Comair Limited

Annual Report 2010

From an early age,
flying has been a passion…
To fly!
To actually take to the skies,
to feel freedom and
to laugh in the face
of the natural laws,
it holds much power.

Now, I live this dream,
I am the dream.
I have flown presidents
and movie stars,
landed giants
in hurricanes
and seen the world
as eagles do.

This is not a job, it's a privilege.
Now I am the inspiration
to the young ones who yearn to fly.

Is it possible to stare at the sky and not yearn to fly?

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I live any dream, I am the
Now I am the

Chairman and CEOs' Report

Financials

We are proud of our team having achieved its 65th straight year of operating profits which we believe to be a world record in the airline industry. Turnover remained similar to last year, with higher volumes on our British Airways and kulula brands offset by lower average fares. While the 21% increase in earnings per share was encouraging, our operating profit margin remains far too low at just under 5%. A margin of 10% is achievable and necessary if we are to realise our growth objectives. Major cost variables, being fuel and the rand dollar exchange rate, were stable during the year while being substantially better than in the previous year. Cash generated from operations remained strong at R248 million with our cash balance increasing to R374 million at year end.

Our People

The continued success of Comair is a tribute to our 1,941 great staff who once again delivered exceptional service to our customers. We will continue to build on the talents and skills of our people going forward and invest significantly in the training, development and well being of our excellent team. Our 'Precious Cargo' employee support programme has been used by over 50% of our staff. We also commenced with our 'Take Off' leadership development programme to build on the leadership strength of our managers and improve our succession planning.

Customer Service

Our key on-time performance metric was 80% which was lower than our target of 85%. The introduction of new generation aircraft into our fleet and tighter management of our suppliers will help improve our punctuality. We have also embarked on a focused customer experience feedback programme, where our approach to each element of our customers' journey is being reviewed.

Fleet

The Boeing 737-800 is now established around the world as the leading aircraft for short haul and low cost operators. During the year we took delivery of two 737-800s on long-term leases. The performance of these aircraft has been exceptional, with low fuel consumption and negligible technical delays. We have also been able to operate these aircraft for over 12 hours a day, which is close to the utilisation achieved by international benchmark airlines such as Ryanair. We will be taking delivery of a third '800' aircraft later in the year. The deliveries of the new factory ordered aircraft will commence early in 2012.

Growth

During the year we extended our kulula capacity substantially, mostly out of Lanseria airport. Our plan is in place to continue growing our low cost Lanseria base so that we can achieve critical mass and even greater efficiencies once the planned, new high capacity runway is completed. During the year we obtained the rights to fly to several new African destinations and we will be commencing services to Maputo, Mozambique and Dar es Salaam, Tanzania in the next few months.

Efficiency Model

We are continuously driving our business towards a high efficiency model which has been adopted by the world's leading airlines. This model involves operating new, highly fuel and maintenance efficient Boeing 737-800 aircraft on a high utilisation basis. It also involves high staff productivity, very tight overhead cost control and the leveraging of leading information technology. While we anticipate that the full benefits of our efforts will only be realised over the next three years, we are already seeing some early wins.

dream. It's not a job, it's a privilege
inspiration to the young ones, who yearn to fly.

Brands

Both our airline brands, British Airways, which we operate under licence and kulula performed well during the year. Our British Airways brand is the leading corporate airline in South Africa and also carries a large number of foreign visitors. During the recent World Cup our British Airways brand benefited from the high volume of football fans. Our kulula brand continues to attract large volumes of cost conscious leisure and business travellers. Both our BA and kulula brands have strong loyalty programmes (Executive Club and Jetsetters) with a combined 270,000 members. During the year we introduced a new concept in airline lounges, called SLOW. These world class facilities have been exceptionally well received by our business customers.

Competition Tribunal

During the year we finally received a positive judgement from the Competition Tribunal relating to the long, drawn out case against SAA for abusing its dominance during the period 2001-2005. SAA has appealed and we are awaiting a date for the hearing of the appeal. Should the company be successful at the appeal hearing, the Company will pursue a damages claim against SAA.

ACSA Charges

Rampant increases in airport charges remain the biggest threat to the airline and travel industry in South Africa. Following a massive capital expenditure programme, including R7 billion spent on a new airport in Durban, ACSA is attempting to more than double airport charges. This would result in airport fees comprising over a third of cheaper airfares. We anticipate that the increasingly price sensitive market will contract if ACSA continues with cost increases at well above the rate of inflation.

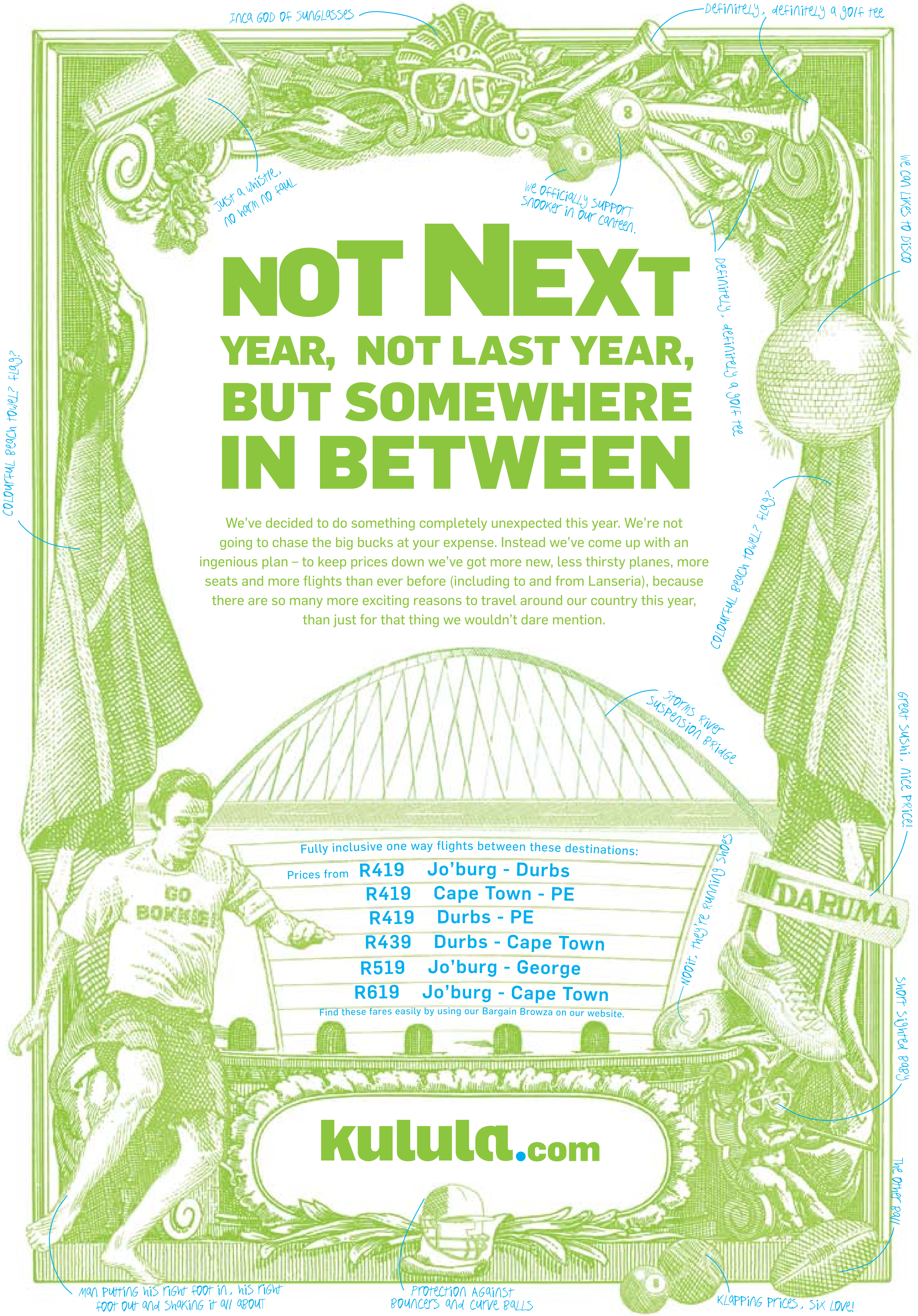
Affiliate Businesses

Our affiliate businesses performed well over the period. Our travel business, which includes kulula travel and MTBeds is showing great potential. Our flight training business is growing strongly and after year end we commenced with the installation of our third flight simulator, for Boeing 737-800 type training. Commuter Handling Services and Imperial Air Cargo, in which we have minority stakes, both reported small losses during the year.

Looking Ahead

Our industry is very sensitive to business activity levels and economic growth rates in South Africa and we have only seen a very moderate recovery from the 2009 recession. We therefore do not anticipate much growth in the market but do anticipate continuing growth in market share, based on the strength of our brands and our competitive pricing. We will continue to add African routes to our network during the year. Our focus will continue to be on improving our operating margin towards our longer term target of 10%.

The past year was very significant in that for the first time since start-up, we placed an order for brand new aircraft. The eight 737-800s that were ordered from the Boeing Company will further enhance our high efficiency, low cost business model and will set the standard for the industry in Southern Africa, while maintaining Comair's leadership position. The R2 billion order will increase our debt gearing, but also deliver a much stronger profit performance in future.



Inca god of sunglasses
Definitely, definitely a golf tee
Just a whistle, no harm no foul
We officially support snooker in our canteen.
We can likes to disco
Definitely, definitely a golf tee
NOT NEXT
YEAR, NOT LAST YEAR,
BUT SOMEWHERE
IN BETWEEN
Colourful beach towel? Flag?
Colourful beach towel? Flag?
We've decided to do something completely unexpected this year. We're not going to chase the big bucks at your expense. Instead we've come up with an ingenious plan – to keep prices down we've got more new, less thirsty planes, more seats and more flights than ever before (including to and from Lanseria), because there are so many more exciting reasons to travel around our country this year, than just for that thing we wouldn't dare mention.
Storms River Suspension Bridge
Great sushi, nice price!
Fully inclusive one way flights between these destinations:
Prices from R419 Jo'burg - Durbs
R419 Cape Town - PE
R419 Durbs - PE
R439 Durbs - Cape Town
R519 Jo'burg - George
R619 Jo'burg - Cape Town
Find these fares easily by using our Bargain Browza on our website.
Nooit, they're running shoes
GO BOKKIE
DARUMA
Short sighted baby
kulula.com
The other ball
Man putting his right foot in, his right foot out and shaking it all about
Protection against bouncers and curve balls
Klapping prices, six love!

Corporate Governance

Introduction

Comair ("the Company") is a South African Group operating scheduled and non-scheduled airline flights as its main business under both its kulula and British Airways brands (under licence from British Airways Plc) in Sub-Saharan Africa and the Indian Ocean Islands. The Company is therefore subject to the listings requirements of the JSE Limited ("JSE"), the guidelines contained in the King Report on Corporative Governance for South Africa, 2002 ("King II"), as well as legislation applicable to publicly listed companies in South Africa. The implications of the new Companies Act, No. 71 of 2008 ("New Companies Act") as well as the King Report and Code of Governance Principles for South Africa, 2009 (King III) are presently being analysed by the Company.

Compliance with the JSE Listings Requirements is monitored by the Company Secretary and reported to the Board.

The Board's Audit and Risk Committee, together with its Nominations and Remuneration Committee fulfil key roles in ensuring good corporate governance, with corporate governance forming the ethical framework that drives the Company's business philosophy. This is evidenced throughout the Company, where integrity, professionalism and corporate citizenship are entrenched within the Company's values.

Statement on New Companies Act and King III

The Company has considered the impact of the New Companies Act and King III during the past year and may ask shareholders to approve a new memorandum of incorporation, with effect from the effective date of the New Companies Act.

The Board and its sub–committees have and are assessing the principles and practices contained in King III and will be amending the Board and Sub-committee charters with a view to separating the Audit and Risk Management Committee into two separate Committees. Changes to the Company's governance policies and practices will be made and any policies or practices which are recommended under King III but found to be inappropriate for the Company, and therefore not complied with, will be disclosed.

Statement of Compliance

In terms of the Listings Requirements of the JSE the Company is required to report in respect of King III for its financial year end 30 June 2011.

The Company is currently required, in terms of the Listings Requirements of the JSE, to report on the extent to which it has complied with the principles as set out in King II.

The Board is of the opinion that the Company has, throughout the financial year under review, 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; and
- The Chairman of the Nominations Committee is not the Chairman of the Board.

Code of Ethics

The Company has a strong culture of entrenched values, which forms the cornerstone of the behaviour expected 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 ethical 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, 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

Composition of the Board

The Company has a unitary Board structure. The composition of the Board of the Company is set out on pages 25 to 26. The roles of the Chairman and the Joint Chief Executive Officers, ("CEOs") 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 2010, the Board comprised six independent Non-executive Directors, six Non-independent Non-executive Directors and five Executive Directors (including the alternate Directors) as defined in the Listings Requirements of the JSE.

The Board is considered to be appropriately skilled with regard to its responsibilities and the activities of the Company. Newly appointed Directors are informed of their fiduciary duties and in this regard are provided with guidelines regarding their duties and responsibilities as Directors. The skills and experience profiles of the Board members are regularly reviewed to ensure an appropriate and relevant Board composition.

Dealing in securities

The Company has a policy in place to ensure that the Directors and senior management do not trade in the Company's shares during price-sensitive or closed periods. In terms of the Company's policy, closed periods commence from the last day of the financial year or the last day of the end of the first six month period of the financial year up to the date of the publication of the annual or interim results of the Company. Directors are required to obtain approval from the Chairman or a designated Director before dealing in any securities.

Conflict of interest

All Board members and the Company Secretary are required to disclose their shareholding in the Company, other directorships and potential conflicts of interest. Where potential conflicts of interest exist, Directors are expected to recuse themselves from relevant discussions and decisions.

Role and function of the Board

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 of the Company's 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 the Company's mission;
- 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 and evaluating the annual business plan and budget compiled by management and monitoring management on the implementation of the approved annual budget and business plan;
- Approving the Company's financial statements and interim reports;
- Appointing the CEOs who report to the Board and ensuring that succession is planned;
- Determining Director selection, orientation and evaluation;
- Evaluating the viability of the Company on a "going concern" basis;
- Ensuring that the Company has appropriate risk management, internal control and regulatory compliance procedures in place. It further identifies and continually reviews 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;
- Settling principles for recommending the use of external auditors for non-audit services;
- Establishing Board Sub-committees with clear terms of reference and responsibility;
- Defining levels of authority and delegating required authority to the Sub-committees and management;
- Considering and, if appropriate, declaring payment of dividends to shareholders; and
- Evaluating the effectiveness of the Board and Sub-committees.

To fulfil their responsibilities adequately, Directors have unrestricted access to timely financial and other information, records and documents relating to the Company and the Group as well as free access to senior management and the Company Secretary. During the financial year under review, the Board received presentations from senior executive management enabling it to explore specific issues and developments in greater depth.

Independent advice

Individual Directors may, after consulting with the Chairman or the CEOs, seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of his/her responsibilities as a Director.

Board meetings and attendance

The Board meets at least four (4) times a year with the proviso that additional meetings could be called when certain important matters arise. Details of attendance at Board meetings are provided on pages 25 to 26.

Retirement and re-election of Directors

Under the Company's Articles of Association, a third of the Directors retire by rotation each year and are eligible for re-election by shareholders at the Annual General Meeting. Details of the Directors retiring by rotation are set out in the notice of Annual General Meeting.

