractive offering in the market.

Overall we foresee continued tough trading conditions for the next 12 months. Our major challenges are the high rand fuel price, pressure on yields and ongoing state support of our main competitor. A weaker rand and potential slowing down of the economy would put further pressure on profits. Comair will continue to realise cost efficiencies and revenue opportunities from our fleet replacement programme. We will rely more than ever on the strength of our brands and the quality of our people to continue to deliver high levels of service at an acceptable return for our investors.

Five-Year Review

for the year ended 30 June 2006

	2006 R'000	2005 R'000	2004 R'000	2003 R'000	2002 R'000
Group Income Statement					
Revenue	1,973,245	1,713,583	1,474,549	1,365,907	1,284,962
Operating expenses	1,840,099	1,602,833	1,433,804	1,354,003	1,273,104
Operating profit before exceptional items	133,146	110,750	40,745	11,904	11,858
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/(loss) from operations before taxation	133,146	110,750	(120,891)	(38,300)	11,858
Net investment (expense)/income	(17,272)	(12,144)	(15,257)	987	(1,085)
Profit/(loss) from ordinary activities before taxation	115,874	98,606	(136,148)	(37,313)	10,773
Taxation	(37,074)	(25,863)	39,448	14,386	4,539
Profit/(loss) for the year	78,800	72,743	(96,700)	(22,927)	15,312
Group Balance Sheet as at 30 June					
Assets					
Property, plant and equipment	503,455	419,894	343,927	295,452	334,304
Loan to share incentive trust	-	-	-	-	14,040
Unlisted investments	67,320	45,900	-	115,035	96,226
Deferred taxation	-	6,094	31,435	-	-
Current assets	488,777	335,945	316,639	293,623	344,894
	1,059,552	807,833	692,001	704,110	789,464
Equity and liabilities					
Share capital and reserves	368,061	308,274	234,236	339,050	383,933
Interest-bearing liabilities	296,281	177,740	190,787	21,331	171,460
Deferred taxation	5,128	-	-	8,017	26,629
Current liabilities	390,082	321,819	266,978	335,712	207,442
	1,059,552	807,833	692,001	704,110	789,464
Salient features					
Operating margin	6.7%	6.5%	2.8%	0.9%	0.9%
Earnings margin	4.0%	4.2%	-6.6%	-1.7%	1.2%
Earnings per share (cents)	19.7	18.2	(24.2)	(5.7)	3.8
Headline earnings per share (cents)	19.7	16.4	12.1	6.8	3.8
Dividends per share declared (cents)	7.0	7.0	2.0	2.0	2.0
Weighted ordinary shares issued ('000)	399,412	399,441	399,431	399,434	399,407
Weighted ordinary shares in issue	420,000	420,000	420,000	420,000	420,000
Adjustment in respect of consolidation of share trust	(20,588)	(20,559)	(20,569)	(20,566)	(20,593)

Note: Results for 2004, 2003 and 2002 have not been changed for IFRS.

Group Value Added Statement

for the year ended 30 June 2006

	2006 R'000	%	2005 R'000	%
Wealth Created				
Group Revenue	1,973,245	-	1,713,583	-
Cost of materials and services	(1,495,300)	-	(1,318,483)	-
Value added	477,945	-	395,100	-
Interest income	13,691	-	11,569	-
Total value added	491,636	100%	406,669	100%
Wealth Distributed				
Employees				
Salaries, wages and related benefits	276,523	56%	246,104	61%
Providers of capital				
Interest on loans	34,300	7%	23,713	6%
Dividends paid to shareholders	27,960	6%	7,989	2%
Government				
Taxation expense	25,852	5%	67	0%
Re-invest in the Group				
Depreciation including impairment of assets	76,161	26%	64,042	32%
Retained Income	50,840		64,754	
Total value added	491,636	100%	406,669	100%

choc

We are firm believers of **'what goes around, comes around'**, that's why we jumped at the opportunity of becoming one of the sponsors of Cow Parade South Africa, which is a art exhibition that raises funds for children with childhood cancer. Through our involvement with Cow Parade, **we raised over R1-million** for the Children's Haematology Oncology Clinic (CHOC).

The money was raised by selling Cow Parade pins and cow shaped chocolate's onboard; we also donated **R1 to CHOC** for every online booking that was made. Our generous fans also helped raise this amount by filling our cash cow and Cow Parade tins, which also contributed to this hefty amount.

kulula.com



stuff we've done

and people that we've helped



We're on a mission to introduce daylight savings in South Africa. Here's why:

What on earth is daylight saving? The idea is that during summer, South Africa would officially change its time by putting the clocks **forward by an hour**. It happens all over the world, and it's a great success. It means that we'll have more light in the evenings. Now it's time that South Africa catches on too.

What's the point? Daylight savings is a system intended to **'save' or 'make the most of daylight'**, as opposed to 'wasting' time by sleeping long past sunrise. The official time is adjusted forward during the spring and summer months, so that the active hours of work and school will better match the hours of daylight.

What's it got to do with kulula.com? The nation's favourite low fare airline is **interested in making life better for all South Africans**. Yeah yeah, it may sound corny, but hey, somebody's got to shake things up. We need your support.

lanseria launch

Now flying from Lanseria to Cape Town

This route was launched in March and we are so pleased with the response. It won't be long before we introduce more flights out of this convenient airport.

If you haven't yet tried this fab airport, give it a bash. Their easy parking and quick check-in facilities are a real plus when you're dashing through the airport in a rush.

The hardest part
of your trip.



making travel **kulula**

LANSERIA
INTERNATIONAL AIRPORT

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 it has, other than as set out below, 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.
- 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 (or Joint Chief Executive Officers, ["CEOs"] with effect from 1 July 2006) 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 2006, the Board comprised of four independent Non-Executive Directors, four non-independent Non-Executive Directors and five Executive Directors as defined in the listing requirements of the JSE Securities SA.

The Board is considered to be appropriately skilled with regard to their 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 judgment 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 or CEOs (effective 1 July 2006) 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;
- Monitoring non-financial aspects pertaining to the business of the Company; and
- Settling principles for recommending the use of external auditors for non-audit services.

The Managing Director or CEOs, who report to the Board, are 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/them 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 Director 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 (2) times per year. Both internal and external auditors have unrestricted access to the Committee.

The Chairman of the Board, Managing Director or CEOs, effective 1 July 2006, Financial Director, internal auditor and external auditors attend the Audit and Risk Management Committee meetings by invitation. The Committee held three (3) meetings during the financial year under review.

Composition of Committee and attendance

Membership		Attendance
<i>Chairman:</i>	PJ Welgemoed	3/3
<i>Members:</i>	RC Sacks	1/3
	L Cromwell-Griffiths	2/3
	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 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;
- 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 Directors and Executive Management level. The Managing Director and with effect from 1 July 2006, the CEOs, in consultation with the Board Chairperson, Remuneration and Nominations Committee, is/are responsible for ensuring that an adequate succession plan is in place.

