Comair Limited

Integrated Annual Report 2011

Contents

There is more to life than increasing its speed

Report Profile

Scope, Boundary and Reporting Cycle

This Integrated Annual Report of Comair presents the economic, social and environmental performance of the Company in respect of its operations in South Africa only, as well as presenting the financial results, of the Comair Group for the financial year ended 30 June 2011. The Integrated Annual Report will be sent to shareholders, who are recorded as such in Comair's Securities Register on 23 September 2011.

Reporting Principles

The contents included in this Integrated Annual Report are deemed to be useful and relevant to Comair's stakeholders.

The Integrated Annual Report was prepared in accordance with International Financial Reporting Standards, the Listings Requirements of the JSE as well as the Companies Act (Act No. 71 of 2008) as amended. The Company's reporting on sustainable development is guided by the Sustainability Reporting Guidelines of the Global Reporting Initiative.

The Company has applied the majority of the principles contained in the King Report on Governance for South Africa 2009 (the Report) King III. Those requirements of King III which the Company has not applied are explained, where applicable, in this Integrated Annual Report. The Company's reporting on sustainable development was done in accordance with the Global Reporting Initiative (GRI G3.1).

Significant Events During the Reporting Period

No significant events occurred during the reporting period compared to previous financial years.

External Audit and Assurance

The Company's annual financial statements and the Group's annual financial statements were audited by the Group's independent external auditors, PKF (JHB) Inc., in accordance with International Standards of Auditing. The report of the external auditors is included on page 61.

Governance of the Business

Comair's governance structures are focused on maintaining and building a sustainable business and being a responsible corporate citizen. The key elements of these governance structures include:

- Providing a safe, secure, reliable and quality airline service (refer to the Sustainable Development Report for more information);
- Maintaining principles of good corporate governance, integrity and ethics (see the Corporate Governance Report for more information);
- Maintaining effective risk management and internal controls (see the Risk Management section of the Corporate Governance Report for more information);
- Engaging with stakeholders and responding to their reasonable expectations (see the Sustainable Development Report for more information);
- Managing the business in a sustainable manner (see the Sustainable Development Report for more information); and
- Offering employees competitive remuneration packages, based on the principles of fairness and affordability (see the Sustainable Development Report and the Remuneration Report for more information).

Comair Limited ("Group") Core Values

The Group and its employees support the following core values.

Our Customers

In our dealings with our customers, we aim to:

- Reflect the image of the Group;
- Deliver a safe and quality service;
- Regard everyone who is dependent on our outputs as a customer;
- Meet the expectations of our customers;
- Measure customer satisfaction levels;
- Respect our customer's rights to confidentiality; and
- Accept responsibility for customer service.

Mutual Trust and Respect

We aim to:

- Share information to the benefit of the Group;
- Listen with empathy;
- Communicate openly and honestly;
- Display respect for the individual and his/her dignity;
- Solve problems on a win-win basis for all parties;
- Greet and acknowledge one another; and
- Maintain ethical standards.

Performance Driven

We seek to always:

- Set objectives and give regular performance feedback;
- Ensure that each employee knows what is expected of him/her and what our standards are;
- Give recognition to those to whom it is due; and
- Continuously strive to improve our operating efficiencies.

Time makes friendships rich and excuses poor

Group Objectives

Creating Shareholder Value

- We will continue to optimise operating efficiencies and grow the profitability of the business.
- We will always look to make investments that will provide incremental growth based on sound investment principles.

Commitment to Quality

- We will strive to be trusted by all our stakeholders.
- We will always ensure that we provide a safe, secure and reliable service.
- We will strive to always improve customer satisfaction levels.

Managing Risk

- We will continue to ensure that our risks are meticulously managed.
- We will adopt a proactive approach to ensure compliance with regulatory and legislative change.

Leading as a Responsible Corporate Citizen

- We are committed to managing our business in a sustainable way and upholding high standards of ethics and corporate governance practices.

Provide Growth and Development Opportunities for Employees

- We strive to maintain a corporate culture that provides a good working environment, training and skills development that assists us to attract and retain a talented work force.
- We will strive to be an employer of choice, recognising that market competition for competent resources is increasing.

Operating Effectiveness

- We will continue to develop core competencies across our operating environment.
- We will continue to look for cost saving initiatives and look to create synergies over our existing and future operations.
- We wish to position ourselves as the airline of choice.

Chairman and CEOs' Report

Strategic Priorities

During the period under review, we focused on the following strategic priorities:

- Driving volume growth and the expense of yield and managing costs without ever compromising on providing a safe, secure and reliable airline service.
- Attempting to ensure that we constantly meet the needs of our customers.
- Investing in new technology.
- Continually monitoring and evaluating changes to the economic environment.

We have made good progress against most of these priorities during the period under review. We also hope to be a good corporate citizen in our dealings with all our stakeholders.

Performance Against Objectives

Financial Performance

The Numbers

The past year has been an extremely tough year for our business and the global aviation industry in general. Despite strong growth of 19% in turnover, earnings declined by 14% and earnings per share by 28%. External factors certainly played their part – a 20% increase in our fuel bill, crippling increases in airport charges and a stagnant local economy. Notwithstanding the impact of these, our performance over the period was below our own budgets and expectations. Last year we set ourselves a medium term objective of a 10% profit margin and we are some way away from achieving this. Significant investments were made into our new aircraft fleet deposits (R181 million) over the period.

Growth

While we did grow our capacity in the local market over the period, the market has remained stagnant post Soccer World Cup. As a result, while we have grown market share, our average selling price declined, putting pressure on our margins. Subsequent to year end we have reduced our capacity on certain routes. Our Lanseria services, which have grown strongly over the past few years, are unlikely to continue to grow due to strong competition from OR Tambo International Airport as a result of the Gautrain and the introduction of a competitor at Lanseria Airport.

Flexibility in capacity remains essential in the uncertain economic environment. During the period under review we entered into a Joint Operation with Solenta Aviation, a quality operator of smaller gauge (50–70 seater) aircraft. We initiated our joint business with daily flights from Johannesburg to Nelspruit. Subsequent to year end we started further routes from Lanseria airport to Gaborone, Botswana and Maputo, Mozambique. Early indications are that this new partnership will allow us to successfully grow into smaller, lucrative routes both in South Africa and southern Africa.

Post year end, we terminated our overnight services to Dar es Salaam, after realising that we need to offer more convenient day flights on this route to attract business travellers. We are currently researching this need.

Customer Satisfaction

Customer Service

We continuously measure customer satisfaction levels in respect of both our brands to identify areas of improvement and to ensure the delivery of a quality service to our customers.