Chairman

The Chairman is a Non-executive Director. In addition to playing an active role within the Company, he provides guidance to the Board as a whole and ensures that the Board is efficient, focussed and operates as a unit. He acts as a facilitator at Board meetings to ensure a flow of opinions, and attempts to lead discussions to optimal outcomes in the interests of good governance.

The CEOs

The 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 them in this task.

The Company Secretary

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. In addition, the Company Secretary monitors adherence to the Companies Act, JSE Listings Requirements and corporate governance. The Directors have unlimited access to the services of the Company Secretary. The name of the Company Secretary appears on page 21 of the Annual Report.

Board Committees

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.

While the Board remains accountable for the performance and affairs of the Company, it does delegate certain functions to the Sub-committees and management to assist it in carrying out its functions, duties and responsibilities. The Chairman of each Sub-committee reports to the Board at each Board meeting.

The Chairman of each Sub-committee is a Non-executive Director and is requested to attend the Company's Annual General Meeting to answer any questions posed by shareholders.

The Board Committees have specific terms of reference, appropriately skilled members, membership by Non-executive Directors who act independently, Executive Directors and executive management participation and access to specialist advice when considered necessary.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to review the Company's financial position and make recommendations to the Board on all financial matters, risks facing the business, internal controls and compliance. The Chairman of the Committee reports on the Committee's activities at each Board meeting.

The members of this Committee are all Non-executive Directors who act independently. All members are financially literate and all possess substantial business and financial expertise. The Committee meets at least three (3) times per year. Both internal and external auditors have unrestricted access to the Committee.

The Chairman of the Board, CEOs, Financial Director, internal auditor and external auditors attend the Audit and Risk Management Committee Meetings by invitation. The Committee held four (4) meetings during the reporting period.

Composition of Committee and Attendance

Membership		Attendance
Chairman:	Dr PJ Welgemoed	4/4
Members:	Mr KI Mampeule	4/4
	Ms WD Stander	3/4
	Mr AK Buchanan*	3/3

* *Mr AK Buchanan was appointed as a member of the Committee on 15 September 2009.*

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

- Review and recommend to the Board for approval the Company's annual report, interim reports and results announcement;
- Review and evaluate the effectiveness and performance of the external auditors as well as the scope, adequacy and costs of audits to be performed;
- Evaluate and approve the external auditors' plans, findings and reports;
- Monitor the performance of the Financial Director;
- 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 introduced by management including, without limitation, the Company's information technology systems, including, but not limited to, its reservation systems and various websites;
- Evaluate procedures and systems, including but not limited to, internal controls, disclosure controls and the internal audit function;
- Consider legal matters which could financially affect the Company;
- Monitor the ethical conduct of the Company and Group;
- Review alleged incidents, if any, reported through the Company's whistle blowing facilities; and
- Recommend principles for the use of external auditors for non-audit services to ensure that the fees for such services do not become so significant as to call into question their independence.

As required by JSE Listings Requirement 3.84(h), the Audit Committee is satisfied that the Financial Director has appropriate expertise and experience.

Nominations Committee

The members of this Committee, which members also serve on the Remuneration Committee, are all Non-executive Directors who act independently.

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

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

Composition of Committee and Attendance

Membership		Attendance
Chairman:	Mr JM Kahn	2/2
Members:	Mr RC Sacks	1/2
	Mr AK Buchanan	2/2
	Mr P van Hoven*	1/1

* *Mr P van Hoven was appointed as a member of the Committee on 15 September 2009.*

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, 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 Board appointment policies and procedures are formal and transparent and a matter for the Board as a whole, 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 who act independently. The CEOs attend meetings by invitation only and are not entitled to vote. The CEOs do not participate in discussions regarding their own remuneration. The Committee met twice 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
Chairman:	Mr JM Kahn	**2/2**
Members:	Mr RC Sacks	**1/2**
	Mr AK Buchanan	**2/2**
	Mr P van Hoven*	**1/1**

* *Mr P van Hoven was appointed as a member of the Committee on 15 September 2010.*

The remuneration policy and the execution thereof is the responsibility of the Remunerations Committee. Non-executive Directors currently receive annual remuneration as opposed to a fee per meeting. This remuneration is augmented by compensation for the chairs of the various Sub-committees, including chairing the Company's Pension Fund and Risk Benefits Committees. A premium is also payable to the Chairman and Deputy Chairpersons of the Board. Going forward, however, Non-executive Directors will receive an annual retainer and a fee per meeting attended. This remuneration will be augmented by compensation for the Chairpersons of the various sub-committees. Remuneration is reviewed annually, with reference to competitors and companies of a similar size. Remuneration is not linked to the Company share price performance. Shareholders are required to approve the remuneration of the Directors.

One of the Company's aims is to attract and retain competent and committed Executive Directors and executive employees. Remuneration is reviewed at appropriate intervals and is linked to the Company performance and the individual's performance. Executive Directors and most Executive Managers participate in an annual bonus scheme based on the principle as set out above. The fees for Non-executive Directors and the remuneration packages of Executive Directors for the financial year under review are disclosed on page 27.

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

- Determine the Company's general policy on remuneration as well as specific policies in respect of Executive Directors' and Executive Managers' 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;
- Annually appraise the performance of the CEOs;
- 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 businesses. 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. Risk registers are used to identify, assess and monitor the risks faced by the Company. 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. Going forward this will be reviewed by the Risk Committee.

In addition to the foregoing, the Company recognises the need for a confidential reporting process ("whistle blowing") covering fraud and other risks. In line with its commitment to transparency and accountability, the Company takes action against employees and others who are guilty of fraud, corruption and other misconduct. Procedures are in place for the independent investigation of matters reported and for appropriate follow up action. At present the following major risks are considered, amongst a wide range of potential exposures:

(a) Safety of passengers and employees

A multitude of processes and structures are in place to monitor and report on aviation safety, quality and security within the Company and its operating environment. The Company maintains an IOSA (IATA Operational Safety Audit) registration, thereby ensuring the implementation of global best practice in managing its operational safety, and is also audited by British Airways Plc as well as the South African Civil Aviation Authority.

(b) Competition and technical innovation

The Company operates in an extremely competitive environment which is augmented by the fact that the country's biggest airline is owned by the State. Technology forms an integral part of the Company's business. While the Company's British Airways brand is, to a large extent, dependent on developments implemented by British Airways Plc, the Company's kulula brand is not, and the Company devotes significant resources to information technology in respect of this brand, including the development of new products and services, as well as analysing emerging trends in information technology and consumer behaviour. Nevertheless, the Company is always faced with managing the risk of being presented by new technology, new developments by its competitors or the speed of development.

(c) Skills shortage

In 2007/2008 South Africa experienced a substantial drain of skilled pilots and aviation technicians to international airlines. This trend was tempered by the subsequent global economic downturn. However, there has also been very little subsequent training of pilots and technicians, both in South Africa and internationally. While the South African Air Force used to be the main supplier of pilots to commercial aviation, this is no longer the situation, and a future global shortage of pilots and aviation technicians is possible.

(d) Non-beneficial increases in the price of airline tickets

There is an extremely high correlation between the volume of air travel and the average price of airline tickets in the domestic market. Various state owned suppliers to the aviation industry have implemented tariff increases on tickets, that are significantly greater than the rate of inflation and threaten to constrict the size of the market for air travel. There is also talk of the government imposing carbon taxes on airline tickets. Furthermore, the intended Consumer Protection Act, if implemented as envisaged, is likely to impact on airline commercial practices, and thereby drive up ticket prices. As such increases in ticket prices do not benefit the airline, the consequential constraint on demand will negatively impact industry revenue.

(e) Currency fluctuations

The Company reports in South African Rands, the exchange rate of which varies relative to other currencies. A significant portion of the Company's costs are incurred in foreign currencies, mainly the United States Dollar. The movement of these currencies could have a positive or negative impact on the Company's income, expenses and profitability. Unrealised and realised currency gains or losses may distort the Company's financial accounts. The Company has a policy in place to govern the hedging of currency exposure.

(f) Oil price fluctuations

As with foreign currencies, the Company incurs substantial costs with regard to the purchase of fuel for its Aircraft. The Company has a policy to hedge a portion of its fuel requirements based on various instruments available and where this is achievable.

(g) Legislation and regulation

The Airline business is subject to various legislation and regulations. In addition, most regional and international routes are governed by bilateral treaties amongst the countries party to same. Bilateral treaties within the African Continent have had a major effect on the Company's ability to expand its operations in the African region.

(h) Political and economic development

The state of the local economy impacts on the profitability of the aviation industry, and the political climate affects the number of visitors from overseas to the Southern African region. Strikes and labour disruptions by suppliers to the Company have the potential to constrain the operation of the airline. The Company monitors global and local trends in order to adapt its business strategy accordingly. Political instability in any country into which the group operates its services could also affect the Company. The Company therefore undertakes risk assessments before embarking on new routes in Africa and internationally, and continually reviews those risks, and is assisted in this regard through its Licence Agreement with British Airways Plc and through its membership of the International Air Transport Association.

Political instability in any country into which the Company operates its services could cause damage to the Company. The Company therefore does undertake risk assessments before embarking on new routes in Africa and internationally, and continually reviews those risks, and is assisted in this regard through its Licence Agreement with British Airways Plc and through its membership of the International Air Transport Association ("IATA").

Internal Control

Internal control systems

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

While all internal control systems do have inherent shortcomings, the Company's internal control system is designed to provide reasonable assurances as to the reliability of financial information and in particular the financial statements, as well as to safeguard, verify and maintain accountability of its assets and to detect fraud and potential liability, while complying with applicable laws and regulations.

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

Internal audit

The internal audit function is an independent appraisal mechanism which evaluates the effectiveness of the applicable operational activities, the attendant business risks and the systems of internal controls, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Audit and Risk Management Committee, external auditors and operational management for resolution. The internal auditor co-ordinates with the external auditors so as to ensure proper coverage and minimise duplication of effort. Internal audit plans are tabled at the Audit and Risk Management Committee meetings and follow-up audits are concluded in areas where weakness is identified. The internal audit plan, approved by the Audit and Risk Management Committee, is based on risk assessments which are of a continuous nature, so as to identify not only existing and residual risk, but also emerging risks and issues highlighted by the Committee and senior executive management.

External audit

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.

Sustainability

Introduction

The Company plays a committed role in sustainable development in South Africa. It pays taxes to government and remunerates its employees equitably. Socially the Company contributes through various community projects, and environmentally through its efforts to reduce engine emissions and fuel burn by upgrading its fleet of aircraft. The Company complies with labour legislation and submits all statutory reports as required.

Relations with shareholders

The Company endeavours to maintain dialogue with its shareholders and other interested parties and meets with its institutional shareholders 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 this Annual Report, at which shareholders have the opportunity to put questions to the Board.

Black Economic Empowerment

The Company has recognised the importance of implementing a Broad-Based Black Economic Empowerment ("B-BBEE") 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 B-BBEE programme and has achieved progress in a number of areas and in particular insofar as ownership and skills development are concerned. While the Company has made great progress in addressing some of the significant B-BBEE imperatives, it is aware that the task of transformation is by no means complete. The Company undertook a B-BBEE verification audit by Honeycomb CC and achieved a level 6 rating.

From an ownership perspective, the Company concluded a Black Economic Empowerment ("BEE") transaction during the 2007 financial year, pursuant to which shares equivalent to 15% of the Company's post-transaction issued share capital were 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 above-mentioned shares, Thelo Aviation Investments purchased an additional 6,172,550 shares from the Company for cash from certain shareholders. This has resulted 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 adds value in that:

- It brings industry specific experience and a broad based empowerment component to the BEE initiative;
- It is well positioned to assist with empowerment initiatives at all levels of the Company's business; and
- It has committed time and effort to participating in the strategic initiatives of the Company.

In September 2009, Thomson Analytics (Pty) Ltd identified a total direct and indirect BEE shareholding of 28.03% in the Comair shareholder base. The B-BBEE verification confirmed the percentage of voting allocated to Black people as 28.03%. Voting rights exercisable by Black women was 0,05%.

The Board of Directors of the Company is totally committed to the spirit and principles of B-BBEE and believes it to be essential 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 identifying and developing talented individuals from designated groups and ultimately ensuring that in all occupational categories it is more representative of the South African population at large.

Due to a very low staff turnover rate in the current economic climate, black employees remained stable at 60%, with designated staff increasing from 80% to 81%. These percentages include pilots and technicians, professions where the industry is faced with a particular challenge to achieve more equitable representation, exacerbated by prohibitive training costs.

Numerous other initiatives have contributed to Comair's success in moving towards a demographically representative workforce, starting with it being the first South African airline to employ black cabin crew over 25 years ago, and including the following more recent initiatives:

- Over the past 4 years, Comair has run an extremely successful recruitment and training programme, in conjunction with the Harambe Social Development Trust, for previously disadvantaged individuals throughout the East Rand. This programme has resulted in the training and employment of 114 learners for positions throughout the Company;

- Despite minimal discretionary grants from the Transport Education Training Authority ("TETA"), the Company has continued with its cadet pilot training programme, whereby matriculants from designated groups are provided with commercial pilot training, followed by flying jobs to achieve the required hours of experience, before completing Boeing 737 training at the Company's own training facilities. One of the challenges facing the cadet programme is the shortage of interested candidates with the necessary matriculation qualifications;
- In the past year 46 staff attended the Comair Enhanced Leadership Programme, run in conjunction with the Gordon Institute of Business Science. This mini-MBA-type programme helps to prepare these individuals for future management roles in the Company, with focus on affirmative succession planning;
- The Company remains the only airline to provide swimming lessons to all its cabin crew trainees to ensure their success in achieving SA Civil Aviation Authority certification. This has greatly facilitated the successful recruitment of cabin crew from previously disadvantaged backgrounds, while also providing a great team building opportunity;
- The Company has joined the Ikusasa Lami programme (a Gauteng Government skills development initiative) to introduce matriculants to opportunities for training and employment in the airline industry;
- All the Company's policies and processes have been reviewed to ensure continued alignment with the Basic Conditions of Employment Act and the Employment Equity Act;
- The Company's Employment Equity Forum consists of a representative group elected by the employees, and tasked with reviewing progress towards the Employment Equity targets, as well as highlighting concerns raised by employees relating to Employment Equity; and
- At National level, the Company is represented on the TETA with primary and secondary management committee members, to assist with the formulation of policy, standards and the achievement of skills development targets.

The Company demographics as at 30 June 2010 were as follows:

Occupational levels	**Male**				**Female**				**Foreign Nationals**		**Total**
	B	**C**	**I**	**W**	**B**	**C**	**I**	**W**	**Male**	**Female**	
Top management	0	0	0	2	0	0	0	0	0	0	2
Senior management	0	0	2	7	0	0	0	2	0	1	12
Professionally qualified and experienced specialists and mid-management	3	1	0	137	4	3	7	55	1	1	212
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	122	68	39	176	290	139	77	261	2	3	1,177
Semi-skilled and discretionary decision making	66	31	22	28	141	84	37	84	2	2	497
Unskilled and defined decision making	1	0	0	0	22	0	0	0	0	0	23
Total permanent	**192**	**100**	**63**	**350**	**457**	**226**	**121**	**402**	**5**	**7**	**1,923**
Non-permanent employees	0	0	0	0	0	0	0	1	0	0	1
Grand total	**192**	**100**	**63**	**350**	**457**	**226**	**121**	**403**	**5**	**7**	**1,924**

Note: This table accounts for the Company's South African staff only.