The Committee met three (3) 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
<i>Chairman:</i>	RC Sacks	1/3
<i>Members:</i>	JM Kahn	3/3
	L Cromwell-Griffiths	2/3

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 or with effect from 1 July 2006 the CEOs 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 and with effect from 1 July 2006 the CEOs attend meetings by invitation only and is/are not entitled to vote. The Managing Director and, with effect from 1 July 2006 the CEOs, does/do not participate in discussions regarding his/their own remuneration. The Committee met three (3) 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

Membership		Attendance
<i>Chairman:</i>	RC Sacks	1/3
<i>Members:</i>	JM Kahn	3/3
	L Cromwell-Griffiths	2/3

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. Remuneration 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' 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 and share incentive scheme awards;
- 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 units. 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 (4) 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 is responsible 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 procedures and information 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) 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 its BEE programme and has achieved progress in a number of areas, in particular insofar as ownership, affirmative procurement and skills development are concerned. 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, the Company recently concluded a BEE transaction, pursuant to which shares equivalent to 15% of the Company's post-transaction issued share capital have been issued to an empowerment consortium known as the Thelo Aviation Consortium (Proprietary) Limited ("the Thelo Consortium") led by Thelo Aviation Investments (Proprietary) Limited ("Thelo Aviation Investments"). In addition to the foregoing, Thelo Aviation Investments has agreed to purchase an additional 6 172 550 shares from the Company for cash from certain shareholders. This will result

in Thelo Aviation Investments and the Empowerment Consortium holding in aggregate approximately 16.1% of the Company's issued share capital post the BEE transaction. The Company is of the view that the Thelo Consortium can add value in that:

- (a) The Thelo Consortium brings industry specific experience and a broad-based empowerment component to the BEE initiative;
- (b) The Thelo Consortium is well positioned to assist with empowerment initiatives at all levels of the Company's business; and
- (c) The Thelo Consortium will commit time and effort to participating in the strategic initiatives of the Company.

The Board of Directors of the Company is totally committed to the spirit and principles of broad-based Black Economic Empowerment and believes it to be essential for redressing past inequities and for growth transformation and normalisation of South African society. The Board of Directors sees the Company as an integral part of the South African political, social and economic community and therefore endorses initiatives that promote the accumulation of human, intellectual and economic capital at all levels of society as a key to the success of South Africa and therefore also the Company.

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 to ensure that employees are adequately skilled to perform the functions they have been employed to perform.

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 (3) years, been busy with its fleet replacement strategy including the acquisition of three (3) Boeing 737-400, seven (7) Boeing 737-300 and 6 (six) MD82 aircraft. These 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 that 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 underwent an IATA Operational Safety Audit (IOSA) during May 2006 and received IOSA safety registration. The Company again received extremely favourable audit ratings from both British Airways PLC and the South African Civil Aviation Authority.

Health and Safety

The Company pays due regard to the health and safety of employees, strives to provide the employees with a clean and safe working environment and maintains reporting and notification systems.

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 are regarded as being essential to achieving competitive advantage.

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.

Our customers

To better understand customers' needs, Comair conducts monthly onboard research to randomly selected customers, to gain insight into the service offering on both airlines, and what can be done to improve it. 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 the Company diligently addresses customer concerns, in order to deliver the highest standards of customer service.

Community

As a corporate citizen, the Company endeavours wherever possible to improve the lives of fellow South Africans. The Company has partnered with Harambe, a Reiger Park, Ekurhuleni community initiative, to increase skills development in that area.

Thirty previously unemployed individuals between the ages of 18 and 21 have been accepted to participate in a six-month customer

service agent training programme. They will undergo both classroom training at Comair's commercial training centre and on-the-job training at Johannesburg International Airport alongside skilled Comair staff.

Reiger Park is a poor community with a high unemployment rate especially amongst the youth. This initiative is related to the upliftment of these youth and prepares them for employment in the formal sector.

The initiative is partly funded by the Transport Education Training Authority.

The Company believes that social responsibility should not just be seen as a budgeted write-off but rather as 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:

(a) The British Airways brand

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 five 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 that are already working in full-time jobs. The students have all entered the economy earning starting salaries generally between R60 000 to 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.

The De Wildt Cheetah Centre

The De Wildt Cheetah Centre was established in 1971 with the aim of breeding 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 four 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 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 three 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 the development of rugby in the area.

(b) The kulula.com brand

South African Police Services

Kulula.com's joint social investment initiative with Airports Company South Africa for the South African Police Services (SAPS) which allows members of the SAPS and their immediate families to fly kulula.com at drastically reduced fares has done very well. In the month of June 2006 we made a record 2000 flight bookings for the police and their families.

CHOC

The Company's relationship with the Children's Haematology Oncology Clinic (CHOC) has been ongoing and kulula.com continues to provide flights to the children and their noble caregivers. This is certainly a very worthy cause and kulula.com is proud to be associated with CHOC.

Official airline carrier of the Springbok rugby team

British Airways has been part of the Springbok rugby team since 2000, when we signed an agreement with SA Rugby, confirming us as the official carrier of the Springboks.

We believe that tough guys need pampering, so we always take great care to make sure their journeys are as comfortable and relaxing as possible.



British Airways offers more legroom

We take pride in providing more legroom than any other domestic carrier: seat pitch (the distance measured from the edge of your chair to the seat in front of you) stands at 33 inches in Traveller (economy class) on all aircraft. Club (business class) offers a seat pitch of 36 inches on Boeing 737-300s and 38 inches on 737-400s. The seat pitch in Club on the 737-200s is an impressive 39 inches.

British Airways passengers travelling domestically and regionally are also treated to a considerable seat width (arm rest to arm rest) of 17 inches in Traveller and 19 inches in Club.



Wine down onboard a British Airways flight

The British Airways Comair Trophy for South Africa's best Shiraz at the 2006 Old Mutual Trophy Wine Show was awarded to Piet Dreyer, proprietor of Raka, the Stanford-based winery whose 2004 Biography Shiraz pipped 154 other entries in the competition.

Passengers can enjoy a selection of South Africa's award winning wines including Raka onboard a British Airways (operated by Comair Limited) flight. British Airways offers a taste of distinctive quality.



Wildlife

British Airways (operated by Comair Limited) assists the De Wildt Cheetah and Wildlife Trust, by sponsoring flights for cheetah cubs that have been abandoned by their mothers, to be raised at the Spier Cheetah Outreach Programme in Cape Town.

British Airways also carries the De Wildt staff (including vets, management etc.) around the country, for their meetings with sponsors and partners in their quest to secure funding.



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 2006. These financial statements are the responsibility of the Company's Directors. Our responsibility is to report on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 2006, and the results of their operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.



PKF (Jhb) Inc.

Chartered Accountant (SA)

Registered Auditors

Registration number 1994/001166/21

Johannesburg

12 September 2006

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 International Financial Reporting Standards, 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 12 September 2006 and signed on its behalf.



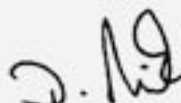
ER Venter
Joint CEO

12 September 2006



GS Novick
Joint CEO

12 September 2006



D Novick
Chairman

12 September 2006

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.



Derek H Borer
Company Secretary

Date: 12 September 2006

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 2006.

Nature of Business

Comair provides domestic and regional air services in the Southern African market, trading under the names of British Airways and kulula.com. The airline operates a fleet of twenty-four 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 2006.

Dividends

The Directors of Comair have resolved to declare a dividend (Dividend number 8) of 7 cents per share (prior year 7 cents per share) to all shareholders. The last day to trade (cum the dividend) in order to participate in the dividend will be Friday 29, September 2006. The shares will commence trading "ex" the dividend from commencement of business on Monday, 2 October 2006 and the record date is Friday, 6 October 2006. Share certificates may not be dematerialised or rematerialised between Monday, 2 October 2006 and Friday, 6 October 2006, both days included. The dividend payment will be made on Monday, 9 October 2006.