Due to aircraft shortages in the beginning of 2011, we did not achieve our target of 85% within 15 minutes of scheduled departure time, but we have since rectified this situation and from May 2011 are now consistently achieving this target. The anticipated reliability benefit of our new fleet only materialised towards the end of the financial year. BA and kulula were voted the number one and two business airlines in the annual Sunday Times Survey. The introduction of our SLOW airport lounges at all major airports has been very well accepted by our business travellers. Post year end we launched SLOW in the City, our new concept lounge and business facility, opposite the Gautrain station in Sandton.

Investing in New Technology

Fleet

During the period under review we introduced a further 3 new generation 737-800's into our kulula fleet. Our order of a further 4 new aircraft from Boeing, due for delivery mid 2012, will result in kulula operating the newest and most efficient fleet in the industry.

Systems

In December 2010 we entered into a long-term agreement with Sabre Systems, the leading provider of airline technology, to implement their commercial and operational systems into our operation. The systems will help us manage our revenue more efficiently with far greater control and flexibility than our current systems. On the operational side the systems will assist us in our people planning and rostering which will result in further productivity improvements. Implementation of the new systems is already underway and will be complete mid next year.

Simulator Building and New Simulator

We built a new Simulator training facility at our Operations Building in Rhodesfield and acquired a new Boeing 737-800 Simulator to enable us to train our pilots on our new generation aircraft as well as to provide training to third parties.

Market Environment

Partnerships

We still see partnerships as the cornerstone of our business. Our relationship with Discovery Vitality has gone from strength to strength and now includes local, regional and international flights as well as car rental for Vitality members.

We have extended our FNB/RMB relationship with further investment in SLOW lounges both in the international terminal at ORT and in Sandton.

Europcar, which was very successfully re-branded from Imperial Car Rental, is one of our strongest partners, and together we are the largest on-line seller of car rental in South Africa.

The Joint Operation with like-minded aviation professionals from Solenta Aviation is a new partnership which has shown great promise and which we will continue to invest in.

Brands

Our brands continue to perform well in the market. Kulula is the market leader in affordable, easily accessible air travel and continues to grow in the cost conscious business market. Kulula recently celebrated its 10th birthday and has become one of South Africa's iconic consumer brands and is South Africa's largest on-line retailer by annual sales value.

Our BA brand has continued to grow in the corporate and government sectors as well as in the inbound tourist markets. The BA loyalty programme, Executive Club, the SLOW lounges and our investment in the on board catering product, have all helped grow the appeal of this brand. Our relationship with British Airways PLC remains strong, with BA and ourselves seeing great potential to grow our partnership further into Africa.

Our SLOW lounge brand has built great equity amongst business travellers and we are investing in additional facilities together with our partner, FirstRand Bank.

Competitions Tribunal Claim

The Tribunal ruled in our favor in the case against SAA for its anti-competitive travel agent incentives and its abuse of dominance. We were also successful in the appeal which SAA lodged. Subsequent to year end we have issued a multi million rand summons to SAA for damages related to this claim.

ACSA charges

During the year, ACSA was given permission by the regulator to increase its tariffs by 70% later this year and 161% over 5 years. These increases will result in ACSA charges making up more than half of lower priced air tickets and will be crippling to the budget traveller. We anticipate a decline in travel volumes through ACSA airports following these unaffordable increases. We are also hopeful that future airport capital expenditure programmes will be more responsibly and thoughtfully undertaken and will incorporate the input of airline operators.

Affiliate Businesses

Our affiliate businesses performed well over the period and we continued to look for aligned business opportunities. While these businesses make up a small percentage of our turnover, they are making an increasing contribution to our profits. Our on-line travel business and flight training businesses performed especially well during year. We invested in both these businesses by way of a state of the art, new flight simulator for our training business and a fully functional on line travel system for our travel business.

Corporate Governance

We aim to be a good corporate citizen and maintain the highest standards of integrity and ethics in our dealings with our stakeholders. To ensure that we offer the best possible airline service and are regarded as the airline of choice for all travellers within our operating environment, we manage and control our business by implementing governance procedures and we ensure that we indemnify and manage our risks effectively. More information in this regard can be found in our Corporate Governance Report on pages 9 to 21 of our Integrated Annual Report.

Sustainability

We are committed to managing our business in a sustainable way. This means considering not only the Group's financial performance, but also its social, environmental and economic impacts. Included in this Integrated Annual Report is our first Sustainable Development Report. In this report, we provide our shareholders with information on the non-financial aspects of our business which create economic, social and environmental value.

People

We continue to attract the best talent in the business and continually invest in their well being and development. Fifty of our senior colleagues graduated from our 'Take-Off' Leadership development programme which was undertaken in partnership with the Gordon Institute of Business Science. We have seen continued growth in our people costs in excess of inflation and air fares and have put a great focus on improving productivity. We have made progress in this area by increasing the productive hours of our flight crew by 15% during the year. There is still significant work to be done in this area to improve our efficiency.

We are also very fortunate to have a highly experienced and dedicated management team, led by our executive management team, who has a wealth of experience in the industry. We have, as mentioned above, developed a "Take-Off" Leadership programme to ensure that we have effective succession planning.

The employment and retention of pilots in general remains a challenge. This is even more challenging when it comes to the employment and retention of pilots from previously disadvantaged groups when one considers that the pool of suitably qualified pilots from previously disadvantaged groups is less than 18% of the total South African pilot pool, with black persons representing only 10% of this number. We have attempted to address this challenge through our Cadet Pilot Training Programme, details of which are set out in our Sustainable Development Report.

Training

Training and skills development is a major priority to ensure that we are able to provide a quality service to our customers, and we spent approximately 1,4% of payroll during the period under review in support of our commitment to training and skills development. Further details are set out in our Sustainable Development Report.

Society

We are a committed corporate citizen and, together with our staff, endeavour to improve the lives of fellow South Africans. We endeavour to make a meaningful impact on the communities we support by attempting to alleviate some of their socio-economic challenges. Further details are set out in our Sustainable Development Report.

Environment

We are committed to protecting the environment, conserving natural resources and utilising resources in an effective and responsible way by adopting sound environmental practices in our business and industry, and are committed to improving our environmental performance in attempting to reduce the adverse impact that aviation has on the local and global environment. Further details are set out in our Sustainable Development Report.

Looking Ahead

Our outlook for the next year is very cautious. We are anticipating a flat travel market due to a weak economy and ongoing pressure on consumers. A stubbornly high oil price and unaffordable airport fees will be passed on in the form of higher airfares, putting further pressure on the market. We have reduced capacity on certain routes in anticipation of this but will have the flexibility to add additional flights if necessary.

We will take to heart the saying that 'a good recession should not be wasted' to further strengthen our competitive position by reducing costs and improving productivity further whilst maintaining our unwavering focus on customer service.