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 followed to manage 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 resulted in internalising external costs of current aircraft noise to a large extent. International standards pertaining to aircraft noise and agreements on the phasing out of 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 number of years, implemented a fleet replacement programme and now operates two (2) Boeing 737-800 aircraft, ten (10) Boeing 737-400 aircraft, nine (9) Boeing 737-300 aircraft and four (4) Boeing 737-200 aircraft. The Boeing 737-200 aircraft are used for *ad hoc* and charter flights only and could be phased out by the end of the 2010 calendar year. All the Company's aircraft will then be Stage 3 noise compliant. In addition to the foregoing, the Company has entered into an agreement with the Boeing Company to acquire eight (8) new Boeing 737-800 aircraft and has leased in an additional Boeing 737-800 for delivery in November 2010. 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 and noise.

The Company has introduced an aircraft fuel savings programme and through effective management by the aircraft operations department and the Company's pilots, the average fuel consumed per flight has been decreased by 5% (five percent) since July 2009.

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 to ensure that any issues are dealt with thoroughly and effectively. These are formally documented in a Safety Management Manual that has been accepted by the South African Civil Aviation Authority.

The safety and security of our staff and customers remains a number one priority and safety standards remain paramount. The Company maintains an IATA Operational Safety Audit (IOSA) registration after passing the required bi-annual audit in February 2010. The Company safety management risk matrix of 0,5 incidents per 10,000 (ten thousand) flying hours (internationally accepted standard) was reduced to 0,4 incidents per 10,000 (ten thousand) flying hours. These targets have consistently been achieved by the Company. The Company again received extremely favourable audit ratings from British Airways PLC, Shell Oil and the South African Civil Aviation Authority.

Health and Safety

The Company pays due regard to the health and safety of employees and strives to provide employees with a clean and safe working environment and maintains reporting and notification systems. The Company is fully compliant with the Occupational Health and Safety Act.

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

Safety representatives are appointed and trained in various areas of health and safety. The Company has a Health and Safety Committee that meets at regular intervals to discuss pertinent issues.

Social Performance

Investing in our people

Personnel are the most important asset 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.

In this regard the Company this year undertook a number of initiatives specifically tailored towards these foci.

The first project to be completed was the *Think Vision* programme which entailed the representation of the Company's core values depicted in a formula for success whose principles now form the basis of how the Company will continue to achieve success. Every member of the Company's team was involved in developing this strategic tool that is now embraced and incorporated into all new initiatives and the daily functioning of the Company.

Following this, the *Catalyst Award* programme was launched to regularly recognise exceptional staff members who have excelled in upholding the core values in the Company's formula for success.

Three years ago the Company saw the need to implement an employee wellness programme known as *Precious Cargo* that supports wellness in the work place as well as giving assistance to employees in terms of their personal lives. The programme assists individuals to balance the demands of work with their family life. The programme provides personal support 24 hours a day for 365 days a year to employees and their families. Services include telephone counselling, a computerised health portal, life management services and HIV/AIDS training and support.

A structured performance management programme, called *On Track*, was implemented recently where every staff member has a personal performance scorecard that is weighted on various principles in the Company's formula for success.

As part of the Company's succession planning, a Leadership Development Programme called Take Off was launched in conjunction with the Gordon Institute of Business Science (GIBS) underwritten by the University of Pretoria. In this programme the Company's potential future leaders were identified and have undertaken courses covering several key areas of business management in a mini-MBA styled study programme. Of the candidates in this programme, 46 are senior managers.

In other areas of skills development, the Company spends well in excess of 5% of its payroll on extensive training and development of its staff, ensuring that the highest standards of safety and service are maintained. This year 1,540 people underwent training (82% of all the Company's employees) of whom 65% were black and 45% were black females.

The Company continues with its *Cadet Pilot Training* programme in an effort to address the shortage of technical skills in the aviation industry. The Company also continues to conduct customer service and cabin crew learnerships having trained 114 school leavers since 2006 and employed 96% of these promising young adults. Most of these individuals have come from the Ekurhuleni community.

The Company, in conjunction with various tertiary institutions such as the University of Johannesburg, the Cape Peninsula University of Technology and the Durban University of Technology, launched a workplace experiential learning programme, with the Company having provided 18 students from the various institutions with the required learning experience during the year.

The Company's commitment to transformation continues, with the Company's Employment Equity ("EE") forum consulting regularly with management and staff. EE training was undertaken by 860 staff members this year.

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.

Our customers

The Company prides itself in the service it offers to its customers and both brands have won various awards which confirm that their customers, both internal and external, also recognise this. The brands won the following awards during 2009/2010:

- The Sunday Times Top Brands Awards- Business to Business (British Airways 1st place / kulula 2nd place).
- The Ask Africa Orange Index – Best Service Delivery Award (British Airways 1st place / kulula 2nd place).
- ACSA Feather Awards – Best Full Service Airline ORT, CPT & DUR airports (British Airways)
- ACSA Feather Awards – Best Low Cost Airline PLZ & GRJ airports (kulula)

To better understand customers' needs, the Company conducts monthly onboard research amongst randomly selected customers. The purpose is to gain insight into the service experience on both brands and to continually improve the service and product offering.

To ensure the Company understands the brand and customer loyalty drivers, Ipsos Markinor conducted research, providing a holistic brand audit for the Company's portfolio. The results identified the positioning of the individual brands as well as determining the performance of the brands within the competitive environment. The insights allowed a re-visit of the brand strategies which are presently being implemented.

In addition, both the British Airways and kulula brands have dedicated customer relations departments to monitor and control customer feedback. Customers' feedback is reported at the highest level, and the Company diligently addresses customer concerns, in order to deliver the highest standards of customer service.

The community

The Company is a committed corporate citizen and together with its staff endeavours, wherever possible, to improve the lives of fellow South Africans. The Company believes that social responsibility is a duty, privilege and an obligation to help those less fortunate and to make a positive impact on society in general.

Greater Good South Africa ' Do it Day'
Greater Good South Africa's aim is to bring an end to poverty in South Africa, by bringing good causes and committed givers together in a meaningful and innovative way. They believe in results-driven giving, and seeking opportunities that will have a measurable, life changing impact on people and their communities.

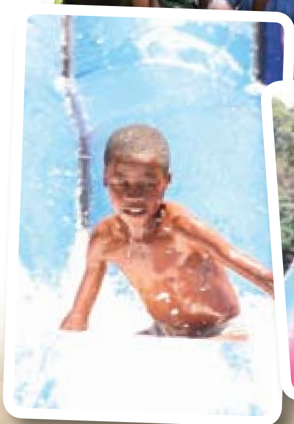
The Company's staff members teamed up with Greater Good South Africa on 18 September 2009 for 'Do it Day'. The Company had 12 teams who volunteered to participate in various activities on a national basis. Some of the activities included painting a school, planting a vegetable garden, feeding 500 children and decorating a bench in mosaic at the botanical gardens in George.

Planting a vegetable garden in Durban

Reiger Park
Reiger Park is a poor community in the greater Ekurhuleni area, weighed down with high unemployment and health related social problems such as HIV/AIDS.

Christmas 2009

The Company and its staff members held a Christmas party for over 600 vulnerable children and orphans from the greater Ekurhuleni area at a stadium in Reiger Park. The Company staff members collected 700 wrapped gifts for boys and girls which were handed to the children. The children were treated to pizza, cold drinks, bags of sweets and a lot of fun, including a jumping castle, by a team of 40 staff.



Easter Egg Hunt 2010

As with the Christmas gift collection, Company staff were once again amazing in donating 120 boxes of Easter Eggs for the children's Easter Hunt. The children were treated to lunch and a fantastic time hunting for the eggs by 25 volunteers.

NetDay – sponsoring PCs

NetDay is a Section 21 (not-for-profit) organisation that focuses on the design and installation of ICT environments in schools. NetDay has been in existence for more than 10 years and has installed more than 300 computer labs in schools across the country.

The Company partnered with NetDay by donating used computers and other IT equipment that had been written off. The value of the equipment is estimated at R180,000. Both the Murial Brand School for the Mentally Challenged (Brakpan) and the National School of the Arts (Johannesburg) benefited enormously from this donation.

'Get your kit off' – Salvation Army

The Company partnered with Europcar, Protea Hotels and Sappi to collect old winter clothes from international tourists leaving South Africa's winter season and going back to the north's summer season, after the Soccer World Cup.

Each partner utilised existing internal and external communication channels to communicate the call for contributions. Collection bins were placed in the airports, hotel lobbies and car rental outlets and not only did the customers donate winter clothes, but the staff also jumped in and made donations.

All the clothes collected were donated to the Salvation Army.

'Small Change = Big Difference'

As part of kulula's ongoing mission to not only provide the lowest airfares in the country, but also reach out and make a difference in the lives of others, they collected funds on behalf of the Community Crisis Centre (CCC) based in the East Rand (Johannesburg).

The CCC was founded in 1998 to care for the East Rand's senior citizens. It has since grown to include community-based care, a feeding scheme for orphans and vulnerable children as well as HIV/AIDS programmes. Their 2010 Beneficiaries Programme has been developed to provide nutritional food for the orphans and vulnerable children as well as train the next generation of care-givers. kulula fans supported the CCC by making a donation when booking a ticket online. During 2009/2010, these donations amounted to R436,000.00.

South African Police Services Deal

The Company has a joint social investment initiative with the Airports Company of South Africa for the South African Police Service (SAPS), which allows members of the SAPS and their immediate families to fly kulula at drastically reduced fares. Since its launch in 2005, thousands of families have been given the opportunity to visit the beautiful country they protect and serve.

Project Green

This kulula project, which was launched in late 2007, raises money to care for the environment while also offsetting kulula's carbon emissions through the sustainable greening of township schools around the country. Through the collection process on kulula's website, just over R1 million has been collected from customers which will be handed over to Food & Trees for Africa (FTFA) to complete the greening process.

"サヨナラ!"

I SHOUT AS I WAVE GOODBYE TO NEON-STREAKED TOKYO.
Time to head home,
TO MZANSI AND THE MADNESS OF JOBURG,
before taking wing again and coming back to Earth with
"welcome to durban" and my sister's tears.
But there's a mountain awaiting me.
Cape Town. Home at last.
Funny how you have to leave it to realise how much you love it.
Which is maybe why I'm off again, to give away
my best friend in PE
before crossing the skies in style to
Mosi-oa-Tunya and the smell of the Zambezi.
It's a scent I'll hold onto with all my might as I fly once more.
To where? Anywhere that takes me home again.

YOU'LL INSPIRE A THOUSAND STORIES ONCE YOU GET THERE. BUT THERE'S ONLY ONE WAY TO GET THERE.

Visit ba.com for more information.

BRITISH AIRWAYS

Operated by Comair Limited

British Airways (operated by Comair Limited) operates return flights from Johannesburg to Cape Town, Durban, Port Elizabeth, Nelspruit, Victoria Falls, Livingstone, Harare, Windhoek and Mauritius as well as between Cape Town and Durban.

I have flown presidents and and seen the world

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 22 to 63 have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 22 to 63 were approved by the Board of Directors on 13 September 2010 and signed on its behalf.

ER Venter
Joint CEO
13 September 2010

GS Novick
Joint CEO
13 September 2010

D Novick
Chairman
13 September 2010

movie stars, landed giants in hurricanes as eagles do.

Statement of 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.

Mr DH Borer
Company Secretary
13 September 2010

Report of Audit and Risk Management Committee
for the year ended 30 June 2010

As required in terms of the Companies Act (Act No. 61 of 1973) as amended ("the Act"), the Audit and Risk Management Committee submits the following report for the year ended 30 June 2010. The Audit and Risk Management Committee consists of four (4) Non-executive Directors who act independently. During the financial year under review, four (4) meetings were held. At the meetings the members fulfilled all their functions prescribed by the Act. A detailed list of functions of the Audit and Risk Management Committee is contained in the Corporate Governance Report. The Audit and Risk Management Committee is satisfied that the Company's external auditors are independent of the Company and are thereby able to conduct their audit functions without any influence from the Company, and is further satisfied that the Company's Financial Director has the appropriate expertise and experience to fulfill his responsibilities as such.

Dr PJ Welgemoed
Chairman: Comair Limited Audit and Risk Management Committee
13 September 2010

The best observation platform or mountain,

Independent Auditor's Report to the Members of Comair Limited

Report on the Financial Statements

We have audited the annual financial statements and group financial statements of Comair Limited, which comprise the Directors' report, the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statements of changes in equity and cash-flow statement for the year then ended, and a summary of significant account policies and other explanatory notes as set out on pages 23 to 63.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies: and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the annual financial statements and Group financial statements present fairly, in all material respects, the financial position of Comair Limited as of 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF (Jhb) Inc

Director: B Frey
Registration number 1994/001166/21
Chartered Accountants (SA)
Registered Auditors
Johannesburg
13 September 2010

is not the top a building
it's from the cockpit of an airplane.

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 2010.

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 six jet aircraft.

Financial Results

Full details of the financial results are set out on pages 28 to 63 of the Annual Report for the year ended 30 June 2010.

Dividends

The Directors have resolved to declare a cash dividend (Dividend number 11) of 5 cents per share (prior year: 5 cents) to all shareholders. The last day to trade (cum the dividend) in order to participate in the dividend will be Friday, 8 October 2010. The shares will commence trading "ex" dividend from the commencement of business on Monday, 11 October 2010 and the record date is Friday, 15 October 2010. Share certificates may not be de-materialised or re-materialised between Monday, 11 October 2010 and Friday, 15 October 2010 both days included. The dividend payment will be made on Monday, 18 October 2010.

Share Capital

Per an ordinary resolution passed at a General Meeting of the Company on 26 March 2010, 69,176,471 (sixty nine million one hundred and seventy six thousand four hundred and seventy one) ordinary shares were placed under the control of the Directors in terms of a general authority under Section 221 of the Companies Act, 61 of 1973, which shares were fully issued and subscribed for at a price of R1.80 per share pursuant to a rights offer which took place during May 2010.

Subsidiaries

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

Subsequent Events

No material fact or circumstance has occurred between the year end under review and the date of this report which has a material impact on the financial position of the Company or the Group.

Property, Plant and Equipment

Property, plant and equipment amounting to R222 million (2009: R167 million) were acquired during the year.

Aggregate Profits from Subsidiaries

Aggregate (loss)/profits from subsidiaries amounted to (R6.8 million) (2009: R0.2 million profit).

Directors' Interest in Share Capital

The following Directors of the Company held direct and indirect interests in the issued share capital of the Company at 30 June 2010 as set out below:

Director	2010			2009			2010		2009	
	Direct beneficial	**Indirect beneficial**	**Held by associates**	Direct beneficial	Indirect beneficial	Held by associates	**Total shares**	**%****	Total shares	%***
Mr D Novick	-	28,223,607	-	-	33,529,480	-	28,223,607	5,77	33,529,480	7.98
Mr MD Moritz	-	49,623,607	9,462	-	43,529,480	8,300	49,633,069	10,15	43,537,780	10,37
Mr P van Hoven	204,647	-	-	204,647	-	-	204,647	0,04	204,647	0,05
Mr GS Novick	350,892	-	-	307,800	-	-	350,892	0,07	307,800	0,07
Mr ER Venter	806,983	-	-	707,880	-	-	806,983	0,17	707,880	0,17
Mr MN Louw	1,000	-	-	1,000	-	-	1,000	0,00	1,000	0,00
Dr PJ Welgemoed	118,788	-	-	104,200	-	-	118,788	0,02	104,200	0,02
Mr KI Mampeule****	-	-	-	-	-	-	-	-	-	-
Mr RS Ntuli****	-	6,172,550	-	-	6,172,550	-	6,172,550	1,26	6,172,550	1,47
Mr DH Borer*	188,000	-	-	167,000	-	-	188,000	0,04	167,000	0,04
Mr AK Gupta*****	-	22,800,000	-	-	20,000,000	-	22,800,000	4,66	20,000,000	4,76
Total	**1,670,310**	**106,819,764**	**9,462**	1,492,527	103,231,510	8,300	**108,499,536**	**22,18**	104,732,337	24,93

* *Alternate Director*

** *Shares in issue following Comair rights offer – 489,176,471*

*** *Shares in issue prior to Comair rights offer – 420,000,000*

**** *Excludes 74,117,647 "A" shares issued to the Thelo Consortium, of which both Mr RS Ntuli and Mr KI Mampeule are members, but not forming part of the Company's listed share capital, in terms of the Company's Black Economic Empowerment transaction. Refer to Circular to Ordinary Shareholders issued on 23 August 2006 for further information relating to the Black Economic Empowerment transaction.*

***** *Refers to shares owned by Oakbay Investments (Pty) Ltd, of which Mr AK Gupta has a 30% direct shareholding and a 10% indirect shareholding.*

There have been no changes in the Directors' interests in share capital from 30 June 2010 to the date of posting of this annual report.