Share Capital

There have been no changes in the authorised share capital during the year under review. 13 549 Preference shares were issued during the year at a premium of R9 999.99 per share. The unissued shares are under the 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

The Company will conclude a Black Economic Empowerment ("BEE") transaction on Friday, 22 September 2006, pursuant to which shares equivalent to 15% of the Company's post-transaction issued share capital will be issued to an empowerment consortium known as the Thelo Aviation Consortium (Proprietary) Limited led by Thelo Aviation Investments (Proprietary) Limited. In addition to the foregoing, Thelo Aviation Investments (Proprietary) Limited have agreed to purchase an additional 6 172 550 shares from the Company for cash from certain shareholders. This will result in Thelo Aviation Investments (Proprietary) Limited and the Empowerment Consortium holding in aggregate approximately 16.1% of the Company's issued share capital post the BEE transaction.

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 2006

	2006		2005		2006		2005	
	Beneficial		Beneficial		Total Shares	Percentage	Total Shares	Percentage
	Direct	Indirect	Direct	Indirect				
<i>D Novick</i>	-	56 615 755	-	81 137 408	56 615 755	13,480	81 137 408	19,318
<i>MD Moritz</i>	-	56 615 755	-	81 137 408	56 615 755	13,480	81 137 408	19,318
<i>P van Hoven</i>	204 647	-	3 049 097	6 155 550	204 647	0,049	9 204 647	2,192
<i>GS Novick</i>	307 800	-	307 800	-	307 800	0,073	307 800	0,073
<i>ERVenter</i>	-	-	19 400	-	-	-	19 400	0,0005
<i>MN Louw</i>	1 000	-	1 000	-	1 000	-	1 000	-
<i>PJ Welgemoed</i>	104 200	-	104 200	-	104 200	0,025	104 200	0,025
<i>*DH Borer</i>	217 000	-	327 500	-	217 000	0,052	327 500	0,078
TOTAL	834 647	113 231 510	3 808 997	168 430 366	114 066 157	27,159	172 239 363	41,010

*Alternate Director

There will be changes in the Directors' interests in share capital from 30 June 2006 namely that D Novick and MD Moritz will each sell 3 086 275 shares to Thelo Aviation Investments (Proprietary) Ltd as part of the company's BEE transaction.

Special Resolutions

Since the last Annual Report, the Company has passed 4 (four) Special Resolutions as follows:

- (A) At its Annual General Meeting held on 28 October 2005, namely a Special Resolution as contemplated in terms of Section 85(2) and 85(3) of the Companies Act (Act 61 of 1973) as amended, i.e. a general approval to repurchase shares; and
- (B) 3 (three) Special Resolutions at its General Meeting held on 14 September 2006 to approve the Black Economic Empowerment ("BEE") transaction, namely;
- (1) A Special Resolution authorising the Company to increase its authorised share capital by creating 75,000,000 (seventy five million) 'A' shares with a par value of R0.01c (one cent) each;
 - (2) A Special Resolution authorising the Company to amend its Articles of Association by the insertion of a new Article 44 which sets out the rights, privileges, restrictions and

conditions relating to the 'A' shares; and

- (3) A Special Resolution authorising the Company and its subsidiaries to acquire the 'A' Shares in the issued share capital of the Company from Thelo Aviation Consortium (Proprietary) Limited pursuant to the exercise of a Call Option at such time and in such number of the 'A' Shares as contemplated in the Subscription Agreement and/or the said Relationship Agreement relating to the BEE transaction.

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 (4) Board Meetings held during the year: Attendance	Occupation
<i>Donald Novick</i> Age: 68 C.A.(S.A.)	South African	1 Marignane Drive Bonaero Park Kempton Park, 1619	4	Non-Executive Chairman
<i>Martin Darryl Moritz</i> Age: 61 (B.Com; LLB)	South African	1 Marignane Drive Bonaero Park Kempton Park, 1619	4	Non-Executive Deputy Chairman
<i>Pieter van Hoven (1)</i> Age: 62	South African	1 Marignane Drive, Bonaero Park Kempton Park, 1619	4	Managing Director
<i>Bertrandus Johannes van der Linden</i> Age: 58	Netherlands	1 Marignane Drive Bonaero Park Kempton Park, 1619	4	Service Delivery Director
<i>Rodney Cyril Sacks</i> Age: 56 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
<i>Dr Peter Johannes Welgemoed</i> Age: 63 B.Com (Honours); M.Com; D.Com	South African	1 Marignane Drive Bonaero Park Kempton Park, 1619	4	Independent Non-Executive Director
<i>Jacob Meyer Kahn</i> Age: 67 B.A. (Law); MBA (U.P.); 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
<i>Gidon Saul Novick (2)</i> Age: 36 B.Com; C.A.(S.A.); MBA	South African	1 Marignane Drive Bonaero Park Kempton Park, 1619	4	Commercial Director: Kulula
<i>Martin Nicolaas Louw</i> Age: 51 B.Mil.	South African	1 Marignane Drive Bonaero Park, Kempton Park, 1619	4	Director Flight Operations
<i>Erik Rudolf Venter (2)</i> Age: 36 B.Com; C.A.(S.A.)	South African	1 Marignane Drive Bonaero Park Kempton Park, 1619	4	Financial Director
<i>Khutso Ignatius Mampeule</i> Age: 41 BA, MSc, MBA	South African	C/o Lefa Group Holdings (Pty) Ltd, Unit 46, Themi Office Park, Calderwood Road, Lonehill 2062	4	Independent Non-Executive Director
<i>Lloyd Cromwell-Griffiths</i> Age: 61 ATPL	British	British Airways plc The Compass Centre Heathrow Airport Middlesex TW6 1JA, U.K.	3 of 4	Non-Executive Director
<i>Alan Kerr Buchanan</i> Age: 48 MA;LLB	British	British Airways plc Waterside (HBA3) Harmondsworth Middlesex UB7 OGB, U.K	4	Non-Executive Director
<i>Derek Henry Borer</i> Age: 44 B.Com; LLB	South African	1 Marignane Drive Bonaero Park Kempton Park, 1619	3 of 4	Alternate Director to Bertrandus Johannes van der Linden

Notes:

- (1) Pieter van Hoven retired as Managing Director of the Company on 30 June 2006. He will continue to serve on the Board as a Non-Executive Director.
- (2) Gidon Saul Novick and Erik Rudolf Venter were appointed Joint Chief Executive Officers of the Company effective 1 July 2006.

Share Incentive Scheme

Executive Directors participate in a share incentive scheme with the following allocations at July 2005 and as at 30 June 2006:

Name	Allocated at 1 July 2005		Awarded During the Year		Exercised During the Year		Total as at 30 June 2006		Gains Made on Exercise of Options During the Year R '000	
	Number	Average Price	Number	Price	Number	Allocated Price	Exercise Price	Number		Average Price
<i>P van Hoven</i>	3 592 498	0.80	0		2 592 498	0.81	1.80	1 000 000	0.80	2 571
<i>BJ van Der Linden</i>	2 151 454	0.80	133 000	1.70	1 584 787	0.81	1.80	699 667	0.80	1 566
<i>ER Venter</i>	2 474 293	0.78	666 000	1.70	1 500 000	0.78	1.80	1 640 293	0.78	1 525
<i>GS Novick</i>	2 462 488	0.78	666 000	1.70	1 545 822	0.79	1.80	1 582 666	0.78	1 562
<i>MN Louw</i>	1 793 000	0.78	500 000	1.70	947 667	0.77	1.80	1 345 333	0.78	975
<i>DH Borer</i>	874 800	0.80	266 000	1.70	641 466	0.81	1.80	499 334	0.80	636
	13 348 533		2 231 000		8 812 240			6 767 293		8 835

A total of 12 151 274 options have been issued to employees through the share incentive scheme during the year, and 8 437 062 options remain available for issue at year end.