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Corporate Governance

Introduction

Comair ("the Company") is a South African Group operating scheduled and non-scheduled airline services as its main business under both its kulula and British Airways brands (the latter under licence from British Airways Plc) in South Africa, Sub-Saharan Africa and the Indian Ocean Islands. The Company's head office and main base of operations are in South Africa. It also maintains ticketing offices and outstations in Harare and Victoria Falls, Zimbabwe. All other outstations beyond the borders of South Africa are manned and managed by general sales agents or passenger handling agents appointed by the Company in the countries concerned. A diagram reflecting where the Company currently operates scheduled air services is set out on page 24 of the Sustainable Development Report. The Company is subject to the listings requirements of the JSE Limited ("JSE") as well as the requirements of the Companies Act, No. 71 of 2008 as amended ("the Companies Act"). The Company supports the governance principles and guidelines contained in King III and is comfortable that effective controls have been put in place and complied with.

Compliance with the JSE Listings Requirements and the Companies Act is monitored by the Company Secretary and the Company's compliance officer and reported to the Board.

The Company is committed to maintaining principles of good corporate governance to ensure that its business is managed in a responsible manner with integrity, fairness, transparency and accountability.

Compliance with all relevant laws, regulations or codes is integral to the Company's risk management approach. No major non-compliance by, nor fines or prosecutions against, the Company were incurred during the period under review.

A major priority during the year ahead will be the replacement of the Company's Memorandum and Articles of Association with a Memorandum of Incorporation for approval by shareholders, which is required in terms of the Companies Act and must be completed within 2 (two) years following the effective date of the Companies Act on 1 May 2011.

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 JSE Listings Requirements require all JSE listed companies to comply with the changes relating to King III in respect of financial years commencing on or after 1 March 2011, which means that the period under review is the first financial year in respect of which the Company has to report on the application of the King III principles in accordance with the "comply or explain" approach of King III. While the vast majority of King III principles are applied by the Company for the duration of the period under review, those principles that have not been complied with are explained in this report. A King III check list is included at the end of this Corporate Governance Report.

Code of Ethics

The Company has a strong culture of entrenched values, which form 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. Conducting business in an honest, fair and legal manner is a fundamental principle of the Company. Ethical behaviour has always been a fundamental guiding principal and management continually focuses on establishing a culture of responsibility, fairness, honesty, accountability and transparency.

Confidential lines

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 persons who are guilty of fraud, corruption and other misconduct. The Company's Whistle Blowing facilities are manned by an independent service provider, which ensures that all calls are treated confidentially. Any employee or external stakeholder is able to report wrongdoing on a confidential and anonymous basis to this service provider. Procedures are in place for the independent investigation of matters reported and for appropriate follow up action. The number of calls or e-mails received during the year was nine (9).

Corruption

The Company has a no-tolerance approach with regard to unethical conduct, in particular to fraud and corruption. Strict policies relating to gifts and donations received from third parties are in place, compelling employees or management to declare these.

The Group further prohibits the making of donations to political parties unless these donations have been pre-approved by the Board. No donations to political parties were made by the Group during the period under review.

Any material incidents of fraud or corruption are reported to the Risk Management Committee. There were no material incidents of fraud and corruption during the reporting period.

Competition

The Company supports and adheres to the relevant competition laws applicable to it. The Company is dealing with a complaint by one of its competitors, namely 1time, which alleges that the Company's arrangements for the use of Lanseria Airport are anti-competitive. Having investigated the complaint, the South African Competition Commission made the decision not to refer the complaint to the South African Competition Tribunal. 1time, of its own accord, referred the complaint to the South African Competition Tribunal. This matter has been set down for hearing during April/May 2012. Other than the foregoing, no legal action for anti-competitive conduct was instituted against the Group during the period under review.

Compliance

Other than the above-mentioned complaint which has not yet been adjudicated, there were no incidents of material non-compliance with any laws, regulations or codes applicable to the Group, and no fines were imposed during the year.

Customer Privacy

No material complaints were made against the Company regarding breach of Customer privacy or loss of customer data during the period.

Social and Ethics Committee

In compliance with the requirements of Section 72 and Regulation 43 of the Companies Act, the Company intends to appoint a Social and Ethics Committee.

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 safeguarding the assets of the Company. 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 64 to 65. 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 2011, the Board comprised seven (7) independent Non-executive Directors, five (5) Non-executive Directors and five (5) executive Directors (including the alternate Directors) as defined in the listing 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 required 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 these, through the executive Directors, are communicated to the applicable management levels;
- Evaluating and approving the annual business plan and budget compiled by management and monitoring management's performance in implementing 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 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 Group and the Company 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.

Induction of New Directors and Independent Advice

Newly appointed Directors are informed of their fiduciary duties by the Company Secretary. Newly appointed Directors receive information on the JSE Listings Requirements and the obligations imposed therein upon Directors and are informed of any amendments to legislation and regulations.

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 Evaluations

The Board conducts informal evaluations of its performance. During the evaluation process, the Board identified sustainability management and governance of information technology as areas requiring attention.

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 64 and 65 of this Integrated Annual Report.

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 accordance with the requirements of King III and the JSE Listings Requirements, Mr Jacob Meyer Kahn was appointed as the Company's Lead independent Director on 6 June 2011. In addition to playing an active role within the Company, the Chairman 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 Company Secretary is assisted in this regard by the Company's Compliance Officer. 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 65 of this Integrated Annual Report.

Board Committees

The Board has created an Audit Committee, Risk Management Committee, Nominations Committee and a Remuneration Committee, as set out below, to enable it 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 Committee

The role of the Audit Committee is to review the Company's financial position and make recommendations to the Board on all financial matters and internal controls. The Committee also reviews the nature and extent of non-audit services provided by the external auditors to ensure that the fees for such services do not become so significant as to call into question their independence. The Chairman of the Committee reports on the Committee's activities at each Board meeting.

The members of this Committee are independent Non-executive Directors, bar one member who is a Non-executive Director and acts 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 Committee Meetings by invitation. The Committee held four (4) meetings during the reporting period.

Composition of Audit Committee and Attendance

Membership		Attendance
Chairman:	Dr PJ Welgemoed	4/4
Members:	Mr KI Mampeule	4/4
	Ms WD Stander	2/4
	Mr AK Buchanan	3/4

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

- Review and recommend to the Board for approval the Company's annual report, interim reports and results announcement;
- Nominate registered auditors who, in the opinion of the committee, are independent of the Company, and ensure that their appointment complies with the provisions of the Companies Act and other legislation relating to their appointment;
- 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;
- Receive and deal appropriately with any concerns or complaints, whether received internally or externally, relating to the Company's or the Group's accounting practices and internal audits, the Company's financial statements, internal financial controls or related matters;
- Monitor and evaluate the performance of the Financial Director;
- Identify and evaluate exposure to financial risks;
- 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 these;
- 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 Group and the Company; and
- Recommend principles for the use of external auditors for non-audit services and ensure that the fees for such services do not become so significant as to call into question their independence.

The Committee's report describing the manner in which it discharges its statutory duties is included in this Integrated Annual Report on pages 55 to 57.