Special Resolutions

Since the last annual report, the Company has passed 1 (one) special resolution at its Annual General Meeting held on 30 October 2009, namely a special resolution as contemplated in terms of sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973) as amended, i.e. a general approval to repurchase shares. Other than the aforegoing, 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
Donald Novick Age: 72 CA(SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Non-executive Chairman
Martin Darryl Moritz Age: 65 (BCom; LLB)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Non-executive Joint Deputy Chairman
Pieter van Hoven Age: 66	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Independent Non-executive Director
Rodney Cyril Sacks Age: 60 H.Dip.Law, H.Dip.Tax	South African	550 Monica Circle, Suite 201, Corona, California, 92880	1 of 4	Independent Non-executive Director
Dr Peter Johannes Welgemoed Age: 67 BCom (Honours); MCom; DCom	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Independent Non-executive Director
Jacob Meyer Kahn Age: 71 BA (Law); MBA (UP); DCom (hc); SOE	South African	South African Breweries, plc, 1st Floor, No. 2 Jan Smuts Avenue, Braamfontein, Johannesburg, 2001	4	Independent Non-executive Director
Gidon Saul Novick Age: 40 BCom; CA(SA); MBA	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Joint CEO
Martin Nicolaas Louw Age: 55 BMil	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 4	Director Flight Operations
Erik Rudolf Venter[(1)] Age: 40 BCom; CA(SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Joint CEO
Khutso Ignatius Mampeule Age: 46 BA; MSc; MBA	South African	C/o Lefa Group Holdings (Pty) Ltd, Unit 46, Themi Office Park, Calderwood Road, Lonehill, 2062	4	Non-executive Director
Alan Kerr Buchanan Age: 52 MA; LLB	British	British Airways plc, Waterside (HBA3), Harmondsworth, Middlesex UB7 OGB, UK	4	Non-executive Director
Ronald Sibongiseni Ntuli Age: 40 LLB (Edinburgh University)	South African	164 Kathrine Street, Pinmill Farm, Block G, Ground Floor	2 of 4	Non-executive Joint Deputy Chairman

Name, age, qualification	Nationality	Business address	Four (4) Board meetings held during the year: Attendance	Occupation
Wrenelle Doreen Stander Age: 44 BA (Hons); MBA	South African	33 Baker Street, Rosebank, 2196	3 of 4	Independent Non-executive Director
Rajesh Ramanlal Mehta[3] Age: 52 MSc, BSc (Hons)	British	British Airways plc, Heathrow Airport, Technical Block C, Heathrow Airport TW6 2JA, UK	4	Non-executive Director
Atul Kumar Gupta Age: 42 BSc	South African	89 Gazelle Avenue, Corporate Park South, Old Pretoria Main Road, Midrand, 1682	2 of 4	Independent Non-executive Director
Derek Henry Borer Age: 48 BCom; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Alternate Director to Martin Nicolaas Louw
Ranil Yasas Sri-Chandana[2] Age: 37 Hons.BCompt, MCom, CA(SA), CFA, H.Dip.Co.Law	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	Financial Director

Notes:

(1) Erik Rudolf Venter resigned as Financial Director of the Company on 15 September 2009. He retains his role as Joint CEO.

(2) Ranil Yasas Sri-Chandana was appointed as Financial Director of the Company on 15 September 2009.

(3) Rajesh Ramunlal Mehta resigned as a Non-executive Director of the company following the year end on 31 July 2010.

Share Incentive Scheme

Executive Directors participate in a share incentive scheme with the following allocations at 1 July 2009 and as at 30 June 2010:

Name	Allocated at 1 July 2009		Awarded during the year		Resignation of Director	Exercised during the year			Total as at 30 June 2010		Gains made on exercise of options during the year R'000
	Number	Average price	Number	Price		Number	Allocated price	Exercise price	Number	Average price	
Mr ER Venter	2,866,000	1.60	-	-	-	-	-	-	2,866,000	1.60	-
Mr GS Novick	3,032,667	1.56	-	-	-	-	-	-	3,032,667	1.56	-
Mr MN Louw	2,466,667	1.54	-	-	-	-	-	-	2,466,667	1.54	-
Mr DH Borer	1,299,334	1.58	-	-	-	-	-	-	1,299,334	1.58	-
Mr BJ van der Linden	416,334	1.55	-	-	(416,334)	-	-	-	-		-
	10,081,002		-	-	(416,334)	-	-	-	9,664,668		-

No share options have been issued to employees through the share incentive scheme during the year, and 4,211,319 options remain available for issue at year end.

Directors' Remuneration

Name	For services as directors and related Committee Work R'000	Package(1) R'000	Performance related(2) R'000	Pension and medical(3) R'000	Share-based payments as per IFRS R'000	Total 2010 R'000	Total 2009 R'000
Executives							
Mr ER Venter	-	1,835	1,400	299	877	4,411	3,259
Mr GS Novick	-	1,836	1,400	298	919	4,453	3,227
Mr MN Louw	-	1,274	853	223	747	3,097	2,078
Mr RY Sri Chandana	-	1,115	580	140	-	1,835	-
Mr BJ van der Linden	-	-	-	-	-	-	2,776
Mr DH Borer	-	984	612	171	397	2,164	1,515
	-	7,044	4,845	1,131	2,940	15,960	12,855
Non-executives							
Mr D Novick	500	-	-	-	-	500	500
Mr MD Moritz	250	-	-	-	-	250	250
Dr PJ Welgemoed	160	-	-	-	-	160	150
Mr JM Kahn	140	-	-	-	-	140	130
Mr KI Mampeule	120	-	-	-	-	120	120
Mr RC Sacks	-	-	-	-	-	-	-
Mr P van Hoven	150	-	-	-	-	150	150
Mr RS Ntuli	250	-	-	-	-	250	250
Ms WD Stander	120	-	-	-	-	120	120
	1,690	-	-	-	-	1,690	1,670
	1,690	7,044	4,845	1,131	2,940	17,650	14,525

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 the incentive rewards in respect of the financial year ended 30 June 2010.

(3) "Pension and Medical" includes the regular payments made for pension fund, medical aid contributions and risk benefits.

(4) Remuneration receivable by the directors will not vary as a result of any proposed issue for cash or repurchase of shares.

(5) BJ van der Linden resigned from the Board effective 1 July 2009.

Everyone dreams of flying,
May

Statements of Financial Position
as at 30 June 2010

	Note	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Assets					
Non-current assets		**1,144,853**	1,043,623	**1,126,545**	1,027,846
Property, plant and equipment	1	**991,853**	912,043	**940,829**	861,019
Loan to share incentive trust	2	**-**	-	**13,750**	15,465
Investment in subsidiaries	3	**-**	-	**18,966**	19,782
Available-for-sale investment	4	**153,000**	131,580	**153,000**	131,580
Current assets		**877,720**	657,163	**916,563**	689,163
Inventory	5	**7,464**	8,203	**7,464**	8,203
Trade and other receivables	6	**419,976**	263,949	**419,898**	263,935
Investment in subsidiaries	3	**-**	-	**29,862**	30,321
Investment in associates	7	**75,887**	73,637	**84,945**	75,881
Forward exchange contracts		**116**	-	**116**	-
Taxation receivable		**-**	2,154	**-**	1,603
Bank and cash	9	**374,277**	309,220	**374,278**	309,220
		2,022,573	1,700,786	**2,043,108**	1,717,009
Equity and Liabilities					
Capital and reserves		**725,275**	517,722	**745,447**	534,086
Share capital	10	**5,441**	4,749	**5,633**	4,941
Share premium		**123,356**	8,070	**123,742**	8,456
Non-distributable reserves		**13,828**	(7,240)	**13,828**	(7,240)
Accumulated profits		**582,650**	512,143	**602,244**	527,929
Non-current liabilities		**267,439**	428,892	**267,439**	428,892
Interest-bearing liabilities	11	**188,976**	360,582	**188,976**	360,582
Deferred taxation	12	**78,463**	68,310	**78,463**	68,310
Current liabilities		**1,029,859**	754,172	**1,030,222**	754,031
Trade and other payables	13	**701,775**	580,849	**701,493**	580,708
Provisions	14	**62,607**	57,993	**62,607**	57,993
Taxation payable		**23,315**	-	**23,960**	-
Interest-bearing liabilities	11	**242,162**	97,806	**242,162**	97,806
Forward exchange contracts		**-**	17,524	**-**	17,524
		2,022,573	**1,700,786**	**2,043,108**	**1,717,009**

few have the privilege of actually doing it.
those dreams create tomorrow's heroes of the sky!

Statements of Comprehensive Income
for the year ended 30 June 2010

		Group		Company	
		2010	2009	**2010**	2009
	Note	**R'000**	R'000	**R'000**	R'000
Revenue		**3,009,544**	3,048,782	**3,009,544**	3,048,782
Operating expenses		**(2,723,009)**	(2,814,209)	**(2,724,684)**	(2,815,426)
Operating profit before depreciation		**286,535**	234,573	**284,860**	233,356
Depreciation		**(142,542)**	(105,874)	**(142,542)**	(105,874)
Profit from operations	15	**143,993**	128,699	**142,318**	127,482
Interest income		**22,683**	25,540	**22,683**	25,540
Interest expense		**(45,859)**	(49,138)	**(45,859)**	(49,138)
Preference dividend income		**10,068**	8,493	**10,068**	8,493
Share of (loss)/profit of associates	16	**(6,814)**	170	**-**	-
Profit before taxation		**124,071**	113,764	**129,210**	112,377
Taxation	17	**(34,364)**	(40,715)	**(33,895)**	(40,382)
Profit after tax attributable to the equity holders of the parent		**89,707**	73,049	**95,315**	71,995
Other comprehensive gain/loss					
Unrealised profit/(loss) due to change in fair value of cash flow hedge net of tax		**17,640**	(18,193)	**17,640**	(18,193)
Total comprehensive income for the year attributable to ordinary shareholders		**107,347**	54,856	**112,955**	53,802
Earnings per share (cents)	18	**22.0**	18.2		
Headline earnings per share (cents)	18	**22.0**	19.6		
Diluted earnings per share (cents)	18	**21.8**	18.0		
Diluted headline earnings per share (cents)	18	**21.8**	19.4		
Net asset value per share (cents)		**154.1**	129.1		

"The desire to fly is an idea handed the birds soaring freely through infinite highway of

Statements of Changes in Equity
for the year ended 30 June 2010

	Share capital R'000	Share premium R'000	Share-based payment reserve R'000	Hedging reserve R'000	Accumulated profit R'000	**Total R'000**
Group						
Balance at 1 July 2008	4,749	8,070	6,856	669	439,598	**459,942**
BEE share-based payments	-	-	3,428	-	-	**3,428**
Total comprehensive income for the year	-	-	-	(18,193)	73,049	**54,856**
Shares purchased by Share Trust	(4)	(9)	-	-	(807)	**(820)**
Shares sold by Share trust	4	9	-	-	303	**316**
Balance at 30 June 2009	4,749	8,070	10,284	(17,524)	512,143	**517,722**
Rights offer	692	115,286	-	-	-	**115,978**
BEE share-based payments	-	-	3,428	-	-	**3,428**
Total comprehensive income for the year	-	-	-	17,640	89,707	**107,347**
Dividend paid	-	-	-	-	(20,040)	**(20,040)**
Shares purchased by Share Trust	(5)	(10)	-	-	(480)	**(495)**
Shares sold by Share trust	5	10	-	-	1,320	**1,335**
Balance at 30 June 2010	5,441	123,356	13,712	116	582,650	**725,275**
Company						
Balance at 1 July 2008	4,941	8,456	6,856	669	455,934	**476,856**
BEE share-based payments		-	3,428	-	-	**3,428**
Total comprehensive income for the year	-	-	-	(18,193)	71,995	**53,802**
Balance at 30 June 2009	4,941	8,456	10,284	(17,524)	527,929	**534,086**
Rights offer	692	115,286	-	-	-	**115,978**
BEE share-based payments	-	-	3,428	-	-	**3,428**
Total comprehensive income for the year	-	-	-	17,640	95,315	**112,955**
Dividend paid	-	-	-	-	(21,000)	**(21,000)**
Balance at 30 June 2010	5,633	123,742	13,712	116	602,244	**745,447**

down to us by our ancestors who looked enviously on
space, at full speed, above all obstacles, on the
the air." ~ Wilbur Wright

Statements of Cash Flow
for the year ended 30 June 2010

		Group		Company	
	Note	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Cash from Operating Activities		**228,325**	350,341	**226,176**	351,102
Cash receipts from customers		**2,853,517**	3,055,122	**2,853,581**	3,055,136
Cash paid to suppliers		**(2,593,302)**	(2,676,388)	**2,595,118)**	(2,675,865)
Cash generated by operations	19	**260,215**	378,734	**258,463**	379,271
Interest paid		**(45,859)**	(49,138)	**(45,859)**	(49,138)
Interest received		**22,683**	25,540	**22,683**	25,540
Preference dividend received		**10,068**	8,493	**10,068**	8,493
Taxation refunded/(paid)	20	**1,258**	(13,288)	**1,821**	(13,064)
Cash available from operating activities		**248,365**	350,341	**247,176**	351,102
Dividend paid		**(20,040)**	-	**(21,000)**	-
Cash Utilised in Investing Activities		**(252,836)**	(195,549)	**(249,846)**	(196,811)
Additions to property, plant and equipment		**(222,352)**	(167,707)	**(222,352)**	(168,018)
Proceeds on disposal of property, plant and equipment		**-**	10,932	**-**	10,932
Decrease/(increase) in loan to share incentive trust		**-**	-	**1,715**	(338)
Acquisition of preference shares		**(21,420)**	(21,420)	**(21,420)**	(21,420)
Investment in subsidiaries	3.2 to 3.3	**-**	-	**1,275**	(613)
Investment in associates	7	**(9,064)**	(17,354)	**(9,064)**	(17,354)
Cash Generated by Financing Activities		**89,568**	29,424	**88,728**	29,928
Shares purchased by Share Trust		**(495)**	(820)	**-**	-
Shares sold by Share Trust		**1,335**	316	**-**	-
Proceeds on Rights Issue for acquisition of aircraft		**115,978**	-	**115,978**	-
(Decrease)/increase in interest bearing liabilities		**(27,250)**	29,928	**(27,250)**	29,928
Net increase in cash and cash equivalents		**65,057**	184,216	**65,058**	184,219
Cash and cash equivalents at the beginning of the year		**309,220**	125,004	**309,220**	125,001
Cash and cash equivalents at the end of the year		**374,277**	**309,220**	**374,278**	**309,220**

"When once you have tasted flight,
skyward, for there you have

Segmental Report
for the year ended 30 June 2010

	Airline R'000	Non-airline R'000	**Total R'000**
30 June 2010			
Revenue	2,978,411	31,133	**3,009,544**
Operating profit before depreciation	272,834	13,701	**286,535**
Depreciation	(142,139)	(403)	**(142,542)**
Profit from operations	130,695	13,298	**143,993**
Segmental assets and liabilities			
Segmental assets	1,965,959	56,614	**2,022,573**
Segmental interest-bearing liabilities	(431,138)	-	**(431,138)**
Other segmental liabilities	(827,941)	(38,219)	**(866,160)**
Segmental net asset value	706,880	18,395	**725,275**
Segmental capital additions during the year	217,101	5,251	**222,352**
30 June 2009			
Revenue	3,021,830	26,952	**3,048,782**
Operating profit before depreciation	217,392	17,181	**234,573**
Depreciation	(105,422)	(452)	**(105,874)**
Profit from operations	111,970	16,729	**128,699**
Segmental assets and liabilities			
Segmental assets	1,664,435	36,351	**1,700,786**
Segmental interest-bearing liabilities	(458,388)	-	**(458,388)**
Other segmental liabilities	(692,734)	(31,942)	**(724,676)**
Segmental net asset value	513,313	4,409	**517,722**
Segmental capital additions during the year	167,271	747	**168,018**

Accounting Policies

Principal Accounting Policies

The annual financial statements are presented in South African Rands as it is the currency of the economic environment in which the Group operates.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa (Act No. 61 of 1973) as amended and the Listings Requirements of the JSE Limited. 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.