Directors' Remuneration

	For Services as Directors and Related Committee Work						Total 2006	Total 2005
	Package (1)	Performance Related (2)	Pension and Medical (3)	Share Based Payments	Other (4)			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executives								
<i>P van Hoven</i>	-	1,263	1,380	212	1,235	599	4,689	2,636
<i>BJ van der Linden</i>	-	913	837	144	849	-	2,743	1,875
<i>ER Venter</i>	-	1,035	1,010	137	1,098	-	3,280	1,898
<i>GS Novick</i>	-	1,041	938	132	1,098	-	3,209	1,890
<i>MN Louw</i>	-	908	821	113	759	-	2,601	1,690
<i>DH Borer</i>	-	617	600	94	302	-	1,613	1,085
	-	5,777	5,586	832	5,341	599	18,135	11,074
Non Executives								
<i>PJ Welgemoed</i>	130	-	-	-	-	-	130	130
<i>JM Kahn</i>	120	-	-	-	-	-	120	110
<i>KP Mampeule</i>	100	-	-	-	-	-	100	100
<i>RC Sacks</i>	110	-	-	-	-	-	110	-
	460	-	-	-	-	-	460	340
	460	5,777	5,586	832	5,341	599	18,595	11,414

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 2006.
- (3) "Pension and Medical" includes the regular payments made for pension fund, medical aid contributions and risk benefits.
- (4) "Other" refers to termination benefits.
- (5) 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 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
ASSETS					
Non current assets		570,775	471,888	587,829	484,664
Property, plant and equipment	1	503,455	419,894	492,723	410,489
Loan to share incentive trust	2	-	-	16,151	13,222
Investment in subsidiaries	3	-	-	11,635	9,412
Deferred taxation	4	-	6,094	-	5,641
Available for sale assets	5	67,320	45,900	67,320	45,900
Current assets		488,777	335,945	486,725	334,514
Inventory	6	6,150	7,017	6,150	7,017
Trade and other receivables		141,092	93,535	140,674	93,063
Aircraft deposits	7	-	10,452	-	10,452
Forward exchange contracts	20	22,556	9,269	22,556	9,269
Cash	17	318,979	215,672	317,345	214,713
		1,059,552	807,833	1,074,554	819,178
EQUITY AND LIABILITIES					
Capital and reserves		368,061	308,274	384,125	321,234
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		22,556	9,269	22,556	9,269
Accumulated profits		333,469	286,969	348,913	299,309
Non-current liabilities		301,409	177,740	301,921	177,740
Interest-bearing liabilities	9	296,281	177,740	296,281	177,740
Deferred taxation	4	5,128	-	5,640	-
Current liabilities		390,082	321,819	388,508	320,204
Trade and other payables		353,764	293,640	352,183	292,087
Taxation		4,255	62	4,262	-
Interest-bearing liabilities	9	32,063	28,117	32,063	28,117
		1,059,552	807,833	1,074,554	819,178

Income Statement

for the year ended 30 June 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
Revenue		1,973,245	1,713,583	1,970,995	1,712,520
Operating expenses	10	(1,840,099)	(1,602,833)	(1,838,482)	(1,603,309)
Profit from operations before interest		133,146	110,750	132,513	109,211
Interest expense		(34,300)	(23,713)	(34,300)	(23,715)
Interest income		13,691	11,569	14,585	12,395
Preference dividend income		3,337	-	3,337	724
Profit from ordinary activities before taxation		115,874	98,606	116,135	98,615
Taxation	11	(37,074)	(25,863)	(37,131)	(25,794)
Profit for the year		78,800	72,743	79,004	72,821
Earnings per share (cents)	12	19.7	18.2		
Headline earnings per share (cents)	12	19.7	16.4		
Diluted Earnings per share (cents)	12	19.5	17.9		
Diluted Headline earnings per share (cents)	12	19.5	16.2		
Dividend per share declared (cents)		7.0	7.0		

Statement of Changes in Equity

for the year ended 30 June 2006

	Share Capital	Share Premium	Hedging Reserve	Accumu- lated	Total
	R'000	R'000	R'000	R'000	R'000
Group					
Balance at 1 July 2004 as previously stated	3,994	8,042	-	222,200	234,236
Prior Year Adjustment - Refer note 22	-	-	-	322	322
Balance at 1 July 2004 - Restated	3,994	8,042	-	222,522	234,558
Profit for the year	-	-	-	72,743	72,743
Dividend paid	-	-	-	(7,989)	(7,989)
Gain from cash flow hedges - aircraft hedge	-	-	9,269	-	9,269
Shares purchased by Share Trust	(9)	(18)	-	(997)	(1,024)
Shares sold by Share Trust	9	18	-	690	717
Balance at 30 June 2005	3,994	8,042	9,269	286,969	308,274
Profit for the year	-	-	-	78,800	78,800
Dividend paid	-	-	-	(27,960)	(27,960)
Gain from cash flow hedges - fuel hedge	-	-	22,556	-	22,556
Utilisation of cash flow hedge - aircraft hedge	-	-	(9,269)	-	(9,269)
Shares purchased by Share Trust	(111)	(224)	-	(12,864)	(13,199)
Shares sold by Share Trust	111	224	-	8,524	8,859
Balance at 30 June 2006	3,994	8,042	22,556	333,469	368,061
Company					
Balance at 1 July 2004	4,200	8,456	-	234,888	247,544
Profit for the year	-	-	-	72,821	72,821
Dividend paid	-	-	-	(8,400)	(8,400)
Gain from cash flow hedges - aircraft hedge	-	-	9,269	-	9,269
Balance at 30 June 2005	4,200	8,456	9,269	299,309	321,234
Profit for the year	-	-	-	79,004	79,004
Dividend paid	-	-	-	(29,400)	(29,400)
Gain from cash flow hedges - fuel hedge	-	-	22,556	-	22,556
Utilisation of cash flow hedge - aircraft hedge	-	-	(9,269)	-	(9,269)
Balance at 30 June 2006	4,200	8,456	22,556	348,913	384,125

Cash Flow Statement

for the year ended 30 June 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
Cash from operating activities		155,804	208,310	152,805	208,079
Cash receipts from customers		2,020,802	1,713,988	2,018,606	1,712,520
Cash paid to suppliers		(1,798,107)	(1,485,559)	(1,798,435)	(1,485,467)
Cash generated by operations	13	222,695	228,429	220,171	227,053
Interest paid		(34,300)	(23,713)	(34,300)	(23,715)
Interest received		13,691	11,569	14,585	12,395
Preference dividend received		3,337	-	3,337	724
Taxation (paid)/refunded	14	(21,659)	14	(21,588)	22
Cash available from operating activities		183,764	216,299	182,205	216,479
Dividend paid		(27,960)	(7,989)	(29,400)	(8,400)
Cash utilised in investing activities		(170,644)	(189,304)	(172,660)	(187,614)
Addition to property, plant and equipment		(159,730)	(140,010)	(156,574)	(136,836)
Proceeds on disposal of property, plant and equipment		54	7,058	34	6,970
(Increase)/decrease in loan to share incentive trust		-	-	(2,929)	98
Aircraft deposits utilised/(paid)		10,452	(10,452)	10,452	(10,452)
Acquisition of preference share investments		(21,420)	(45,900)	(21,420)	(45,900)
Investment in subsidiary		-	-	(2,223)	(1,494)
Cash generated by/(utilised in) financing activities		118,147	(13,535)	122,487	(13,228)
Net cost of share trust purchases		(4,340)	(307)	-	-
Increase/(decrease) in interest bearing liabilities		122,487	(13,228)	122,487	(13,228)
Net increase in cash		103,307	5,471	102,632	7,237
Cash at the beginning of the year		215,672	210,201	214,713	207,476
Cash at the end of the year		318,979	215,672	317,345	214,713

Accounting Policies

Principal Accounting Policies

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. The Annual Financial Statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value and incorporate the principle accounting policies listed below.