Risk Management Committee

The role of the Risk Management Committee is to review the risks facing the Company's business and to ensure compliance with all required legislation, regulations and codes affecting the business. The members of this Committee, who also serve as members of the Audit Committee, are independent Non-executive Directors bar one (1) member who is a Non-executive Director and acts independently. The Committee meets at least three (3) times per year. The Chairman of the Board, CEOs, Financial Director, internal auditor and external auditors (where appropriate) attend Risk Management meetings by invitation. The Committee held three (3) meetings during the reporting period.

Composition of Risk Management Committee and Attendance

Membership		Attendance
Chairman:	Dr PJ Welgemoed	3/3
Members:	Mr KI Mampeule	3/3
	Ms WD Stander	1/3
	Mr AK Buchanan	2/3

The main responsibilities of the Risk Management Committee are, amongst others, to:

- Identify and evaluate exposure to risk;
- Assist in the evaluation of risk and control procedures and ensure that all risks applicable to the Company are understood and appropriately managed;
- Review, evaluate and approve the activities, scope, adequacy and effectiveness of the Company's risk management functions; and
- Evaluate procedures and systems introduced including, without limitation, the Company's information technology systems.

Nominations Committee

The members of this Committee are all Non-executive Directors who act independently.

This Committee, as well as the Remuneration Committee, considers the matter 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 once during the financial year under review. The composition of the Committee and attendance at meetings are set out below:

Composition of Nominations Committee and Attendance

Membership		Attendance
Chairman:	Mr D Novick	1/1
Members:	Mr JM Kahn	1/1
	Mr KI Mampeule	1/1
	Mr P van Hoven	1/1

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 positions of Chairperson, CEO and executive Director;
- 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, are all Non-executive Directors, three (3) of whom are independent Non-executive Directors and one of whom is a Non-executive Director who acts 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 three (3) times during the financial year under review. The composition of the Committee and attendance at meetings are set out below.

Composition of Remuneration Committee and Attendance

Membership		Attendance
Chairman:	Mr JM Kahn	3/3
Members:	Mr RC Sacks	1/3
	Mr AK Buchanan	2/3
	Mr P van Hoven	3/3

The remuneration policy and the execution thereof is the responsibility of the Remuneration Committee. 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.

The fees for Non-executive Directors and the remuneration packages of executive Directors for the financial year under review are disclosed in the Report of the Directors on page 67 of this Integrated Annual Report.

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

The Board is ultimately accountable for the Group's risk management process. In terms of a mandate by the Board, the Risk Committee monitors the risk management process. The Board oversees the activities of the Risk Committee.

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 form 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 Risk Committee also reviews the risk management process. As set out above, the Risk Committee met three (3) times during the period under review.

In addition to the foregoing, the Company recognises the need for its employees and stakeholders to have access to 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:

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 and the South African Civil Aviation Authority.

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 constantly faced with managing the risk presented by new technology, new developments by its competitors and the speed of development.

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 been very little subsequent training of pilots and technicians, both in South Africa and internationally. The Company has implemented a Pilot Cadet Training Programme. For further information on the Pilot Cadet Training Programme please refer to the Sustainable Development Report.

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 talk of government imposing Carbon Taxes on airline tickets, which will further constrict the market. Furthermore, the Consumer Protection Act (Act No. 68 of 2008), which became fully effective on 31 March 2011, 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.

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.

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 where this is achievable, based on the various instruments available.

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 between the countries party to these treaties. Bilateral treaties within the African Continent have had a major effect on the Company's ability to expand its operations into the African region.

Political and economic developments

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 or internationally and continually reviews these risks. The Company is assisted in this regard through its Licence Agreement with British Airways Plc and through its membership of the International Air Transport Association.

Availability of capital and finance

The costs, terms and availability of capital to finance strategic expansion have been affected by prevailing capital market conditions. The Company therefore undertakes long-term planning of capital requirements and continually monitors its cash position. In addition, the Company continually monitors compliance with the requirements of its debt covenants.

Economic and business Environment

A downturn in the general economic and business environment could affect the Company's operations. The Company therefore continually monitors developments in the economic and business environment for trends and early warning indicators.

Information systems security and availability risk

During the period under review, the Company launched several initiatives to cover not only information system security and availability risk, but also information technology ("IT") governance in accordance with the requirements of King III. The Board also appointed a Chief Information Officer. The Company has, in addition, implemented software dealing with IT systems security. No security breaches occurred during the period under review. As regards systems and network availability, the Company's IT department worked closely with its service providers to ensure that better than ninety nine percent (99%) up time was achieved on the Company's networks and customer facing systems.

Internal Control

Internal Control Systems

The Board is responsible for ensuring that the Company implements and monitors the effectiveness of its systems of internal control. The identification of risk and the implementation and monitoring of adequate systems of internal control to manage both financial and operational risk are delegated to the internal auditor or Chief Audit Executive ("CAE"), who in turn makes recommendations to executive Management as well as to the Audit 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 Committees, external auditors and operational management for resolution. The internal auditor co-ordinates operations with the external auditors so as to ensure proper coverage and minimise duplication of effort. Internal audit plans are tabled at the Audit Committee meetings and follow-up audits are concluded in areas where weakness is identified. The internal audit plan, approved by the Audit 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 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. The Audit Committee is responsible for nominating the Company's external auditors and determining the terms of engagement.

King III Checklist

	Apply	Partially apply	Under review/ do not apply
Ethical Leadership and Corporate Citizenship			
Effective leadership based on an ethical foundation	√		
Responsible corporate citizen	√		
Effective management of Company's ethics	√	√ (Note 1)	√ (Note 1)
Assurance statement on ethics in Integrated Annual Report	√		
Boards and Directors			
The Board is the focal point for, and custodian of, corporate governance	√		
Strategy, risk, performance and sustainability are inseparable	√		
Directors act in the best interest of the Company	√		
The Chairman of the Board is an independent Non-executive Director			√ (Note 2)
Framework for the delegation of authority has been established	√		√ (Note 3)
The Board comprises a balance of power, with a majority of Non-executive Directors who are independent	√		√ (Note 4)
Directors are appointed through a formal process	√		
Formal induction and ongoing training of Directors is conducted	√	√ (Note 5)	√ (Note 5)
The Board is assisted by a competent, suitably qualified and experienced Company Secretary		√ (Note 6)	
Regular performance evaluations of the Board, its Committees and the individual Directors			√ (Note 7)
Appointment of well-structured Committees and oversight of key functions	√	√ (Note 8)	√ (Note 8)
An agreed governance framework between the Group and its subsidiary Boards are in place	√		
Directors and executives are fairly and responsibly remunerated	√		
Remuneration of Directors and senior executives is disclosed			√ (Note 9)
The Company's remuneration policy is approved by its shareholders	√		
Internal Audit			
Effective risk-based internal audit	√	√ (Note 10)	
Written assessment of the effectiveness of the Company's system of internal controls and risk management		√ (Note 11)	√ (Note 11)
The audit committee should be responsible for overseeing internal audit		√ (Note 12)	
Internal audit is strategically positioned to achieve its objectives	√		√ (Note 13)