The format of the financial statements presented has been revised and is presented in line with the revisions to IAS 1: Presentation of Financial Statements. The Group also adopted IFRS 8: Operating Segments which requires that the segments presented are consistent with those used internally by management to make operating decisions. Comparative information has been restated where necessary. The adoption of these standards and amendments did not impact on the Group's financial results.

Except for the adoption of the new and revised accounting standards the principle accounting policies of the Group are consistent with those applied in the audited consolidated financial statements for the year ended 30 June 2009.

Adoption of Standards and Interpretations Effective in 2010

There were no new standards adopted during the current financial year. A full list of standards that will become effective in the next financial year are disclosed in Note 26.

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. Interest is recognised on the accrual basis, in profit or loss, using the effective interest rate method. Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Borrowing Costs

Interest costs are charged using the effective interest rate method.

Principles of Consolidation

Subsidiaries

Subsidiaries are companies and entities over which the Company has the ability to control the financial and operating activities so as to obtain benefit from their activities. Where an investment in a subsidiary is acquired or disposed of during the financial period, its results are included from, or to, the date control became, or ceased to be, effective. Investments in subsidiaries of the Company are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus an adjustment to the cost of a business combination contingent on future events is included in the profit or loss of the combination if the adjustment is probable and can be measured reliably and is recognised immediately in profit or loss.

Identifiable assets, liabilities and contingent liabilities acquires are initially measured at their fair values at the date of acquisition.

On acquisition date, the company measures the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets fairly valued on acquisition date. This choice is applied on a transaction by transaction basis for all business combinations on or after 1 July 2010. The company shall recognise the acquisition date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Any adjustments to the contingent consideration payable will be accounted for as a debit or credit to profit or loss and will not affect goodwill initially recognised. Transactions with non-controlling interest holders are accounted for as transactions with equity holders and therefore do not affect goodwill initially recognised. All inter-company gains and losses and balances are eliminated on consolidation.

Goodwill arising on acquisition

Goodwill is the excess of the aggregate of the purchase consideration transferred and the amount of the non-controlling interest in the acquired value in terms of IFRS 3 Revised over the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed, measured in terms of IFRS 3 Revised. The Group Share Incentive Trust is included in the consolidated financial statements as a subsidiary.

Associate companies

Associate companies are those entities which are not subsidiaries or joint ventures, in which the Group has the ability to exercise a significant influence and holds a long term equity interest.

Associate companies are accounted for on the equity method. Equity accounted income which is included in the carrying value of the investment represents the Group's proportionate share of the associate companies post- acquisition reserves after accounting for dividends payable by those associates. Any difference between the cost of acquisition and the Group's share of identifiable net assets is classified as goodwill and included in the cost of the investment.

The Group's share of movements in the associate's equity reserves is recognised in other comprehensive income. The Group's share of the aggregate loss in any associate is limited to its net investment in the associate unless the Group has incurred an obligation or made payments on the associate's behalf. The Group's share of inter-company gains is eliminated on consolidation, whilst the Group's share of inter-company losses is only eliminated if the transaction does not provide evidence of impairment of the asset transferred. Investments in associates are disclosed as the aggregate of loans made to the associate plus the holding company's aggregate share of post-acquisition equity.

Joint Ventures

A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an entity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group has elected to recognise its interest in jointly controlled entities using the equity method. The investment in a joint venture is initially recognised at cost and adjusted for the Group's share of the changes in the net assets of the joint venture after the date of acquisition, and for any impairment in value. If the Group's share of losses of a joint venture exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses.

The Group's share of movements in the joint venture's equity reserves is recognised in other comprehensive income. The Group's share of the aggregate loss in any joint venture is limited to its net investment in the associate unless the Group has incurred an obligation or made payments on the associate's behalf. The Group's share of inter-company gains is eliminated on consolidation, whilst the Group's share of inter-company losses is only eliminated if the transaction does not provide evidence of impairment of the asset transferred. Investments in joint ventures are disclosed as the aggregate of loans made to the associate plus the holding company's aggregate share of post-acquisition equity.

Foreign Currency

Foreign currency transactions are recorded at the exchange rate ruling on the transaction dates. Monetary assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the reporting date. Profits or losses arising on translation of foreign currency transactions are included in profit or loss.

Non-monetary assets and liabilities are translated at the rate at the date of acquisition. Exchange differences on translating monetary assets and liabilities at year end spot rates are recognised in the statements of comprehensive income. Non-monetary items that are measured at fair value shall be translated using the exchange rates at the date when the fair value was determined. Exchange differences on non-monetary assets classified as available for sale financial instruments are recognised as part of the fair value movement in equity.

Taxation

Current tax, secondary tax on companies and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged in the same, or a different period, directly to equity. Current tax is calculated at a rate of 28% in accordance with the South African Income Tax Act 1962 (Act No. 58 of 1962).

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 comprehensive liability method. Deferred tax liabilities are 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 reporting 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Property, plant and equipment

Freehold property, aircraft and related equipment, vehicles, furniture, computers and flight simulator equipment are depreciated on a systematic basis on the straight line method, which is estimated to depreciate the assets to their anticipated residual values on a component approach 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 at each reporting date and only written down if there are impairments in value.

Depreciation rates for property plant and equipment

Freehold property	2%
Motor vehicles	20%
Furniture and equipment	10%
Computer equipment	20% to 50%
Flight simulator equipment	20%

Aircraft

Aircraft are initially recognised at spot rate at date of purchase. The carrying values of aircraft are assessed annually for impairment. 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 or appreciably prolong their useful lives are charged against income. C and D maintenance checks are capitalised and expensed over their useful lives. The gain or loss on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and recognised in the statements of comprehensive income.

Depreciation rates for aircraft

Aircraft and related equipment	4% to 20%
C checks	18 months
D checks	72 months

Instalment Sales Agreements

Instalment sales agreements are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the assets or, if lower, the present value of the minimum instalment payments. The corresponding liability to the lessor is included in the balance sheet as an instalment obligation. The discount rate used in calculating the present value of the minimum instalment payments is the interest rate implicit in the instalment payments. The instalment payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the instalment sale term so as to produce a constant periodic rate of return on the remaining balance of the liability.

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. The amount capitalised at inception of the lease is the lower of the fair value of the leased property and the present value of the minimum lease payment. 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

Initial recognition

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans to/(from) Group companies

These include loans to subsidiaries, associates and joint ventures and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the instrument's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the instrument's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the instrument at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. Loans to/(from) Group companies are classified as loans and receivables at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value less transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value less transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities.

The dividends on these preference shares are recognised in the income statement as interest expense.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consist of foreign exchange contracts and are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss.

Available-for-sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. These investments are measured initially and subsequently at fair value. Transaction costs are included on initial recognition. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income until the security is disposed of or is determined to be impaired.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is recognised in the statement of comprehensive income as other comprehensive income.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised as other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised as other comprehensive income.

Interest on available-for-sale securities, calculated using the effective interest method, is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of 'other income' when the Company's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

For all instruments carried at amortised cost, where the effects of the time value of money are not considered to be material, the instruments are not discounted as their nominal values approximate their amortised cost values.

Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. If the Company re-acquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Hedge Accounting

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of comprehensive income within 'other comprehensive gains or losses'.

The gain or loss relating to the effective portion is recognised in the statements of comprehensive income. The gain or loss relating to the ineffective portion is recognised in the statements of comprehensive income within 'other comprehensive income'.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in the statements of comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

Inventory

Inventory is stated at the lower of cost and net realisable values. Cost is determined on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

If the net realisable value at year end is lower than the stated book value the difference is recognised immediately as a loss in the statement of comprehensive income. Write down of inventory is reversed to profit if the net realisable value rises after initial write down in the year in which net realisable value rises.

Retirement and Medical Funds

Current contributions to the Group's defined contribution Retirement Fund are based on current salary and are recognised when they fall due. The Group has no further payment obligations once the payments have been made.

Impairment

The Group assesses at least annually whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment at least annually by comparing the carrying amount with the recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment at least annually.

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Future expenditure is discounted at the pre-tax discount rate reflecting the market assessment of the time value of money adjusted for risks associated with the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Customer Loyalty Schemes

The increase or decrease of the fair value of liabilities arising from customer loyalty schemes is recognised in profit and loss in the year in which it arises. The value of the liability arising from customer loyalty schemes is included in trade and other payables.

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. Management also reassesses the fair value of the amount payable at each reporting date, until vesting, by considering the number of share appreciation right options expected to ultimately vest. Share appreciation right options that expire or are forfeited are reversed against the liability raised with an adjustment to profit or loss. The fair value of the instruments granted is measured against market performance of the share price. The liability is measured at each reporting date and at settlement date, with all movements in fair value being recognised in profit or loss.

Equity settled

Convertible "A" class shares and options were issued in terms of a Black Economic Empowerment Deal. The fair value of the equity instrument is measured at grant date using an appropriate valuation model and recognised as an expense with corresponding increase in equity over the vesting period of the share based payment. Management reassesses the number of options expected to ultimately vest based on non-market vesting conditions. The impact of the revision to the original estimates, if any, is recognised on the statements of comprehensive income, with a corresponding adjustment to equity. Proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised. Subsequent to vesting, management no longer makes any adjustments to the cost of the share based payments recognised. Options that expire or are forfeited are removed from equity with a corresponding adjustment to the statements of comprehensive income.

Judgments made by Management

Preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reporting of reported amounts and related disclosures. Actual amounts could differ from these estimates.

Certain accounting policies have been identified as involving particularly complex or subjective judgments or assessments, as follows:

Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each reporting date and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

Impairment of assets

Property, plant and equipment and financial assets are assessed for impairment at each reporting date. Goodwill is assessed for impairment at least annually. Factors taken into consideration include economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit.

Future cash-flows expected to be generated by the asset are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to present value.

Sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at reporting date that management has assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

"I don't have a job,
thing to do what you

Notes to the Annual Financial Statements
for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
1. Property, Plant and Equipment				
Property and buildings				
Cost	**87,862**	66,117	**36,838**	15,093
Accumulated depreciation	**(5,950)**	(4,228)	**(5,950)**	(4,228)
Book value	**81,912**	61,889	**30,888**	10,865
Aircraft and flight simulator equipment				
Cost	**1,358,296**	1,169,428	**1,358,296**	1,169,428
Impairment	**(115,106)**	(115,106)	**(115,106)**	(115,106)
Accumulated depreciation	**(355,297)**	(219,954)	**(355,297)**	(219,954)
Book value	**887,893**	834,368	**887,893**	834,368
Vehicles, furniture and equipment and computer equipment				
Cost	**56,641**	44,903	**56,641**	44,903
Accumulated depreciation	**(34,593)**	(29,117)	**(34,593)**	(29,117)
Book value	**22,048**	15,786	**22,048**	15,786
Total property, plant and equipment	**991,853**	912,043	**940,829**	861,019
Reconciliation of carrying value				
Property and buildings				
Carrying value at the beginning of the year	**61,889**	63,019	**10,865**	11,684
Additions	**21,745**	(675)	**21,745**	(364)
Depreciation	**(1,722)**	(455)	**(1,722)**	(455)
Carrying value at the end of the year	**81,912**	61,889	**30,888**	10,865
Aircraft and flight simulator equipment				
Carrying value at the beginning of the year	**834,368**	791,958	**834,368**	791,958
Additions	**188,869**	160,547	**188,869**	160,547
Disposals	**-**	(16,540)	**-**	(16,540)
Depreciation	**(135,344)**	(101,597)	**(135,344)**	(101,597)
Carrying value at the end of the year	**887,893**	834,368	**887,893**	834,368

I live my dream. It's a wonderful love and love what you do." ~Captain Jan Grobler

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
1. Property, Plant and Equipment (continued)				
Vehicles, furniture and equipment and computer equipment				
Carrying value at the beginning of the year	**15,786**	11,773	**15,786**	11,773
Additions	**11,738**	7,835	**11,738**	7,835
Depreciation	**(5,476)**	(3,822)	**(5,476)**	(3,822)
Carrying value at the end of the year	**22,048**	15,786	**22,048**	15,786
Total Property, Plant and Equipment	**991,853**	912,043	**940,829**	861,019

Property and buildings owned consist of erf 1092 and 1096 Bonaero Park extension 2, erf 931 Bonaero Park extension 1, erf 700 Rhodesfield Township and erven 674, 684, 685,687,688.689,690,695 and erf 1040 Rhodesfield Township. The estimated Director's value of these properties is R96.8 million.

Instalment Sale Agreement and Finance Lease Agreement book values are disclosed under Note 11.

2. Loan to Share Incentive Trust

This loan relates to the 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 18,528,033 shares representing 3.8% of shares in issue (prior year: 19,186,100 shares representing 4.6%) at a closing price of 210c (prior year: 185c).