These accounting policies are consistent with the previous year except for the changes set out in the Note 23 regarding the Adoption of IFRS.

Adoption of IFRS

The Group has adopted IFRS for the year ended 30 June 2006. These are the group's first consolidated financial statements prepared in compliance with IFRS and hence IFRS 1 - First time Adoption of IFRS has been applied in preparing these financial statements. The Group has adopted all applicable IFRS Statements effective up to the annual reporting date, 30 June 2006.

An explanation of how the transition to IFRS has effected the reported financial position and performance of the Group is provided on page 37 of the Financial Statements.

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 on which 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 are 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 affect 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 venture, 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. Land is not depreciated.

Property, plant and equipment are stated at cost less accumulated depreciation. The carrying values are assessed on an annual basis and only written down if there are impairments in value.

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.
- Interest bearing borrowings are recognised at amortised cost.

Investments (which are not subsidiaries or associates) are designated as available for sale assets and 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 is 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 shareholders' 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 values. 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

A review for impairment indicators is carried out at each financial year end. If impairment indicators are present, an impairment test is carried out. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Where a financial asset is stated at cost or amortised cost, an impairment loss is recognised through the income statement. If in a subsequent period the amount of an impairment loss has decreased and the decrease can be linked objectively to an event occurring after the write-down, the write down is reversed through the income statement.

Where a financial asset which has been remeasured to fair value directly through equity is impaired and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that has been recognised in equity is transferred to the income statement as part of the impairment loss.

Where a financial asset measured to fair value directly against equity is impaired and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired and recognised as part of the impairment loss. Any additional impairment loss is recognised in the income statement. If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an

outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the 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.

Share based payment transactions

Cash Settled

Share appreciation rights are granted to certain employees in the group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to payment. The fair value of the instruments granted are measured against market performance of the share price. The liability is measured at each balance sheet date and at settlement date.

Notes to the Annual Financial Statements

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
1. Property, Plant and Equipment				
Property and buildings				
Cost	14,473	10,082	14,473	10,082
Accumulated depreciation	(2,714)	(2,181)	(2,714)	(2,181)
Book Value	11,759	7,901	11,759	7,901
Aircraft and flight simulator equipment				
Cost	735,011	620,461	718,118	606,612
Impairment	(115,106)	(115,106)	(115,106)	(115,106)
Accumulated depreciation	(139,479)	(105,013)	(132,682)	(99,846)
Book Value	480,426	400,342	470,330	391,660
Vehicles, furniture and equipment and computer equipment				
Cost	37,203	34,790	31,745	29,436
Accumulated depreciation	(25,933)	(23,139)	(21,111)	(18,508)
Book Value	11,270	11,651	10,634	10,928
Total property, plant and equipment	503,455	419,894	492,723	410,489
Property, plant and equipment				
- Reconciliation of carrying value				
Property and buildings				
Carrying value at the beginning of the year	7,901	8,215	7,901	8,215
Additions	4,390	166	4,390	166
Depreciation	(532)	(480)	(532)	(480)
Carrying value at the end of the year	11,759	7,901	11,759	7,901
Aircraft and flight simulator equipment				
Carrying value at the beginning of the year	400,342	325,221	391,660	317,610
Additions	152,919	136,269	149,875	133,722
Depreciation	(72,835)	(61,148)	(71,205)	(59,672)
Carrying value at the end of the year	480,426	400,342	470,330	391,660
Vehicles, furniture and equipment and computer equipment				
Carrying value at the beginning of the year	11,651	10,491	10,928	10,302
Additions	2,421	3,575	2,309	2,948
Disposals	(8)	(1)	-	-
Depreciation	(2,794)	(2,414)	(2,603)	(2,322)
Carrying value at the end of the year	11,270	11,651	10,634	10,928
Total property, plant and equipment	503,455	419,894	492,723	410,489

Property and buildings owned consist of erf 1092, 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 R12 275 166 and improvements of R1 967 834 to leased property.

Instalment Sale Agreement and Finance Lease Agreement Book Values are disclosed under note 9.

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
2. Loan to Share Incentive Trust				
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 20 588 336 shares representing 4.9% of shares in issue (prior year: 20 559 107 shares representing 4.9%) at a closing price of 165c (prior year: 128c).				
	-	-	16,151	13,222
3. Investment in Subsidiaries				
3.1 Commuter Handling Services (Pty) Limited				
1 000 shares (Prior year 102 shares) at cost (100% shareholding).	-	-		
Loan	-	-	12,875	10,652
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 R189 422 (prior year loss of R62 268). The Company is incorporated in South Africa.				
3.2 Laroc Aviation Limited				
2 ordinary shares of GBP 0.01 each at cost (100% shareholding). The Company was dormant at year end and is incorporated in Mauritius.				
3.3 Amber (Pty) Limited				
1 ordinary share of R1 at cost (100% shareholding).				
5 549 Preference Shares at R10 000 per share at cost	-	-	55,490	55,490
Dividend Accrued	-	-	80,000	80,000
Loan Repayable converted to Preference Shares	-	-	(135,490)	(135,490)
The Loan repayable was converted to preference shares in August 2005. The Company was dormant for the year and is incorporated in South Africa. In the prior year the amounts were set off against each other. For better disclosure the amounts are shown separately in the current year.				
	-	-	11,635	9,412

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
4. Deferred Taxation				
On temporary differences arising from:				
Property, plant and equipment	(43,256)	(32,968)	(43,256)	(32,968)
Staff obligations and accruals	33,214	30,169	32,702	29,716
Prepayments	(868)	(1,215)	(868)	(1,215)
STC asset	5,782	9,040	5,782	9,040
Losses	-	1,068	-	1,068
	<u>(5,128)</u>	<u>6,094</u>	<u>(5,640)</u>	<u>5,641</u>
Deferred tax reconciliation				
Opening balance	6,094	31,890	5,641	31,435
Deferred tax - Current	(7,964)	(33,788)	(8,023)	(33,786)
Deferred tax - Rate change	-	(1,048)	-	(1,048)
STC asset (utilised)/raised	(3,258)	9,040	(3,258)	9,040
Closing Balance	<u>(5,128)</u>	<u>6,094</u>	<u>(5,640)</u>	<u>5,641</u>
5. Available for sale assets				
Preference shares in KWJ Investments (Pty) Ltd 66 000 paid up shares (prior year 45 000) at R1020 per share at cost. Comair will purchase a further 84 000 shares in bi-annual installments of R10 710 000 with the last purchase on 30 June 2010.	67,320	45,900	67,320	45,900
Total Directors' valuation of unlisted investments	<u>67,320</u>	<u>45,900</u>	<u>67,320</u>	<u>45,900</u>
6. Inventory				
Aircraft spares	8,612	8,780	8,612	8,780
Catering equipment and consumables	2,259	2,958	2,259	2,958
Write down of aircraft spares to realisable value	(4,721)	(4,721)	(4,721)	(4,721)
	<u>6,150</u>	<u>7,017</u>	<u>6,150</u>	<u>7,017</u>
7. Aircraft Deposits				
Opening balance	10,452	-	10,452	-
Deposits made	-	19,738	-	19,738
Deposits utilised	(10,452)	(9,286)	(10,452)	(9,286)
	<u>-</u>	<u>10,452</u>	<u>-</u>	<u>10,452</u>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
8. Share Capital				
Authorised:				
1 000 000 000 ordinary shares of 1 cent each	10,000	10,000	10,000	10,000
1 000 000 000 "N" ordinary shares of 0.01 cent each	100	100	100	100
1 000 000 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)	-	-
13 549 Preference Shares of 1 cent each issued at R10 000 each				
	3,994	3,994	4,200	4,200
The preference shares are redeemable nil coupon shares and rank prior to ordinary shares as regards capital. There are no voting rights attached to the preference shares. The terms of issue of these shares requires classification as debt instruments and the debt arising is disclosed in Note 3.3 of these financial statements.				
9. Interest Bearing Liabilities				
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 R155 million, prior year net book value R162 million).				
	149,915	172,852	149,915	172,852
Rand Merchant Bank				
Aircraft instalment sale agreement payable in 20 quarterly instalments of R2 156 858 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, prior year R50 million).				
	27,826	33,005	27,826	33,005
Investec Limited				
Aircraft instalment sale agreement. Interest instalments are payable bi-annually. Capital of R150 000 000 is due on 14 December 2010.				
Interest is calculated at 10% per annum.				
Three aircraft mortgages serve as collateral covering security. (net book value R153 million)				
	150,603	-	150,603	-
Sub-total	328,344	205,857	328,344	205,857
Less short-term portion	(32,063)	(28,117)	(32,063)	(28,117)
	296,281	177,740	296,281	177,740
Total value of interest bearing liabilities	328,344	205,857	328,344	205,857
Finance charges	119,672	76,029	119,672	76,029
Total interest bearing liability commitments	448,016	281,886	448,016	281,886
commitments for year one	67,037	52,036	67,037	52,036
commitments for year two to five	380,979	208,146	380,979	208,146
commitments after year five	-	21,704	-	21,704