	Apply	Partially apply	Under review/ do not apply
Audit Committee			
Effective and independent	√		
Suitably skilled and experienced independent Non-executive Directors	√	√ (Note 14)	
Chaired by an independent Non-executive Director		√ (Note 15)	
Oversees integrated reporting	√		
A combined assurance model is applied to improve efficiency in assurance activities	√		
Satisfies itself of the expertise, resources and experience of the Company's finance function	√		
Integral to the risk management process	√		
Oversees the external audit process	√		
Reports to the Board and shareholders on how it has discharge its duties	√		
Compliance with Laws, Codes, Rules and Standards			
The Board ensures that the Company complies with relevant laws	√		
The Board and Directors have a working understanding of the relevance and implications of non-compliance	√		√ (Note 16)
Compliance risk forms an integral part of the Company's risk management process	√		√ (Note 17)
The Board has delegated to management the implementation of an effective compliance framework and processes	√		√ (Note 18)
Governing Stakeholders Relationships			
Appreciation that stakeholders' perceptions affect a Company's reputation	√		√ (Note 19)
Management proactively deals with stakeholder relationships	√		√ (Note 20)
There is an appropriate balance between various stakeholder groupings	√		
Equitable treatment of stakeholders	√		
Transparent and effective communication to stakeholders	√		
Disputes are resolved effectively and timeously	√		
The Governance of Information Technology			
The Board is responsible for information technology (IT) governance	√		
IT is aligned with the performance and sustainability objectives of the Company	√		
Management is responsible for the implementation of an IT governance framework	√		
The Board monitors and evaluates significant IT investments and expenditure	√	√ (Note 21)	
IT is an integral part of the Company's risk management	√		
IT assets are managed effectively	√		
The Risk Management Committee and Audit Committee assist the Board in carrying out its IT responsibility	√		

	Apply	Partially apply	Under review/ do not apply
The Governance of Risk			
The Board is responsible for the governance of risk and setting levels of risk tolerance		√ (Note 22)	√ (Note 22)
The Risk Management Committee assists the Board in carrying out its risk responsibilities	√	√ (Note 23)	
The Board delegates the process of risk management to management		√ (Note 22)	
The Board ensures that risk assessments and monitoring is performed on a continual basis	√	√ (Note 24)	
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√		
Management implements appropriate risk responses	√		
The Board receives assurance on the effectiveness of the risk management process	√	√ (Note 25)	
Sufficient risk disclosure to stakeholders	√		
Integrated Reporting and Disclosure			
Ensures the integrity of the Company's Integrated Annual Report	√		
Sustainability reporting and disclosure are integrated with the Company's financial reporting	√		
Sustainability reporting and disclosure are independently assured	√		

Notes

1) (a) *There are currently no formal measures in place to measure adherence to ethical standards. This is currently under review.*
   (b) *The Company is currently implementing a revised Risk Management Policy and ethical risks and opportunities will be incorporated in such Policy.*

2) *The Chairman of the Company Mr D Novick is classified as a Non-executive Director. Given that the Chairman has been involved in the Company for over 50 years, initially as Managing Director until his appointment as Chairman, and therefore has in-depth industry knowledge and experience, it is in the Company's best interest to have him as Chairman. In compliance with King III and the JSE Listing Requirements, Mr JM Kahn has been appointed as the lead independent Director.*

3) *Currently there is no formalization of the roles and functions of the joint CEOs although each CEO has his own letter of appointment setting out the roles and functions. This is under review by the Nominations Committee.*

4) *The review of the independence of the Non-executive Directors is not undertaken after they have served 9 years. This is currently under review by the Nominations Committee. The Company's Board Charter is under review and will incorporate such requirement. The assessment of the independence of Non-executive Directors will be included in the integrated Sustainable Development Report in due course.*

5) (a) *Although a formal induction programme does not exist for new board members, new board members are advised of their roles and responsibilities on appointment;*
   (b) *Although no formal mentorship programme exists for newly appointed Directors, they do receive informal advice on and assistance in the performance of their responsibilities from the senior and more experienced Directors.*

6) *The Company secretary is an alternate Director. The Company is currently reviewing its position in this regard.*

7) *The Company currently only carries informal evaluations of the board, its committees and individual Directors, but the Company is currently looking to put procedures in place to carry out such formal evaluations.*

8) (a) *While terms of reference exist for the Audit, Nominations and Remuneration Committees, the terms of reference for the Risk Management Committee are currently being drafted.*
   (b) *The holding company performs the Audit Committee function for all subsidiary companies.*

9) The Company, in the interests of maintaining confidential the salary packages of its senior executives, has decided against disclosing the remuneration packages of the 3 most highly paid senior executives.

10) While the CAE is generally not present at Executive Committee and strategy meetings so as to ensure a more effective use of his time, he is provided with minutes of these meetings so as to ensure that there are no risks that may prevent or slow down the realization of strategic goals, to ensure effective mitigation of these controls and to ensure effective management of same.

11) (a) The internal audit function currently provides oral reports to the Board on the effectiveness of the Company's systems of internal controls and risk management. Going forward written reports will be provided.
(b) The Company's internal audit function is not currently subject to independent review due to the high costs involved.

12) See note 11

13) (a) As mentioned above, the CAE does not have a standing invitation to attend the Executive Committee meetings, but does receive minutes of all such meetings.
(b) The Company currently does not maintain a quality assurance and improvement programme but is currently working towards compliance of same.

14) While the Company does have an Audit Committee Charter, the Company will within the two year period provided by the Companies Act of 2008, amend its MOI to define the composition, purpose and duties of the Audit Committee.

15) While the Chairman of the Audit Committee is an independent, Non-executive Director, one of the members of the committee is a Non-executive Director who acts independently. It is felt the Mr AK Buchanan's experiences due to his involvement with British Airways PLC's Audit and Risk committees, justifies retaining him as a member of the committee.

16) The Company's induction and ongoing training programmes do not incorporate an overview of any changes to applicable laws, rules, codes and standards, however, new Directors and existing Directors are constantly informed of such changes. The Company Director's manual will be updated to incorporate provisions for same.

17) The Company has not established a Compliance Forum. The Company does however, have a Compliance Officer who does keep the Board appraised of the compliance requirements.

18) (a) The Company is in the process of drafting a compliance policy for approval by the Board.
(b) The Company compliance policy, once developed and approved by the Board, will set out the roles, reporting lines of the Compliance Officer.

19) While the Company's reputation and its linkage with shareholder relationships is not a regular Board item, this is currently under review by the Board.