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
	-	-	**13,750**	15,465

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
3. Investment in Subsidiaries				
Non-current portion				
3.1 Aconcagua 32 Investments (Pty) Ltd				
1 ordinary share of R1 at cost (100% shareholding)				
Investment at cost	**-**	-	**18,966**	19,782
The company is the owner of erf 700 Rhodesfield Township. This is the only asset in the company's books, valued at R20.4 million. There are no material liabilities in this company. The share in the company was acquired during May 2008.				
Total non-current portion	**-**	-	**18,966**	19,782
Current portion				
3.2 Alooca Technologies (Pty) Ltd				
100 ordinary shares of R1 at cost (100% shareholding)				
Loan receivable	**-**	-	**29,862**	30,321
The company acquired erven 674, 684, 685, 687, 688, 689, 690, 695 and 1040 Rhodesfield Township with funding from Comair Limited. The properties at cost are valued at R30.8 million.				
The loan is interest free and has no fixed repayment terms.				
3.3 Amber (Pty) Limited				
1 ordinary share of R1 at cost (100% shareholding)				
5549 Preference Shares at R10,000 per share at cost	**-**	-	**55,490**	55,490
Dividend accrued	**-**	-	**80,000**	80,000
Subscription to Comair Preference Shares	**-**	-	**(135,490)**	(135,490)
Comair borrowed an amount of R135.49 million from AMB Financial Services (Pty) Ltd in the 1999/2000 financial year. The capital on this loan was repaid through means of Comair issuing preference shares on 31 May 2004. The preference shares were issued to Amber (Pty) Ltd, which acquired these shares from AMB.				
Total current portion	**-**	-	**29,862**	30,321
Total investment in subsidiaries	**-**	-	**48,828**	50,103

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000

4. Available-for-sale Investment

Preference shares in KWJ Investments (Pty) Ltd	**153,000**	131,580	**153,000**	131,580
150,000 paid up shares (prior year 129,000) at R1,020 per share at cost.				
Total Directors' valuation of unlisted investments	**153,000**	131,580	**153,000**	131,580

5. Inventory

Aircraft spares	**5,859**	5,859	**5,859**	5,859
Catering equipment and consumables	**6,326**	7,065	**6,326**	7,065
Write down of aircraft spares to realisable value	**(4,721)**	(4,721)	**(4,721)**	(4,721)
	7,464	8,203	**7,464**	8,203

6. Trade and other Receivables

Trade receivables	**247,820**	189,461	**247,742**	189,447
Deposits	**99,768**	17,530	**99,768**	17,530
Other receivables	**72,388**	56,958	**72,388**	56,958
	419,976	263,949	**419,898**	263,935

The standard credit period is 30 days from statement. The average age of the receivables is 31 days. Only customers with whom the Company has a long-standing relationship have access to credit. New customers are rare as the Company prefers selling air tickets for cash rather than on credit. Ageing of past due trade receivables:

60 days +	**6,583**	1,459	**6,583**	1,459

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
7. Investment in Associates and Equity Accounted Joint Ventures				
7.1 Commuter Handling Services (Pty) Limited				
Comair Limited has a 40% shareholding in Commuter Handling Services (Pty) Ltd, a company in the passenger and ground handling industry.				
Carrying value of the investment				
Shareholder's loan	**68,486**	61,732	**68,486**	61,732
Interest was charged at prime rates for the year (2009:prime) and there are no fixed repayment terms.				
Cumulative post-acquisition equity				
Prior year	**4,227**	2,017	**-**	-
Current year	**(6,040)**	2,210	**-**	-
This associate provides passenger handling services to airlines at ACSA-based airports and made an after tax loss of R15.1 million (prior year profit of R3.8 million). The company is incorporated in South Africa and has a June year end.				
7.2 Imperial Air Cargo (Pty) Ltd				
Comair Limited has a 30% shareholding in Imperial Air Cargo (Pty) Ltd, a company in the air freight industry.				
Carrying value of the investment				
Shareholder's loan	**16,459**	14,149	**16,459**	14,149
Cumulative post-acquisition equity				
Prior Year	**(6,471)**	(4,431)	**-**	-
Current Year	**(774)**	(2,040)	**-**	-
This associate is an air freight company and made an after tax loss of R2.6 million (2009 loss R6.8 million). The company is incorporated in South Africa and has a June year end. The company is classified as an associate and has been equity accounted for the whole financial year. Management is of the opinion that the company will be profitable in the next two years.				

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
7. Investment in Associates (continued)				
7.3 Protea Hotel ORT (Pty) Ltd	**-**	-	**-**	-
Comair Limited has a 25% shareholding in Protea Hotel ORT (Pty) Ltd a company in the hotel industry. The company is incorporated in South Africa and has a June year end.				
A branded Protea Hotel is built on erf 700 Rhodesfield Township. Comair has no capital commitments in relation to this project. A 99 year lease is in place.				
	75,887	73,637	**84,945**	75,881

Summarised financial information of associates and equity accounted joint ventures (aggregated)

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Income statement				
Revenue	**326,687**	331,609	**-**	-
Operating loss	**(21,345)**	(934)	**-**	-
Net finance charges	**(2,713)**	(3,539)	**-**	-
Loss before taxation	**(24,058)**	(4,473)	**-**	-
Taxation	**6,383**	1,255	**-**	-
Loss for the year	**(17,675)**	(3,218)	**-**	-
Balance sheet				
Assets				
Property plant and equipment	**93,843**	97,121	**-**	-
Deferred tax	**15,888**	8,545	**-**	-
Net current assets	**15,218**	91,713	**-**	-
	124,949	197,379	**-**	-
Equity and liabilities				
Capital and reserves	**23,085**	2,931	**-**	-
Borrowings	**101,864**	194,448	**-**	-
	124,949	197,379	**-**	-

8. Financial Risk Management and Financial Instruments

The Group finances its operations through a mixture of retained profits, current borrowings and non-current borrowings. The Group also enters into Forward Exchange Contracts to manage the currency risks of its operations. The main risks arising in the normal course of business from the Group's financial instruments are currency, interest rate and liquidity risk. This note presents information on the Group's exposure to these risks. The Board of Directors is responsible for risk management activities in the Group.

Identification of financial instruments

	Loans and receivables	Available-for-sale	Financial assets/ liabilities at amortised cost	Non-financial instruments	Total
2010 (R'000)					
Assets					
Non-current assets					
Property, plant and equipment	-	-	-	991,853	991,853
Available-for-sale investments	-	153,000	-	-	153,000
Current assets					
Inventories	-	-	-	7,464	7,464
Trade and other receivables	347,588	-	-	72,388	419,976
Investments in associates and joint ventures	75,887	-	-	-	75,887
Forward Exchange Contracts	-	-	116	-	116
Bank and cash	374,277	-	-	-	374,277
Total assets	797,752	153,000	116	1,071,705	2,022,573
Equity and liabilities					
Capital and reserves					
Share capital	-	-	-	5,441	5,441
Share premium	-	-	-	123,356	123,356
Non-distributable reserves	-	-	-	13,828	13,828
Accumulated profit	-	-	-	582,650	582,650
Non-current liabilities					
Interest-bearing liabilities	-	-	188,976	-	188,976
Deferred taxation	-	-	-	78,463	78,463
Current liabilities					
Trade and other payables	-	-	530,517	171,258	701,775
Provisions	-	-	-	62,607	62,607
Interest-bearing liabilities	-	-	242,162	-	242,162
Taxation	-	-	-	23,315	23,315
	-	-	961,655	1,060,918	2,022,573

	Loans and receivables	Available-for-sale	Financial assets/ liabilities at amortised cost	Non-financial instruments	Total
2009 (R'000)					
Assets					
Non-current assets					
Property, plant and equipment	-	-	-	912,043	912,043
Available-for-sale investments	-	131,580	-	-	131,580
Current assets					
Inventories	-	-	-	8,203	8,203
Trade and other receivables	211,028	-	-	52,921	263,949
Investments in associates and joint ventures	73,637	-	-	-	73,637
Taxation	-	-	-	2,154	2,154
Bank and cash	309,220	-	-	-	309,220
Total assets	593,885	131,580	-	975,321	1,700,786
Equity and liabilities					
Capital and reserves					
Share capital	-	-	-	4,749	4,749
Share premium	-	-	-	8,070	8,070
Non-distributable reserves	-	-	-	(7,240)	(7,240)
Accumulated profit	-	-	-	512,143	512,143
Non-current liabilities					
Interest-bearing liabilities	-	-	360,582	-	360,582
Deferred taxation	-	-	-	68,310	68,310
Current liabilities					
Trade and other payables	-	-	467,683	113,166	580,849
Provisions	-	-	-	57,993	57,993
Interest-bearing liabilities	-	-	97,806	-	97,806
Forward exchange contracts	-	-	17,524	-	17,524
	-	-	943,595	757,191	1,700,786

Financial assets are substantially the same for Company and Group, however loans to subsidiaries amounted to R48.8 million (2009: R50.1 million) are classified as loans and receivables.

Interest rate risk

The Group is exposed to interest rate risk as it borrows and places funds. This risk is managed by having a mixture of fixed and floating rates 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 reporting date, the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Liquidity risk

The liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecasted cashflows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

Maturity profile of financial liabilities at 30 June 2010:

Group	Carrying amount	Contractual cash flows	Within 1 year	2 to 5 years	More than 5 years
2010 (R'000)					
Secured and non-current borrowings	188,976	215,049	-	215,049	-
Secured short-term borrowings	242,162	269,817	269,817	-	-
Operating lease commitments	-	598,929	165,255	375,084	58,590
Trade and other payables	530,517	530,517	530,517	-	-
Total financial liabilities – Group and Company	961,655	1,614,312	965,589	590,133	58,590
Total financial assets – Group	950,752	950,752	950,752	-	-
2009 (R'000)					
Secured and non-current borrowings	360,582	400,480	-	400,480	-
Secured short-term borrowings	97,806	126,043	126,043	-	-
Operating lease commitments	-	567,452	162,484	399,768	5,200
Trade and other payables	580,849	463,996	463,996	-	-
Total financial liabilities – Group and Company	1,039,237	1,557,971	752,523	800,248	5,200
Total financial assets – Group	725,465	725,465	725,465	-	-

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency which therefore have exposure to exchange rate variations. The Group may enter into forward exchange contracts to manage exchange rate exposure. Where appropriate, open positions are maintained. The Group 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$1,971,704 and GBP5,639,257 and net short term receivables of GBP11,429,765

Currency options that constitute designated hedge of currency risk at year end relate to fuel. The base price of fuel is calculated in US$. The company hedged approximately 10% of its monthly volumes for a period of ten months at an average rate of R8.72/US$. The fair value at year end, being the amount the Group would receive/(pay) to terminate the contracts at year end was R0.1 million receivable (prior year R17.5 million payable). In the prior year the Group hedged 10% of its monthly fuel oil requirements.

Sensitivity analysis

The sensitivity analysis below calculates the impact of movements in the foreign exchange rates in which the Group transacts as well as in interest rates on the Group profits. The analysis is based on closing balances at year-end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange and interest rate risk as the year-end exposure does not reflect the exposure during the year.

Group	Foreign exchange risk Profit/(loss) should the rand exchange rate change by 5%				Interest rate risk Profit/(loss) should the interest rate change by 2%		
	Carrying value	Amount exposed to risk	Rand appreciation	Rand depreciation	Amount exposed to risk	Rate increase	Rate decrease
2010							
Financial asset R'000							
Bank	374,277	43,349	(2,167)	2,167	374,277	7,486	(7,486)
Trade and other receivables	419,976	128,212	(6,411)	6,411	-	-	-
Impact of financial assets on:							
- profit before tax			(8,578)	8,578	-	7,486	(7,486)
- profit after tax			(6,176)	6,176	-	5,390	(5,390)
Financial liabilities R'000							
Interest bearing liabilities	431,138	-	-	-	259,204	(5,184)	5,184
Trade and other payables	701,775	77,844	3,892	(3,892)	-	-	-
Impact of financial liabilities on:							
- profit before tax			3,892	(3,892)	-	(5,184)	5,184
- profit after tax			2,802	(2,802)	-	(3,733)	3,733
Overall impact on profit after taxation			(3,375)	3,375	-	1,658	(1,658)
2009							
Financial asset R'000							
Bank	309,220	93,159	(4,658)	4,658	309,220	6,184	(6,184)
Trade and other receivables	263,935	105,995	(5,300)	5,300	-	-	-
Impact of financial assets on:							
- profit before tax			(9,958)	9,958	-	6,184	(6,184)
- profit after tax			(7,170)	7,170	-	4,453	(4,453)
Financial liabilities R'000							
Interest bearing liabilities	458,388	-	-	-	239,684	(4,794)	4,794
Trade and other payables	580,708	65,397	3,270	(3,270)	-	-	-
Impact of financial liabilities on:							
- profit before tax			3,270	(3,270)	-	(4,794)	4,794
- profit after tax			2,354	(2,354)	-	(3,451)	3,451
Overall impact on profit after taxation			(4,816)	4,816	-	1,002	(1,002)

Capital risk management

The Group's objectives when managing capital is to safeguard the entity's ability to continue as a going concern.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. ordinary shares, share premium, accumulated profits and other reserves).

The debt-to-adjusted capital ratios at 30 June 2010 and 2009 were as follows:

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
Total liabilities excluding deferred tax	**1,218,835**	1,114,754	**1,219,198**	1,114,613
Less: Cash and bank	**(374,277)**	(309,220)	**(374,278)**	(309,220)
Adjusted liabilities	**844,558**	805,534	**844,920**	805,393
Equity	**725,275**	517,722	**745,447**	534,086
Adjusted capital ratio	**1.13:1**	1.56:1	**1.10:1**	1.51:1

The decline in the capital ratio is due to a combination of improved profitability and cash on hand.

9. Cash Encumbered

The Company has pledged cash totalling R20 million (prior year: R20 million) in respect of aircraft lease obligations.

10. Share Capital

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Authorised:				
1,000,000,000 ordinary shares of 1 cent each	**10,000**	10,000	**10,000**	10,000
75,000,000 "A" class shares of 1 cent each	**750**	750	**750**	750
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
	10,860	10,860	**10,860**	10,860
Issued:				
420,000,000 ordinary shares of 1 cent each	**4,200**	4,200	**4,200**	4,200
69,176,471 ordinary shares of 1 cent each	**692**	-	**692**	**-**
74,117,647 "A" class shares of 1 cent each	**741**	741	**741**	741
Adjustment in respect of consolidation of Share Trust	**(192)**	(192)	**-**	-
13,549 preference shares of 1 cent each issued at R10,000 each				
	5,441	4,749	**5,633**	4,941

Per a General Meeting of the Company held on 26 March 2010 and by way of an ordinary resolution passed at such meeting, 69,176,471 (sixty nine million one hundred and seventy six thousand four hundred and seventy one) ordinary shares in the authorised but unissued ordinary share capital of the Company were placed under the control of the directors per a general authority in terms of Section 221 of the Companies Act 61 of 1973 with authority to allot and issue such shares in the authorised share capital of the Company and which shares were issued and allotted at a price of R1.80 per ordinary share pursuant to a rights offer undertaken in May 2010 and which ordinary shares, pursuant to an Underwriting Agreement, were fully subscribed for per the rights offer.

10. Share Capital (continued)

At a general meeting of the Company held on 14 September 2006, shareholders approved, by way of various special resolutions the creation, specific issue and re-purchase of the "A" shares, as well as the dividend and voting policy relating to those shares. The "A" shares shall vote as a single class at all meetings of shareholders of the Company save for resolutions of the Company relating to the rights and privileges of the "A" shares such that the holders of the "A" shares shall not be entitled to vote or approve any resolution that would otherwise have been passed or not by the required majority of votes, collectively, of the holders of the ordinary shares and the "A" shares (other than resolutions relating to the rights and privileges of the "A" shares.) The "A" shares will not be listed on the JSE and will not be taken into account for the purposes of categorisation transactions under the JSE Listing Requirements. The "A" shares will not be listed on any security exchange but are convertible into ordinary shares on a 'one for one' basis.

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 3.4 of these financials.