Notes to the Annual Financial Statements (continued)

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
10. Operating Expenses				
Operating expenses are stated after incorporating the following items:				
Audit fees	353	281	319	250
Managerial, technical, administrative and secretarial services	2,006	366	2,006	290
Depreciation - aircraft assets	72,835	61,148	71,205	59,672
Depreciation - other fixed assets	3,326	2,894	3,135	2,802
Directors emoluments	18,595	11,414	18,595	11,414
- for services as Directors	460	340	460	340
- for managerial and other services	11,962	7,356	11,962	7,356
- retirement and medical benefits	832	743	832	743
- share based payments	5,341	2,975	5,341	2,975
Rentals under operating leases	155,257	155,406	155,175	153,841
- property rentals	7,096	7,680	7,096	6,327
- aircraft rentals	146,568	146,082	146,568	146,082
- equipment and vehicle rentals	1,593	1,644	1,511	1,432
Total staff costs	276,523	246,104	252,161	226,545
Employment costs	259,700	233,875	236,220	214,316
Contributions to defined contribution funds	16,823	12,229	15,941	12,229
Number of employees	1,736	1,738	-	-
Profit on disposal of property, plant and equipment	45	7,057	34	6,970
Profit on exchange differences	21,239	2,968	21,239	2,968
11. Taxation				
Normal tax - current	25,852	67	25,850	-
Deferred tax - current	7,964	33,788	8,023	33,786
Deferred tax - rate change	-	1,048	-	1,048
STC asset utilised/(raised)	3,258	(9,040)	3,258	(9,040)
	<u>37,074</u>	<u>25,863</u>	<u>37,131</u>	<u>25,794</u>
Reconciliation of taxation rate	%	%	%	%
South African normal tax rate	(29.0)	(29.0)	(29.0)	(29.0)
Taxation effect of:				
Exempt income	0.8	0.2	0.8	0.2
Disallowable expenditure	(1.0)	(5.3)	(1.0)	(5.2)
Rate adjustment	-	(1.0)	-	(1.0)
STC asset raised/(utilised)	(2.8)	8.9	(2.8)	8.9
Effective taxation rate	<u>(32.0)</u>	<u>(26.2)</u>	<u>(32.0)</u>	<u>(26.2)</u>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
12. Headline Earnings				
Earnings attributable to ordinary shareholders	78,800	72,743	79,004	72,821
Less profit on disposal of property, plant and equipment	(45)	(7,057)	(34)	(6,970)
Headline earnings attributable to ordinary shareholders	78,755	65,686	78,970	65,851
Weighted ordinary shares in issue ('000)	399,412	399,441		
Weighted ordinary shares in issue	420,000	420,000		
Adjustment in respect of consolidation of share trust	(20,588)	(20,559)		
Adjustment for dilutive effect of share options in issue ('000)	3,952	7,214		
Diluted weighted ordinary shares in issue ('000)	403,364	406,655		
Earnings per share (cents)	19.7	18.2		
Headline earnings per share (cents)	19.7	16.4		
Diluted Earnings per share (cents)	19.5	17.9		
Diluted Headline Earnings per share (cents)	19.5	16.2		
13. Cash Generated by Operations				
Profit from operations	133,146	110,750	132,513	109,211
Depreciation	76,161	64,042	74,340	62,474
Profit on disposal of assets	(45)	(7,057)	(34)	(6,970)
Cash from operations before working capital changes	209,262	167,735	206,819	164,715
Decrease in working capital	13,433	60,694	13,352	62,338
- Inventory	867	5,463	867	5,463
- Accounts receivable (increase)/decrease	(47,557)	397	(47,611)	86
- Accounts payable	60,123	54,834	60,096	56,789
	222,695	228,429	220,171	227,053
14. Taxation paid/(refunded)				
Taxation owing/(receivable) at beginning of year	62	(19)	-	(22)
Taxation charge for the year	25,852	67	25,850	-
Taxation (owing)/receivable at end of the year	(4,255)	(62)	(4,262)	-
Taxation paid/(refunded)	21,659	(14)	21,588	(22)
15. Retirement Benefits				
Post-retirement benefits				
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 2005, for the year ended June 2005. The fund was reported to be actuarially sound.				

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
16. Operating Lease Commitments				
Commitments for year one				
Property and buildings	7,726	7,520	7,726	7,520
Aircraft	143,383	143,291	143,383	143,291
	<u>151,109</u>	<u>150,811</u>	<u>151,109</u>	<u>150,811</u>
Commitments for years two to five				
Property and buildings	29,619	33,719	29,619	33,719
Aircraft	323,552	455,588	323,552	455,588
	<u>353,171</u>	<u>489,307</u>	<u>353,171</u>	<u>489,307</u>
Commitments after year five				
Property and buildings	-	24,662	-	24,662
Aircraft	-	12,471	-	12,471
	<u>-</u>	<u>37,133</u>	<u>-</u>	<u>37,133</u>
Total operating lease commitments	<u>504,280</u>	<u>677,251</u>	<u>504,280</u>	<u>677,251</u>

17. Cash Encumbered

The Company has pledged cash investments totalling R20 million (2005 - R20 million) in respect of aircraft lease obligations.

18. Borrowing Powers

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

19. Related Party Transactions

British Airways Plc holds 12.85 % of the issued shares of the Company indirectly, 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 R5 318 564 (prior year: R3 012 590).

20. 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 50% 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\$1 518 126 and net short term receivables of GBP 6 993 631.

Currency options that constitute designated hedge of currency risk at year end relate to fuel. The base price of fuel is calculated in US\$. The Company hedged approximately one third of its monthly volumes for a period of ten months at an average rate of R6.04/US\$. The fair value at year end, being the amount the Company would receive to terminate the contracts at year end was R22.6 million.

Prior year. 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).