20) (a) The Company has considered but decided against publishing its stakeholder policies.
(b) The Board is currently considering whether it should implement mechanisms and processes that support shareholders on constructive engagement with the Company.

21) The Board does not obtain independent assurance on IT governance due to the costs involved and this function is overseen by the internal audit function.

22) A Company Risk Management process has been developed and implemented. The process is managed by the Company's Risk Management Committee. The Risk Management Committee has appointed a sub committee consisting of executive mangers and is chaired by one of the joint CEOs. This sub committee meets quarterly. While the Company does maintain a risk register and constantly considers new risks facing the Company and its formal Risk Policy is in the process of being drafted for presentation and approval by the Board.

23) See note 22

24) The Company is in the process of drafting a Risk Management Policy which will be presented to the Board for approval at its next Board meeting.

25) (a) The Company is in the process of drafting a Risk Management Plan. Notwithstanding the aforegoing risk management processes exist and are applied throughout the Company.
(b) While internal audit does provide informal assessment of internal controls which in future will be done in a more formal way, the assessment of the risk management system is provided to the Board by the Chief Risk Officer informally but will also in future be done in a more formal way.


KINGJAMES 22109
A Royal Wedding without Lobola?
Wills & Kate
You must Neva
29th April 2011
In all the excitement of organising the stag do in Cape Town and the forthcoming polo season, Wills has possibly forgotten to do the right thing.
So in that proud spirit of über-ubuntu between two Commonwealth nations, we at kulula will organise the lobola so that Wills can seal the deal properly, Mzansi style. A percentage of every kulula ticket sold between now and 28 April will go towards buying the cows and getting them to Wills before the wedding. Help us to calculate the number of cows for Kate's bride price by visiting Royal Wedding on our facebook page: iflykulula.
Special Romantic Royal Wedding Lobola Nice Flights (one way, all inclusive)
Prices from
R419 Lanseria – Durbs
R429 Durbs – PE
R429 PE – Durbs
R649 Jo'burg – George
R669 Lanseria – Cape Town
Find these fares easily using the Bargain Browza on our website.
Prices valid till end April between these destinations.
Seats are subject to availability and price change.
you gotta love flying
and weddings
kulula.com

Sustainable Development Report

Introduction

Comair Limited ("the Company/Group") is firmly committed to managing its business in a sustainable way and upholding high standards of ethics and corporate governance practices. Through sustainability efforts the Company hopes to maintain and improve the confidence and trust of its stakeholders and increase its ability to retain and attract staff. The Company received the following external recognitions and achievements during the reporting period under review.

British Airways:

- The Sunday Times Top Brands Awards – First in the Business to Business category
- The Sunday Times Top Brands Awards – Second in the Business to Consumer category

kulula.com:

- Loerie – Gold and Bronze Medal: Best Integrated Campaign – 'You know what'
- The Sunday Times Top Brands Awards – Second in the Business to Business category
- 41^{st} Annual PICA Awards: Best newly launched magazine – 'khuluma'
- Creative Circle Ad of the Month Award: First Place – 'You gotta love flying' (radio)
- Creative Circle Ad of the Month Award: Third Place – 'You gotta love flying' (Outdoor & Newspaper)
- PRISA Gold Award: Creative Circle Newspaper: 'FIFA print advert'

SLOW Lounges:

- Loerie – Gold Medal: Communication Design – Three Dimensional & Environmental Design Architecture & Interior Design
- Loerie – Silver Medal: Communication Design – Brand Identity & Collateral Design – Identity Programmes
- Loerie – Silver Medal: Communication Design: Brand Identity & Collateral Design – General Collateral
- Loerie – Bronze Medal: Communication Design: Brand Identity & Collateral Design – General Collateral

The Company's track record of delivering profits in every year of its existence is testament to its strategy of being a long-term player in the airline business and delivering a sustainable business. While profitability is certainly a major strategic driver, the Company fully appreciates that this could not be achieved without delivering a safe, secure, reliable and quality air service product, valuing its employees by following fair labour practices, offering competitive remuneration and training and development opportunities, contributing to the well being of society and carefully managing the Company's impact on the environment.

The Company manages risk effectively and, despite the many challenges faced by the airline industry today, the Company is confident that it is involved in a growing and sustainable business, delivering value to all its stakeholders in the short, medium and long-term.

Scope and Boundary of the Report

This is the Company's first Sustainable Development Report published as part of the Company's Integrated Annual Report for the financial year ended 30 June 2011. In this report, we intend to provide our stakeholders with information on the non-financial aspects of the Company's business that create economic, social and environmental value.

A key issue facing the Company and the aviation industry globally is climate change. The Company hopes to play a role in reducing global greenhouse gases through the acquisition of new, more technologically advanced and fuel efficient aircraft and by implementing operating efficiencies. This Sustainable Development Report, however, also covers social and economic impacts. As this is the Company's first Sustainable Development Report, the Company has limited the scope of this report to deal only with the Company (Comair) and its operations in South Africa. The Report does not deal with the Company's subsidiary or associated companies. The Company hopes to be in a position in the near future to provide a Sustainable Development Report dealing with the entire Group's impact on social, economic and environmental issues.

Reporting Principles

The principles and recommendations on integrated sustainability reporting contained in King III as well as the G3.1 Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI G3.1) form the basis of the report. The Company has prepared the report in accordance with application level C.

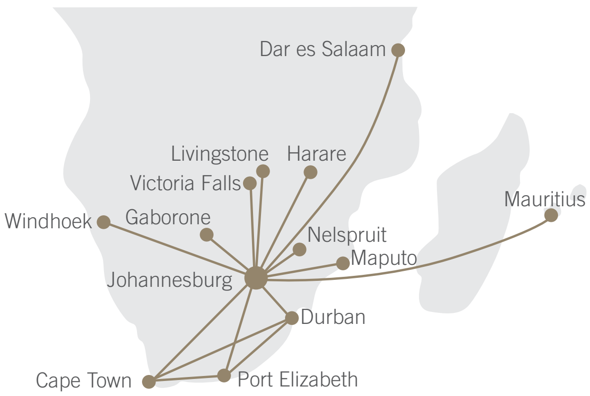
Assurance

The Company accepts accountability to its stakeholders and has attempted to provide information that is relevant and accurate in all material respects. The Company appointed PKF (Jhb) Inc. to provide essential assurance and such essential assurance report can be obtained from the Company Secretary.