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
11. 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 2 October 2010. Interest is calculated at 13% per annum. Three aircraft mortgages serve as collateral covering security (net book value R137 million, prior year net book value R149 million).	**21,330**	60,016	**21,330**	60,016
Rand Merchant Bank Limited				
Aircraft instalment sale agreement payable in 20 quarterly instalments of R2,156,858 with the last payment due on 30 June 2010.	**-**	8,084	**-**	8,084
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 R138 million, prior year R146 million).	**150,604**	150,604	**150,604**	150,604
Aircraft instalment sale agreement payable in 20 quarterly instalments with the last payment due on 20 December 2012. Interest is charged at a variable rate – currently 8.6% One aircraft mortgage serves as collateral covering security (net book value R72 million, prior year R78 million).	**47,205**	63,420	**47,205**	63,420
Aircraft instalment sale agreement payable in 20 quarterly instalments with the last payment due on 5 June 2013. Interest is charged at a variable rate – currently 8.6% Two aircraft mortgages serve as collateral covering security (net book value R182 million, prior year R185 million).	**60,588**	77,503	**60,588**	77,503
Working Capital Loan. This loan is unsecured and is payable in 20 quarterly instalments with the last payment due on 30 September 2013. Interest is charged at a variable rate – currently 8.6%.	**19,274**	23,668	**19,274**	23,668
Mortgage finance agreement. This loan is payable in 20 quarterly instalments with the last instalment due on 25 June 2014. Comair properties, save for erf 700 Rhodesfield Township, have been pledged as collateral for a mortgage finance loan. Interest is charged at a variable rate – currently 10.39%.	**62,837**	75,093	**62,837**	75,093

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
11. Interest Bearing Liabilities (continued)				
Nedbank Limited				
Aircraft instalment sale agreement payable in 20 quarterly instalments with the last payment due on 31 December 2014. Interest is charged at a variable rate - currently 10.37%. Two aircraft mortgages serve as collateral covering security (net book value R108 million prior year).	**69,300**	-	**69,300**	-
Sub-total	**431,138**	458,388	**431,138**	458,388
Less short-term portion	**(242,162)**	(97,806)	**(242,162)**	(97,806)
	188,976	360,582	**188,976**	360,582
Total value of interest bearing liabilities	**431,138**	458,388	**431,138**	458,388
Finance charges	**117,391**	68,135	**117,391**	68,135
Total interest bearing liability commitments	**548,529**	526,523	**548,529**	526,523
- commitments for year one	**269,817**	126,043	**269,817**	126,043
- commitments for year two to five	**215,049**	400,480	**215,049**	400,480
- commitments after year five	**-**	-	**-**	-

12. Deferred Taxation

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
On temporary differences arising from:				
Property, plant and equipment	**136,015**	117,753	**136,015**	117,753
Staff obligations and accruals	**(77,369)**	(65,124)	**(77,369)**	(65,124)
Prepayments	**20,910**	15,698	**20,910**	15,698
STC asset	**(1,093)**	(17)	**(1,093)**	(17)
	78,463	68,310	**78,463**	68,310
Deferred tax reconciliation				
Opening balance	**68,310**	44,717	**68,310**	44,717
Deferred tax – Current	**11,229**	23,610	**11,229**	23,610
STC asset utilised	**(1,076)**	(17)	**(1,076)**	(17)
Closing balance	**78,463**	68,310	**78,463**	68,310

13. Trade and other Payables

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Trade payables	**506,855**	450,345	**506,573**	450,204
Cash settled share-based payment	**3,687**	3,687	**3,687**	3,687
Unflown ticket liability	**171,258**	113,166	**171,258**	113,166
Other	**19,975**	13,651	**19,975**	13,651
	701,775	580,849	**701,493**	580,708

Trade creditor terms vary depending on the agreements. An average of 30 days from statement is fair. Average days outstanding is 40 days.

Cash settled share based payment – 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.

13. Trade and other Payables (continued)

Unflown ticket liability is all monies received from passengers prior to 30 June 2010 for travel after that date.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
14. Provisions				
Leave pay provision	**41,056**	38,222	**41,056**	38,222
Opening balance	**38,222**	30,722	**38,222**	30,722
- Raised through income statement	**2,834**	7,500	**2,834**	7,500
Bonus provision	**21,551**	19,771	**21,551**	19,771
Opening balance	**19,771**	21,827	**19,771**	21,827
- Raised	**33,112**	30,989	**33,112**	30,989
- Utilised	**(31,332)**	(33,045)	**(31,332)**	(33,045)
	62,607	57,993	**62,607**	57,993

15. Profit from Operations

Operating expenses are stated after incorporating the following items:

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Audit fees	**473**	496	**473**	496
Managerial, technical, administrative and secretarial services	**26,634**	15,025	**26,634**	15,025
Directors' emoluments	**17,650**	14,525	**17,650**	14,525
- for services as Directors	**1,690**	1,670	**1,690**	1,670
- for managerial and other services	**11,889**	12,536	**11,889**	12,536
- retirement and medical benefits	**1,131**	1,096	**1,131**	1,096
- share based payments	**2,940**	(777)	**2,940**	(777)
Only Directors are considered key management				
Rentals under operating leases	**176,126**	157,006	**176,126**	157,006
- property rentals	**7,292**	6,403	**7,292**	6,403
- aircraft rentals	**168,143**	150,330	**168,143**	150,330
- equipment and vehicle rentals	**691**	273	**691**	273
Total staff costs	**471,579**	404,682	**471,579**	404,682
Employment costs	**439,495**	375,906	**439,495**	375,906
Contributions to defined contribution funds	**32,084**	28,776	**32,084**	28,776
Number of employees	**1,941**	1,782		
Loss on disposal of property, plant and equipment	**-**	(5,608)	**-**	(5,608)
Loss on exchange differences	**(36,348)**	(32,826)	**(36,348)**	(32,826)
Ad hoc revenue received on international loyalty programme	**8,985**	8,168	**8,985**	8,168
Equity accounting of BEE transaction	**3,428**	3,428	**3,428**	3,428

15. Profit from Operations (continued)

This amount relates to the BEE transaction concluded in 2007 and is being equity accounted for (in terms of IFRS2) using the Black-Scholes option valuation model. The principle assumptions in applying the value of the options were as follows:

a. Volatility of 50%
b. 8 years to date of exercise
c. Dividend yield of 5%
d. Risk free rate of 9.15%
e. Strike price of R3.03

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
16. Share of (Loss)/Profit in Associates				
Share of loss of associates consists of the following items:				
- Retained equity (loss)/profit	**(6,814)**	170	**-**	-
17. Taxation				
Normal tax – current	**24,211**	8,356	**23,742**	8,023
Normal tax – overprovision	**-**	(1,234)	**-**	(1,234)
Deferred tax – current	**11,229**	23,610	**11,229**	23,610
STC provision prior years	**-**	10,000	**-**	10,000
STC asset utilised	**(1,076)**	(17)	**(1,076)**	(17)
	34,364	40,715	**33,895**	40,382
Reconciliation of taxation rate	**%**	%	**%**	%
South African normal tax rate	**(28.0)**	(28.0)	**(28.0)**	(28.0)
Taxation effect of:				
Exempt income	**2.1**	2.2	**2.2**	2.2
Disallowable expenditure	**(1.2)**	(2.3)	**(1.2)**	(2.3)
STC provision prior years	**-**	(8.9)	**-**	(8.9)
STC asset utilised	**0.8**	-	**0.8**	-
Effective taxation rate	**(26.3)**	(37.0)	**(26.2)**	(37.0)

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000

18. Headline Earnings

Earnings attributable to ordinary shareholders	**89,707**	73,049	**95,315**	71,995
Add: IAS 16 loss on disposal of property, plant and equipment	**-**	5,608	**-**	5,608
Headline earnings attributable to ordinary shareholders	**89,707**	78,657	**95,315**	77,603
Weighted ordinary shares in issue ('000)	**408,295**	400,814		
Weighted ordinary shares in issue	**420,000**	420,000		
Adjustment for rights issue	**6,823**	-		
Adjustment in respect of consolidation of Share Trust	**(18,528)**	**(19,186)**		
Adjustment for dilutive effect of share options in issue	**4,032**	2,333		
Adjustment for dilutive effect of BEE transaction	**-**	2,726		
Diluted weighted ordinary shares in issue ('000)	**412,327**	405,873		
Earnings per share (cents)	**22.0**	18.2		
Headline earnings per share (cents)	**22.0**	19.6		
Diluted earnings per share (cents)	**21.8**	18.0		
Diluted headline earnings per share (cents)	**21.8**	19.4		

19. Cash Generated by Operations

Profit before taxation	**124,071**	113,764	**129,210**	112,377
Depreciation	**142,542**	105,874	**142,542**	105,874
BEE "Equity Settled Expense"	**3,428**	3,428	**3,428**	3,428
Share of loss/(profit) from associates	**6,814**	(170)	**-**	-
Net interest paid	**13,108**	15,105	**13,108**	15,105
Profit on disposal of assets	**-**	5,608	**-**	5,608
Cash from operations before working capital changes	**289,963**	243,609	**288,288**	242,392
(Increase)/decrease in working capital	**(29,748)**	135,125	**(29,825)**	136,879
- Inventory decrease/(increase)	**739**	(747)	**739**	(747)
- Accounts receivable (increase)/decrease	**(156,027)**	6,340	**(155,963)**	6,354
- Accounts payable increase	**125,540**	129,532	**125,399**	131,272
	260,215	378,734	**258,463**	379,271

20. Taxation Refunded/(Paid)

Taxation owing at beginning of year	**2,154**	5,988	**1,603**	5,328
Tax adjustment prior year	**-**	1,234	**-**	1,234
Taxation charge for the year	**(24,211)**	(18,356)	**(23,742)**	(18,023)
Taxation (owing)/receivable at end of the year	**23,315**	(2,154)	**23,960**	(1,603)
Taxation paid	**1,258**	(13,288)	**1,821**	(13,064)

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000

21. Retirement Benefits

Post-retirement benefits

The Group contributes to the Evergreen Pension Fund, which is governed by the Pension Funds Act, 1956. The fund covers the majority of its employees and is a defined contribution scheme. Contributions paid by Group companies are charged against income as incurred.

22. Operating Lease Commitments

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Commitments for year one				
Property and buildings	**-**	-	**-**	-
Aircraft	**165,255**	162,484	**165,255**	162,484
	165,255	162,484	**165,255**	162,484
Commitments for year two to five				
Property and buildings	**-**	-	**-**	-
Aircraft	**375,084**	399,768	**375,084**	399,768
	375,084	399,768	**375,084**	399,768
Commitments after year five				
Property and buildings	**-**	-	**-**	-
Aircraft	**58,590**	5,200	**58,590**	5,200
	58,590	5,200	**58,590**	5,200
Total operating lease commitments	**598,929**	567,452	**598,929**	567,452

Leasing arrangements – Aircraft

Generally medium term (5 year) leasing agreements on aircraft.

Currently we have 3 aircraft on ZAR payment terms. These leases have reduced lease expenses from R2.9 million to R1.3 million and have been straight lined. There are 2 aircraft leases at market related US$ amounts which have no escalation clauses in the agreements and are repayable at US$135,000 each per month. There are a further 3 aircraft lease agreements at market related US$ amounts which have no escalation clauses in the agreement and are repayable at US$160,000 each per month. Comair has entered into a further 2 aircraft lease agreements at rates of US$210,000 each per month which have no escalation clauses in them. A further lease has been entered into which starts in November 2010 at a rate of US$228,000 per month. These leases are included in our operating lease commitments outlined above.

23. Borrowing Powers

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

24. 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% (36.7 million shares) of issued share capital in Comair Limited. Currently the scheme holds 3.8% (prior year: 4.6%) of issued share capital. The maximum number of options to be held by any participant in the scheme shall not exceed 1% (4.9 million shares) of the ordinary shares then in issue. The Share Option liability as per IFRS 2 at year end was R7.6 million (prior year R3.7 million) based on the closing share price of R2.10 (prior year R1.85).

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

	2010 Number of share options	**2010** Weighted average exercise price R	2009 Number of share options	2009 Weighted average exercise price R
Balance at beginning of period	**15,506,286**	**1.56**	15,506,286	1.56
Options accepted	**-**	**-**	-	-
Options exercised	**(1,121,322)**	**1.60**	(871,322)	0.87
Options forfeited	**(68,250)**	**2.06**	(318,250)	1.45
Balance at end of period	**14,316,714**	**1.67**	14,316,714	1.56

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

24. Share Incentive Trust (continued)

	Subscription price R	2010 Number of share options	2009 Number of share options
The options outstanding at 30 June 2010 become unconditional between the following dates:			
15 July 1999 and 1 July 2002	1.60	**-**	45,625
25 January 2000 and 1 January 2003	2.20	**-**	23,638
13 March 2000 and 1 January 2003	2.20	**-**	144,000
10 August 2000 and 1 July 2003	2.60	**1,154**	1,154
31 January 2001 and 1 March 2004	1.85	**4,324**	63,785
30 August 2001 and 1 September 2004	1.65	**-**	4,848
23 January 2002 and 1 March 2005	1.25	**34,400**	34,400
1 September 2004 and 1 September 2007	0.80	**483,336**	483,336
26 November 2004 and 26 November 2009	1.25	**-**	187,500
5 December 2005 and 5 December 2010	1.70	**2,993,500**	3,093,000
5 June 2006 and 5 June 2011	1.57	**10,800,000**	11,425,000
Total		**14,316,714**	15,506,286

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:

		2010	2009
Balance at beginning of period		**10,081,002**	10,081,002
Options granted		**-**	-
Resignation of Director		**(416,334)**	**-**
Options exercised		**-**	-
Total		**9,664,668**	10,081,002

The options outstanding for Directors at 30 June 2010 become unconditional between the following dates:

	Subscription price R	2010	2009
1 September 2004 and 1 September 2007	0.80	**366,668**	400,002
5 December 2005 and 5 December 2010	1.70	**2,098,000**	2,231,000
5 June 2006 and 5 June 2011	1.57	**7,200,000**	7,450,000
Total		**9,664,668**	10,081,002

25. Capital Commitments

During the year the Company placed an order for eight 737-800s from the Boeing Company. The Company is also installing a Boeing 737-800 aircraft simulator. The total cost of the eight aircraft and simulator is projected to be approximately R2 billion.

26. New Accounting Pronouncements

At the date of authorisation of these financial statements, various standards are in issue which are not yet effective. This includes the following standard which is applicable to the business of the Group and may have impact on future financial statements.

IFRS 9: Financial Instruments (Effective for annual periods commencing on or after 1 January 2013)
IAS 17: Leases (Effective for annual periods commencing on or after 1 January 2010)
IAS 24: Related Party Disclosure (Effective for annual periods commencing on or after 1 January 2010)
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (Effective for annual periods commencing on or after 1 July 2010)

27. Related Parties

Refer to Directors emoluments on page 25 and Note 15.

Refer to loan accounts and investments in subsidiaries in Note 3.

Interest received on the Commuter Handling Services Loan account amounted to R6.8 million (prior year R10.5 million).

Children see pilots and
– champions in

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
ISIN Code: ZAE000029823 Share Code: COM
("Comair" or "the Company" or "the Group")

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 Comair Operations Building, cnr Fortress and Whirlwind Road, Rhodesfield Kempton Park, on Thursday 28 October 2010 at 12h00 for the following business:

1. To consider and adopt the annual financial statements of the Company for the year ended 30 June 2010 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 2010 be and is hereby approved.

3.1 To re-elect the following Directors of the Company:

3.1.1 RS Ntuli
3.1.2 AK Buchanan
3.1.3 MN Louw
3.1.4 KI Mampeule

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

3.2 To re-elect RY Sri-Chandana who was appointed as a Director of the Company on 15 September 2009 and who retires at the Annual General Meeting, but being eligible, offers himself for re-election.