21. 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 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% (2005: 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 the ordinary shares then in issue. The Share Option liability as per IFRS 2 at year end was R2.9 million (prior year R3.4 million).

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

	2006 Number of share options	2006 Weighted average exercise price R	2005 Number of share options	2005 Weighted average exercise price R
Balance at beginning of period	20,256,318	0.86	16,324,906	0.87
Options accepted	3,657,000	0.82	4,900,000	0.82
Options exercised	(11,082,902)	0.80	(871,064)	0.80
Options forfeited	(679,140)	1.13	(97,524)	1.13
Balance at end of period	12,151,276	0.86	20,256,318	0.86
Share options extended and accepted during the year were done at the ruling market price on the date preceding the extension date.				

The options outstanding at 30 June 2006 become unconditional between the following dates:

21. Share Incentive Trust (continued)

	Subscription price R	2006 Number of share options	2005 Number of share options
18 September 1998 and 1 January 2002	0.71	658,277	1,762,037
18 September 1998 and 1 January 2002	1.00	658,032	2,695,163
12 January 1999 and 1 January 2002	1.10	6,364	30,001
15 July 1999 and 1 July 2002	1.60	101,250	110,000
25 January 2000 and 1 January 2003	2.20	67,095	85,459
13 March 2000 and 1 January 2003	2.20	512,000	512,000
10 August 2000 and 1 July 2003	2.60	37,692	40,769
31 January 2001 and 1 March 2004	1.85	131,894	136,218
30 August 2001 and 1 September 2004	1.65	51,514	51,514
23 January 2002 and 1 March 2005	1.25	61,600	69,600
26 August 2002 and 1 September 2005	0.75	-	349,332
4 March 2003 and 1 March 2006	0.75	3,258,224	9,514,223
1 September 2004 and 1 September 2007	0.80	2,833,332	4,650,000
26 November 2004 and 26 November 2009	1.25	250,000	250,000
5 December 2005 and 5 December 2010	1.70	3,524,000	-
Total		12,151,274	20,256,316

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:

	2006 Number of share options	2005 Number of share options
Balance at beginning of period	13,348,533	11,044,133
Options granted	2,231,000	2,450,000
Options exercised	(8,812,240)	(145,600)
	6,767,293	13,348,533

The options outstanding for Directors at 30 June 2006 become unconditional between the following dates:

	Subscription price R	2006 Number of share options	2005 Number of share options
18 September 1998 and 1 July 2003	0.71	-	716,800
18 September 1998 and 1 July 2003	1.00	57,627	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	2,833,333	8,500,000
1 September 2004 and 1 September 2007	0.80	1,633,333	2,450,000
5 December 2005 and 5 December 2010	1.70	2,231,000	-
Total		6,767,293	13,348,533

22. Prior Period Adjustment

Group

2005
R'000

Correction of deferred tax calculations in respect of Comair's subsidiary Commuter Handling Services (Pty) Ltd in 2005. This correction was necessary as deferred tax had never been taken into account. Comparative amounts have been appropriately restated. The Directors do not consider this adjustment to be material. The effect of the adjustment on the 2005 results is as follows:

Increase in tax expense	2
Increase in profit	7
Increase in opening balance equity	322

23. First Time Adoption of International Reporting Standards

The effects of the transition to IFRS and the resulting changes in accounting policies are detailed below:

IAS 16 - Property, Plant and Equipment

Costs relating to the overhaul of aircraft components were previously expensed as maintenance. These costs are now capitalised and subsequently expensed as depreciation. The effect is an increase in the depreciation charge with a decrease in the aircraft maintenance expense.

IFRS 2 - Share based payments

Cash Settled Share appreciation rights are granted to certain employees in the group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to payment. The fair value of the instruments granted is measured against market performance of the share price. The liability is measured at each balance sheet date.

IFRS (IAS 16)

	Group	Company
	2005 R'000	2005 R'000
Depreciation - aircraft assets		
As previously reported	28,351	26,875
IFRS adjustment		
IAS16 - Property, plant and equipment	32,797	32,797
Restated under IFRS	61,148	59,672
Aircraft and flight simulator equipment - additions		
As previously reported	103,472	100,925
IFRS adjustment		
IAS16 - Property, plant and equipment	32,797	32,797
Restated under IFRS	136,269	133,722

Notes to the Annual Financial Statements (continued)

	Group	Company
	2005	2005
	R'000	R'000
IFRS 2		
Profit for the year		
As previously reported	76,063	76,146
IFRS 2 Adjustment	(3,325)	(3,325)
Prior period adjustment (Note 22)	5	-
Restated under IFRS	72,743	72,821

	Previously Reported	IFRS Adjustment	Prior Year Restated
Earnings per share	19.0	(0.8)	18.2
Diluted earnings per share	18.7	(0.8)	17.9
Headline earnings per share	17.3	(0.9)	16.4
Diluted headline earnings per share	17.0	(0.8)	16.2

24. Capital commitments

During the previous year the company was committed to capital expenditure of R87.7 million being the balance of payments due in respect of two Boeing 737 300 Aircraft to be acquired in August 2005 and December 2005. These commitments have materialised. Capital commitments for 2006 are disclosed in note 5.

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, 27 October 2006 at 12h00 for the following business:

1. To consider and adopt the Annual Financial Statements of the Company for the year ended 30 June 2006 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 2006 be and is hereby approved.
3. To re-elect the following Directors of the Company:
 - 3.1 JM Kahn
 - 3.2 MD Moritz
 - 3.3 P van Hoven
 - 3.4 PJ Welgemoed

who retire by rotation at the Annual General Meeting, but, being eligible, offer themselves for re-election.

A brief curriculum vitae in respect of each Director referred to in 3 appears on page 43 of this 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, 7 and 9 as Ordinary Resolutions, and number 8 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 2006 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 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; [5.52(a)]
- 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." [5.52(b)]
- 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; [5.52(c)(i) and (iii)]
- 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; [5.50(b)]
- 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 [11.22]
- 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. [5.52(d)]

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."

Amendment to the Comair Share Incentive Trust

7. **"RESOLVED THAT** Clause 16.1.1 of the Trust Deed be amended to provide that the maximum number of Scheme shares in respect of which an employee shall be entitled to accept an offer or exercise an option pursuant to the Trust be increased from 4 200 000 (four million two hundred thousand) being 1% (one per cent) of the current issued ordinary share capital of the Company to 6 000 000 (six million) being 1.429% (one comma four two nine per cent) of the current ordinary share capital of the Company."

Special Resolution Number 1

Approval to repurchase shares

8. **"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:
 - 8.1 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; [5.72(a)]
 - 8.2 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; [5.72(c)]
 - 8.3 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; [5.72(d)]
 - 8.4 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; [5.68]
 - 8.5 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; [5.69(c)(i)] [11.26(d)(i)]
 - 8.6 the consolidated assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company for the next 12 months; [5.69(c)(ii)] [11.26(d)(ii)]

- 8.7 the ordinary capital and reserves of the Company and the Group will be adequate for the next twelve months; [5.69(c)(iii)] [11.26(d)(iii)]
- 8.8 available working capital will be adequate to continue the operations of the Company and the Group for the next 12 months; [5.69(c)(iv)] [11.26(d)(iv)]
- 8.9 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; [Schedule 25] [2.12]
- 8.10 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; [5.69(g)]
- 8.11 the Company or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; [5.72(g)]
- 8.12 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 [11.27]
- 8.13 the Company may only appoint one agent to effect any repurchase(s) on its behalf. [5.72(e)]

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 [7.B.1]
 Major shareholders of Comair – page 45 [7.A.27]
 Directors' interests in securities – page 17 [7.B.20]
 Share capital of the Company – page 31 [7.B.4] [7.A.5]

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. [11.26(b)(vii)]

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. [11.26(b)(vi)]

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 the financial report. [11.26(b)(iii)]

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

9. "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

10. 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 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, 27 October 2006, 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 2006
Place: Bonaero Park

Directors Standing for Election or Re-election

1. JM Kahn (Age: 67)

Meyer joined the South African Breweries Group in 1966 and occupied executive positions in a number of the Group's former retail interests before being appointed to the board of South African Breweries Limited (SAB) in 1981. He was appointed Group Managing Director of SAB in 1983 and Executive Chairman in 1990. In 1997, he was seconded full-time to the South African Police Service as its Chief Executive, serving for two and a half years. In 1999 he joined the Group's board as Chairman. Amongst other awards, he holds an honorary doctorate in commerce from the University of Pretoria and was awarded the South African Police Star for Outstanding Service (SOE) in 2000.