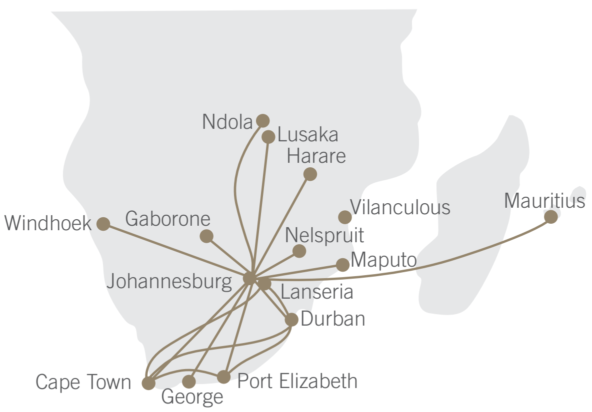
Organisational Structure

The Company is a South African Group operating scheduled and non-scheduled airline services as its main business under both its kulula and British Airways brands (under licence from British Airways Plc) in South Africa, sub-Saharan Africa and the Indian Ocean Islands as well as providing other travel related services, airline pilot training facilities and operating airline lounges. During the period under review, the Company operated 40,366 flights and carried 4,650,568 customers. Diagrams reflecting all the destinations to which the Company's 2 brands provided scheduled air services during the period under review are set out below.

British Airways Route Network

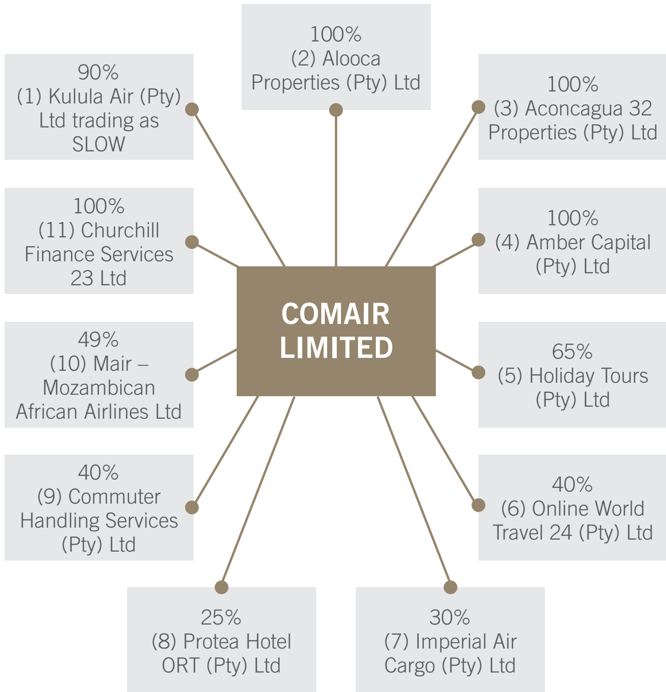


kulula.com Route Network



Note: The Company only commenced operating the Lanseria/Gaborone and Lanseria/Maputo routes on 1 September 2011.

The Company's organisational structure reflects the % (percentage) shareholding owned by the Company as follows:



(1) Kulula Air (Pty) Limited – Runs a business lounge which was opened in August 2011 at the Gautrain Hotel in Sandton;

(2) Alooca Properties (Pty) Ltd – Property owning company which owns a number of properties in Rhodesfield surrounding the Company's operations building;

(3) Aconcagua 32 Investments (Pty) Ltd – Property owning company which owns the property on which the Company's operations building is situated;

(4) Amber Capital (Pty) Ltd – In the process of being deregistered;

(5) Holiday Tours (Pty) Ltd – An outbound tour operating company offering holiday packages to destinations outside of South Africa;

(6) Online World Travel 24 (Pty) Ltd – A full service online travel agency providing travel services online;

(7) Imperial Air Cargo (Pty) Ltd – A cargo and freight company providing cargo and freight services in South Africa;

(8) Protea Hotel ORT (Pty) Ltd – Property owning company which owns the building that constitutes Protea OR Tambo Hotel;

(9) Commuter Handling Services (Pty) Ltd – Provides ramp handling services in South Africa to various airlines;

(10) Mair-Mozambican African Airlines Limitada – The company is currently dormant;

(11) Churchill Finance Services 23 Limited – A company established in Mauritius for the purposes of financing the acquisition of aircraft. This company is in the process of being deregistered.

Management Approach

The Group sustainable development manager is Mr Derek Borer, the Company Secretary, who, as part of a sub-committee consisting of representatives from legal, compliance, finance, marketing, human resources, industrial relations and ground and flight operations departments, is responsible for sustainable development. The sub-committee reports to the Audit Committee.

Management's approach to the sustainability indicators reported on is dealt with in this report as well as the Corporate Governance Report in the relevant sections pertaining to them.

Engagement with Stakeholders

The Company commitment to its stakeholders to conduct its business in a responsible and sustainable way and to respond to their needs is entrenched in the Company Values. The nature of the Company's business requires close engagement with stakeholders including but not limited to customers, employees and trade unions, suppliers, Government and authorities, industry associates, investors and the media. Communication with stakeholders is important in maintaining the Company's reputation as a trusted and reliable provider of airline and related services. One of the Company's main objectives is to become the premier domestic and regional airline in sub-Saharan Africa and the airline of choice for travellers within the Company's operating environment. The Company, in addition, values the importance of its brands, namely British Airways, kulula and SLOW and has taken the necessary legal steps to protect them.

Customers

The Company is committed to providing a safe, secure, reliable and quality experience on both of the Company's airlines brands as well as in its travel related business. These are core to the Company's business and the Company therefore strives to be the airline of choice for all travellers within its operating environment. The Company continually measures customer satisfaction through various surveys to identify areas for improvement in order to ensure it provides a quality service.

To enhance the quality of its service the Company provides access to its airline lounges, known as SLOW Lounges, at OR Tambo International Airport, Cape Town International Airport and King Shaka International Airport to qualifying customers (i.e. Gold and Silver Executive Club Members, business class customers and frequent kulula travellers). In addition, the Company participates in and runs two loyalty programmes known as the British Airways Executive Club and jetsetters as follows.

British Airways Executive Club

The Executive Club is British Airways Plc's global frequent flyer programme. It is designed to recognise and reward loyal customers, with the aim of making their travel more enjoyable. Executive Club members earn BA Miles whenever they fly with British Airways, partner airlines or one of the **one**world® alliance partners. The amount of BA Miles members earn depends on the distance they fly, the cabin they fly in, the type of ticket they hold and their Executive Club tier status. Members can also collect BA Miles with British Airways' worldwide hotel, car rental, financial and shopping partners even when they are not flying. In addition to BA Miles, members also earn Tier Points. Tier Points allow the member to move from Blue to Silver to Gold membership and members enjoy additional benefits associated with each tier level such as, but not limited to, airline lounge access and speedy check-in processes.

jetsetters

jetsetters is kulula's loyalty programme which allows members the ability to earn kulula moolah every time they book a kulula.com flight, whether for themselves or someone else. kulula moolah is 'virtual currency' and 1 kulula moolah equals R1. kulula moolah can be used to pay for any flight on kulula, and jetsetter members have the choice of paying for the tickets by redeeming only kulula moolah, or by paying for their tickets partly in cash and partly by redeeming kulula moolah.