3.3 To note the resignation of RR Mehta as a Non-executive Director of the Board effective 31 July 2010.

A brief curriculum vitae in respect of each Director referred to in 3.1 and 3.2 appears on pages 69 and 70 of this annual report.

4 To authorise the Directors to re-appoint PKF (JHB) Inc as the independent auditors of the Company and that B Frey be appointed as the individual designated auditor for the ensuing year and to determine the remuneration of the auditors.

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

Ordinary Resolutions

Control of authorised but unissued shares

5. "**RESOLVED THAT** the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company, which authority shall be restricted to 10% of the issued ordinary shares as at 30 June 2010 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 (No. 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 the Association of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

6.1 the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
6.2 any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees;
6.3 the number of shares issued for cash shall not in the aggregate in any one financial year exceed 10% (ten per cent) of the Company's issued share capital of ordinary shares as calculated in terms of the JSE Listings Requirements. 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, is irrevocable and fully underwritten) or acquisition (which has had final terms announced) may be included as though they were shares in issue at the date of application;
6.4 this authority is valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
6.5 a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and
6.6 in determining the price at which an issue of shares may be made in terms of this authority post the listing of the Company, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 day business day period.

This Ordinary Resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the Annual General Meeting."

Special Resolution Number One

Approval to repurchase shares

7. "**RESOLVED THAT**, as a general approval contemplated in sections 85(2) and 85(3) of the Act, the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, be and is hereby authorised, 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 subject to the following limitations, namely that:

7.1 the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
7.2 this general authority shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
7.3 in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company. The JSE should be consulted for a ruling if the Company's securities have not traded in such 5 day business day period;
7.4 acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty per cent) of the Company's issued ordinary share capital calculated as at the beginning of the financial year;
7.5 the Company or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
7.6 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;
7.7 the Company may only appoint one agent to effect any repurchase(s) on its behalf; and
7.8 the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the Company at the relevant times."

The Directors undertake that they will not effect a general repurchase of shares as contemplated above unless the following can be met:

- the Company and the Group will be in a position to repay their debt in the ordinary course of business for the next 12 months after the date of the general repurchase;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group for the next 12 months after the date of the general repurchase;
- the share capital and reserves of the Company and the Group will be adequate for the next 12 months after the date of the general repurchase;
- available working capital will be adequate to continue the operations of the Company and the Group for the next 12 months after the date of the general repurchase; and
- the Company may not enter the market to proceed with the repurchase until the Company's sponsor, Rand Merchant Bank (A division of FirstRand Bank Limited), has confirmed the adequacy of the Company and the Group's working capital in writing to the JSE.

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 – pages 25 to 26
Major shareholders of Comair – page 72 to 74
Directors' interests in securities – page 24
Share capital of the Company – pages 54 to 55

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the Directors, whose names are given on pages 25 to 26 of the annual report of which this notice forms part ("the annual report"), are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement

The Directors, whose names are given on pages 25 to 26 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.

Non-material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the financial or trading position of Comair and its subsidiaries since the date of signature of the audit report and the date of this notice.

Statement of Board's intention

The Directors of the Company have no specific intention to effect the provisions of the Special Resolution but will, however, continually review this position having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

Reason for and effect of the Special Resolution

The reason for and effect of the special resolution is to authorise the Company by way of a general authority to acquire its own issued shares and/or those of its subsidiary Company on such terms, conditions and in such amounts determined from time to time by the Directors of the Company within the limitations set out above. "

Ordinary Resolution

Authorisation for Company Secretary or any Director to sign necessary documents to give effect to resolutions

8. "**RESOLVED THAT** the Company Secretary or any Director be and is hereby authorised on behalf of the Company to sign all documents as may be necessary in order to give effect to the Special and Ordinary Resolutions.

Other Business

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

Voting and proxies

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

Forms of proxy must be lodged with or posted to the Company's Transfer Secretaries, Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2107, 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 Thursday, 28 October 2010, 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.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

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

- holding Comair ordinary shares in certificated form; or
- 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.

Equity securities held by a share trust or scheme will not have their votes at general/annual general meetings taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Note that holders of Unlisted Securities and Treasury Shares are not entitled to vote at the Annual General Meeting.

By order of the Board

DH Borer
Company Secretary

Date: 13 September 2010
Place: Bonaero Park

Directors Standing for Election or Re-election

1. Mr RS Ntuli
(Age: 40)

Ronnie is a leading South African businessman with extensive transaction experience and was involved in the Incwala transaction which was awarded the Dealmakers Deal of the Year in 2004. Ronnie is well known in financial circles, having conceptualised and founded Andisa Capital in 2003 in partnership with the Standard Bank Group. Prior to Ronnie's involvement with the Thelo Group, he was Chief Executive of Andisa Capital. Ronnie is currently the Executive Chairman of the Thelo Group, an independent investment company founded by prominent South African investors in partnership with a global strategic investor at the end of 2005. Ronnie is also Chairman of the National Empowerment Fund (NEF), a multi-billion Rand agency established by the government of the Republic of South Africa in order to promote and advance Black Economic Empowerment (BEE). Ronnie is also Chairman of Incwala Resources, a US$1,5 billion resources investment company. He also sits on a number of boards and public service committees, such as, but not limited to, Incwala Resources, Incwala Platinum, Lonmin Platinum, and Hans Merensky Holdings.

2. Mr AK Buchanan
(Age: 52)

After qualifying as a Scottish solicitor, Alan worked in Hong Kong for two and a half years specialising in ship financing. He moved to London in 1988 where he specialised in aircraft finance. He was seconded to British Airways in 1989 before joining the airline as its Principal Legal Adviser Financial in 1990. He was appointed Company Secretary in 2000. He is also responsible for risk management and insurance.

3. Mr MN Louw
(Age: 55)

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

4. Mr KI Mampeule
(Age: 46)

Khutso Mampeule is the Executive Chairman of Lefa Group Holdings, an investment holding and consulting company he established in 2003. He has overall responsibility for the development and implementation of the Group's strategy and business model. In addition, Khutso is a Director and Chairman of JSE-Listed Capevin Investments Limited, Capevin Holdings Limited, Phetogo Investments (Pty) Ltd., and Withmore Investments (Pty) Ltd., an empowerment consortium he represents on the KWV Holdings Limited Board, where he is also the Chairman of the Empowerment Committee. He is a Director of Remgro Capevin Limited and a number of other privately held companies. Until 21 May 2007, Khutso was the Group CEO of the South African Post Office, where he made extensive headlines for taking firm positions against poor governance and corrupt practices at the institution. Prior to starting Lefa Group Holdings, Khutso was the CEO of Old Mutual Employee Benefits, where he had the overall responsibility for the business with approximately R70 billion worth of assets under management. Before joining Old Mutual, he spent seven years in various senior executive positions at Transnet where he was responsible for the rail operations, including rail/port integration, and the turnaround of the iron-ore export business within Spoornet (OREX). His last position at Transnet was as the CEO of its subsidiary, South African Express Airways. Khutso is a trustee of the World Wide Fund for Nature (WWF) South Africa, a member of the Advisory Council of the University of Stellenbosch Business School, and Chairman of the Johannesburg Chapter of the Young Presidents Organisation (YPO). He holds BA, MSc and MBA degrees.

5. Mr RY Sri-Chandana
(Age: 37)

After qualifying as a Chartered Accountant in 1996, Yasas worked in the corporate finance department of Deutsche Bank, as well as the equity research department of JP Morgan, before moving into financial management at FirstRand in 2003. Since then Yasas has a held a number of senior financial management roles at FleetAfrica, a subsidiary of Super Group and Fuelogic, an associate of Imperial Holdings, before joining Comair as Executive Manager Finance in February 2009. In September 2009, Yasas was made Finance Director of Comair with overall responsibility for the strategy and functioning of the finance function within Comair. Yasas is also a Non-executive Director of Commuter Handling Services, an associate of Comair. In addition to being a chartered accountant, Yasas holds a B.Compt (Cum Laude), Honours B.Compt, M.Com, Higher Diploma in Company Law and is a charter holder of the Chartered Financial Analyst Institute.

"I fly because it releases my mind from the tyranny of petty things . . ."
~ Antoine de St-Exupery

Share Price Performance

	2010	2009
Market price (cents per share)		
Closing (30 June)	**210**	185
High	**300**	271
Low	**170**	125
Closing price/Earnings ratio	**10.6**	10.3
Number of shares in issue		
At year end (millions)	**489**	420
Weighted average (millions)	**427**	420
Volume of shares traded (millions)	**37**	15
Volume of shares traded to number in issue	**8.7%**	3.6%

I love being able to say: this is

Shareholder Analysis

1. Shareholder Spread

Bands	No. of shareholdings	%	No. of shares	%
1 – 1,000 shares	1,852	58,80	545,488	0,12
1,001 – 10,000 shares	872	27,68	3,142,551	0,64
10,001 – 100,000 shares	282	8,95	8,771,508	1,79
100,001 – 1,000,000 shares	104	3,30	32,032,085	6,55
1,000,001 shares and over	40	1,27	444,654,839	90,90
	3,150	100,00	489,176,471	100,00

2. Distribution of Shareholders

Type of shareholder	No. of shareholdings	%	No. of shares	%
Banks	14	0,44	3,451,624	0,71
Medical Schemes	8	0,25	1,965,844	0,40
Close Corporations	32	1,02	292,454	0,06
Empowerment Funds	1	0,03	6,172,550	1,26
Endowment Funds	3	0,10	186,773	0,04
Individuals	2,795	88,73	12,982,009	2,65
Insurance Companies	17	0,54	9,667,137	1,98
Investment Companies	3	0,10	9,061,368	1,85
Mutual Funds	55	1,75	102,249,317	20,90
Nominees and Trusts	91	2,89	4,751,503	0,97
Other Corporations	20	0,63	256,648	0,05
Retirement Funds	69	2,19	29,546,343	6,04
Private (Pty) Companies	39	1,24	102,222,767	20,90
Strategic Holdings	2	0,06	187,842,101	38,40
Share Trust	1	0,03	18,528,033	3,79
	3,150	100,00	489,176,471	100,00

"Welcome on board ladies and gentlemen, your captain speaking." It never gets old!

3. Holdings of 3% or More

The following shareholders hold more than 3% of the issued share capital of the Company.

Shareholder	No. of shares	% shareholding
BB Investment Company (Pty) Ltd	126,826,458	25,93
Britair Holdings Limited	61,521,950	12,58
Innercreek Investments (Pty) Ltd	49,623,607	10,14
Alan Gray*	43,639,892	8,92
Jetcreek Investments (Pty) Ltd	28,223,607	5,77
Oakbay Investments (Pty) Ltd	22,800,000	4,66
Oasis**	22,456,288	4,59
Comair Share Incentive Trust	18,528,033	3,79
	373,619,835	76,38
* **Allan Gray**		
Allan Gray Equity Fund	23,621,231	(4,82%)
Allan Gray Balanced Fund	11,315,573	(2,31%)
Allan Gray Domestic Equity portfolio	5,120,087	(1,05%)
Allen Gray Global Absolute Portfolio	1,561,903	(0,32%)
Allan Gray Domestic Absolute Portfolio	1,156,636	(0,24%)
Allan Gray Life Hedged Domestic Equity Portfolio	864,462	(0,18%)
	43,639,892	8,92%
** **Oasis**	20,259,065	(4,14%)
Oasis Crescent Equity Fund	2,197,223	(0,45%)
Oasis General Equity Fund	22,456,288	4,59%

The Company concluded a Black Economic Empowerment ("BEE") transaction during the 2007 financial year, pursuant to which shares equivalent to 15% of the Company's post-transaction share capital were issued to a BEE consortium known as Thelo Aviation Consortium (Pty) Ltd led by Thelo Aviation Investments (Pty) Ltd. Thelo Aviation Investments (Pty) Ltd, in addition purchased 1.5% of the Company's issued share capital at the time from certain shareholders for cash. Refer to the Circular to Ordinary Shareholders issued on 23 August 2006 for further information relating to the BEE transaction.

4. Public/Non-public Shareholder Spread (Including Resident and Non-resident Shareholding)

Shareholder type and number of shareholders	Number of shares in South Africa		Number of shares other than in South Africa		Total shares	
	No. of shares	%	No. of shares	%	No. of shares	%
Non-public shareholders						
Directors (11)	108,490,074	22,18			108,490,074	22,18
Strategic holdings (more than 10%)						
BB Investment Company (Pty) Ltd (1)	126,826,458	25,93			126,826,458	25,93
Britair Holdings Limited (1)			61,521,950	12,58	61,521,950	12,58
Share trusts						
Comair Share Incentive Trust (1)	18,528,033	3,79			18,528,033	3,79
Public shareholders						
Resident (3,103)	161,092,967	32,92			161,092,967	32,92
Non-resident (33)			12,716,989	2,60	12,716,989	2,60
Total (3,150)	**414,937,532**	**84,82**	**74,238,939**	**15,18**	**489,176,471**	**100,00**

The spread of public shareholders in terms of paragraphs 4.26, 4.27 and 4.28 of the Listings Requirements of the JSE Limited at 30 June 2010 was 35,52% represented by 3,136 Shareholders holding 173,809,956 ordinary shares in the Company.

Form of Proxy for Annual General Meeting

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

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

- holding Comair ordinary shares in certificated form; or
- 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 Thursday, 28 October 2010 at 12h00. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting.

I/We (BLOCK LETTERS) ____
of (address) ____
____
Telephone: (Work) (area code) ____________________ Telephone: (Home) (area code) ____________________
being a holder of ____________________ certificated shares and "own-name" dematerialised shares of the Company and entitled to ______________________________ votes hereby appoint (see Note 1):
(Please print)

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

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

		Number of votes		
		For	**Against**	**Abstain**
1.	To consider and adopt the annual financial statements			
2.	To approve the Directors' remuneration policy			
3.1	To re-elect the following Directors:			
	3.1.1 RS Ntuli			
	3.1.2 AK Buchanan			
	3.1.3 MN Louw			
	3.1.4 KI Mampeule			
3.2	To re-elect RY Sri-Chandana			
4.	To re-appoint and determine the auditor's remuneration			
5.	Ordinary Resolution: Control of authorised but unissued shares			
6.	Ordinary Resolution: Approval to issue shares for cash			
7.	Special Resolution Number 1: Approval to repurchase shares			
8.	Ordinary Resolution: Authorisation for Company Secretary or any other Director to sign necessary documents to give effect to resolutions			

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

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

Signed at ____________________ ***on this*** ________ ***day of*** ______________________________***2010***
Signature/s ______________________________ assisted by me (where applicable)

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

Notes to the Form of Proxy

1. A certificated shareholder or "own-name" dematerialised shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled and authorised to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box provided. Failure to comply herewith will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. Where the proxy is the Chairman, such failure shall be deemed to authorise the Chairman to vote in favour of the resolutions to be considered at the Annual General Meeting in respect of all the shareholder's votes exercisable thereat.

3. The completion and lodging of this form will not preclude the relevant shareholders from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Forms of proxy must be lodged with or posted to the Company's Transfer Secretaries to be received not later than 48 hours before the Annual General Meeting, being Thursday, 28 October 2010 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 with the Transfer Secretaries 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 care of its Transfer Secretaries 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 his/her legal capacity are produced or have been registered by the Company's transfer secretaries.

10. Where shares are held jointly, all joint holders are required to sign the form of proxy.

11. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

Administration

Registered office
1 Marignane Drive
Bonaero Park
Kempton Park
1619

Principal place of business
1 Marignane Drive
Bonaero Park
Kempton Park
1619

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Comair Limited

Annual Report 2010

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