2. MD Moritz (Age: 61)

Martin matriculated at King Edward VII School, Johannesburg, in 1961 and graduated from the University of the Witwatersrand in 1968 with B.Com and LL.B. degrees. After graduating he was appointed as Legal Adviser to Rand Mines Limited.

Thereafter, in October 1969, he commenced employment at Comair Holdings Limited as Assistant to the Managing Director. He was appointed Assistant General Manager of the Comair Group shortly thereafter and subsequently Group General Manager in 1973. In 1976 he acquired a shareholding in the Company as part of the management buy-out and was, in 1978, appointed Deputy Chairman of the Group, a position which he still holds today. He is a Fellow the Royal Aeronautical Society and a Director of the Commercial Aviation Association of Southern Africa. Martin currently holds the position of Non-Executive Deputy Chairman of Comair.

3. P van Hoven (Age: 62)

Piet joined Comair in 1965 and after having served the Company in a variety of designations, was appointed Managing Director in 1980. He completed 40 years service with the Company in October 2005. He served as Chairman of the Airlines Association of South Africa for two terms of two years, and has been active in many industry committees. He was appointed as a member of the South African Tourism Board and served on several committees from 1983 until 1997. He was appointed Chairman of the South African Tourism Board in 1989 and served in that position until 1996. He has participated in many international seminars and conventions in respect of civil aviation and tourism development, served a three year term of office on the Board of the Civil Aviation Authority and was also President of the Afrikaanse Handels Instituut in 2000/2001. He retired as Managing Director of Comair on 30 June 2006 and currently serves as a Non-Executive Director.

4. PJ Welgemoed (Age: 63)

In 1971 Peter obtained a Doctorate in Transport Economics at the Rand Afrikaans University. In 1974, he was appointed Professor and Chairman of the Department of Transportation Economics and as Director of the Research Centre for Physical Distribution and Transportation Studies at Rand Afrikaans University. Thereafter he served on various boards of directors of companies involved in transportation and banking. In September 1989 he was appointed Deputy Minister of Mineral and Energy Affairs and Public Enterprises. In 1991 he was appointed as a Member of the Cabinet, with the portfolio of Minister of Transport, and in 1992 as Minister of Transport and of Post and Telecommunication. In 1998 he was appointed as the Executive Chairman of the Board of Market Power (S.A.) in South America. He controlled the daily operations of the Group in Chile, Argentina and Uruguay from the Head Office in Santiago. At present he is involved in private business through directorships and consultancy.

Share Price Performance

	2006	2005
Market Price (cents per share)		
Closing (30 June)	165	128
High	210	171
Low	128	73
Closing Price/Earnings Ratio	8.4	6.8
Number of shares in issue		
At year end (millions)	420	420
Weighted average (millions)	420	420
Volume of shares traded (millions)	122	59.2
Volume of shares traded to number in issue	29.0%	14.1%

Shareholder Analysis

1. Shareholder Spread

Bands	No. of Shareholdings	%	No. of Shares	%
<i>1 – 1 000 Shares</i>	1 899	60,94	595 956	0,150
<i>1 001 – 10 000 Shares</i>	869	27,88	3 361 774	0,800
<i>10 001 – 100 000 Shares</i>	269	8,63	8 774 768	2,090
<i>100 001 – 1 000 000 Shares</i>	51	1,64	14 086 295	3,350
<i>1 000 001 Shares and Over</i>	29	0,93	393 181 207	93,610
<i>Total</i>	3 117	100,00	420 000 000	100,00

2. Distribution of Shareholders

Type of Shareholder	No. of Shareholdings	%	No. of Shares	%
<i>Banks</i>	11	0,36	93 690 585	22,31
<i>Close Corporations</i>	36	1,16	1 311 466	0,32
<i>Endowment Funds</i>	5	0,16	1 222 400	0,29
<i>Individuals</i>	2 869	92,04	14 010 060	3,33
<i>Insurance Companies</i>	2	0,06	4 974 155	1,18
<i>Investment Companies</i>	6	0,19	2 065 500	0,49
<i>Mutual Funds</i>	28	0,90	86 445 212	20,58
<i>Nominees and Trusts</i>	86	2,76	4 861 744	1,16
<i>Other Corporations</i>	19	0,61	1 524 431	0,36
<i>Pension Funds</i>	6	0,19	10 790 929	2,57
<i>Private Companies</i>	47	1,51	124 548 559	29,66
<i>Public Companies</i>	1	0,03	53 966 623	12,85
<i>Share Trust</i>	1	0,03	20 588 336	4,90
<i>Total</i>	3 117	100,00	420 000 000	100,00

3. Holdings of 3% or More

	No. of Shares	% Shareholding
<i>Investec</i>	84 358 057	20,09
<i>Diamar Investments (Pty) Ltd</i>	56 615 755	13,48
<i>Telmore Investments (Pty) Ltd</i>	56 615 755	13,48
<i>Britair Holdings Limited</i>	53 966 623	12,85
<i>Alan Gray</i> <i>(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)</i>	47 511 798	11,31
<i>Comair Share Incentive Trust</i>	20 588 336	4,90
<i>Oasis</i> <i>(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)</i>	20 257 147	4,82

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

Type of Shareholder	No. of Shareholders in South Africa			No. of Shareholders other than in South Africa			Total Shareholders		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
Non Public									
<i>Directors</i>	8	114 066 157	27,16				8	114 066 157	27,16
<i>Britair Holdings Limited (Strategic Holding)</i>				1	53 966 623	12,85	1	53 966 623	12,85
<i>Comair Share Incentive Trust</i>	1	20 588 336	4,90				1	20 594 797	4,90
<i>Investec</i>	1	84 358 057	20,09				1	84 358 057	20,09
Public									
<i>Resident</i>	3073	137 319 607	32,69				3 073	137 313 146	32,69
<i>Non-Resident</i>				33	9 701 220	2,31	33	9 701 220	2,31
TOTAL	3083	356 332 157	84,84	34	63 667 843	15,16	3 117	420 000 000	100,00

The percentage of Public Shareholders in terms of paragraphs 4.25, 4.26 and 4.27 of the Listing Requirements of the JSE Securities Exchange South Africa at 30 June 2006 was 35% represented by 3 106 Shareholders holding 147 014 366 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 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, 27 October 2006 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/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:			
	JM Kahn			
	MD Moritz			
	P Van Hoven			
	PJ Welgemoed			
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	Ordinary Resolution : amendment to Comair Share Incentive Trust			
8	Special Resolution Number 1: approval to repurchase shares			
9	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

Signature/s (e 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 Transfer Secretaries to be received not later than 48 hours before the Annual General Meeting, being Friday, 27 October 2006 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 company,

unless 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.