The Company, in addition, prints two on-board magazines, namely, *horizons* for its British Airways brand, and *khuluma* for its kulula brand, which magazines cover a multiple number of subjects including pertinent information relating to the Company and its business. Twelve issues are printed per year of each magazine title (one per month). The circulation for *horizons* is 16,000 per month and for *khuluma*, 21,000 per month. The magazines are made available on board the aircraft and the *horizons* magazine is also available in the SLOW Lounges. Other mediums of communication with customers and potential customers include direct e-mail communications to the Company's respective customer databases, onboard announcements and advertising campaigns (including radio, TV, outdoor, print and on-line) as well as social media channels.

Employees and Trade Unions

The Company's business is also about the people it employs, and gaining the trust and respect of the Company's employees is vital to the Company's success. Paying attention to and responding to employee needs through effective communication and sound labour relations is important in being considered as an employer of choice among existing and prospective employees, and vital to maintain a contented and loyal work force. The Company's employees are treated with respect, receive competitive remuneration and are involved in the day to day running of the business. All employees have access to the Company's e-mail facility and intranet. The Company communicates with its employees in a variety of ways including, but not limited, to:

- The My Comair intranet
  The My Comair intranet provides a platform to inform employees of current news and events, includes newsletters from the Company CEOs, classifieds, corporate information, social responsibility feedback, a library of standard templates to assist employees in the performance of their duties, the Company's policies and procedures, standard forms for leave and employee travel benefits, as well as travel and related specials made available to employees which the Company has been able to secure from various suppliers;
- Direct e-mails to employees;
- Weekly newsletters to employees from the Company's CEOs known as *Plane Talk*;
- Ad hoc Marketing Communications in respect of the Company's 3 brands;
- Ad hoc IT Communications known as *IT Talk*;
- E-mail notification to employees of changes in policies and procedures; and
- Interaction with employees through various workplace forums and the Employment Equity Forum.

The Company in addition has the following programmes in place for all employees:

- Think Vision. This is the Company formula for success and was formulated in consultation with employees to identify traits that are beneficial to the Company and to eliminate those traits which are detrimental;
- Catalyst Awards. This is a programme that encourages employees to implement the Company's Think Vision philosophies and to inspire other employees to do the same;
- The Precious Cargo Programme. This was created to assist employees with balancing the demands of work and family life. Details of this programme are dealt with further on in the Report; and
- An anonymous whistle blowing facility to enable employees to report any suspicious activities. To date the whistle blowing facility, which is monitored and managed by an independent third party, namely, Deloitte's, has been effective in combating various criminal activities such as bribery and theft.

Currently approximately 46% (897 of 1,953) of the Company's employees in South Africa are members of trade unions. The Company strives to maintain good working relationships with the trade unions, where the Company has recognition agreements in place and enters into substantive negotiations annually. These negotiations mainly focus on salary increases and improvements to employment conditions. Current union membership is as follows:

Union	Members
Solidarity	275
Aviation Industry Workers Union (AIWU)	85
South African Aviation and Allied Workers Union (SAAAWU)	359
Comair Pilots Association (which is affiliated to the Airline Pilots Association of South Africa)	178

There was no strike action during the period under review. However, unionised cabin crew members who belong to both Solidarity and AIWU did refer a wage negotiation dispute to the CCMA. The Company and the unions were able to reach an amicable agreement and the unions withdrew the dispute. Other than the aforementioned, no other material issues were raised by employees or trade unions during the period under review.

Suppliers

The Company is dependent on a number of suppliers who form an integral part of the Company's ability to provide a safe, secure, reliable and quality service. The Company attempts to build up long-term relations with suppliers who are of vital importance to the Company based on the principle of mutual trust and respect.

Government and Authorities

Apart from:

- A marketing contribution received from the Government of Mpumalanga to promote airline services to Kruger Mpumalanga International Airport; and
- A potential strategic partnership with the Dube Trade Port Corporation (DTPC), (a statutory corporation established in terms of section 2 of the KwaZulu-Natal Dube Transport Corporation Act (No. 2 of 2010), for the purpose of increasing air access in and out of King Shaka International Airport so as to accelerate the economic development of, and tourism in, the KwaZulu-Natal region), where the Company would receive risk funding from DTPC for certain initiatives the Company would undertake, including the provision of an air service between King Shaka International Airport and Gatwick Airport in the United Kingdom, the Company received no financial assistance from Government.

Government, Regulatory and Industry Bodies

The airline industry is subject to extensive government and regulatory oversight relating to amongst other things, safety, security, licensing and consumer protection. The Company communicates and interacts with the following governmental, regulatory and industry bodies:

Government and Regulatory Bodies

Department of Transport

The Department of Transport ("DoT") is responsible for providing secretarial support to the two licensing councils and the ACSA/ATNS Regulating Committee, to ensure entity oversight of ATNS, ACSA and the SACAA; to conduct bilateral air service negotiations with foreign governments; and to manage aviation industry involvement in major events such as the Soccer World Cup 2010. The Company interacts and co-operates with and provides feedback to the DoT in all these areas. During the period under review, the Company engaged with the DoT regarding the disruptions at King Shaka International Airport during the Soccer World Cup 2010 as well as the dispute between ACSA and the Regulating Committee over the ACSA tariff increases for the next Permission Period.

International Air Services Council

International air services, which are operated by South African carriers between South Africa and other countries, remain regulated with respect to destination, frequency and capacity. The International Air Services Council ("IASC") is the authority responsible for issuing licences to South African operators wishing to operate air services to regional and international destinations. The term of the Council expired in March 2011, and by June 2011 the Minister of Transport was still busy with the process of appointing new Council members. During the period under review, the Company applied for and was granted the rights to operate services between OR Tambo International Airport and Kigali as well as between Lanseria International Airport and Gaborone and Maputo.

Air Services Licensing Council

Domestic air services within the Republic have been de-regulated since 1990. Therefore the Air Services Licensing Council's ("ASLC") responsibilities are restricted to the issuing of air service licences to new applicants, ensuring the safety and reliability of air services operated within South Africa and adjudicating complaints of non-compliance with the Air Services Licensing Act. As the Company has held and maintained a Class I and Class II Air Service Licence for many years, it only appears infrequently before the Council to either answer questions on its published annual financial results or to amend certain details on its licence. During the period under review it was not necessary for the Company to appear before the ASLC. As with the IASC, the term of the ASLC expired in March 2011 and the Minister is in the process of appointing new Council members.

South African Civil Aviation Authority

The South African Civil Aviation Authority ("SACAA") is the body responsible for controlling and regulating civil aviation safety and security in South Africa. As safety is the Company's number one priority, it interacts and co-operates on a regular basis with the SACAA to ensure that the Company maintains and in some areas exceeds the safety and security standards required by the SACAA. In line with this commitment to safety and partnership with the SACAA, the Company has, during the period under review, contributed some of its most experienced staff to participate in SACAA processes aimed at aligning the Civil Aviation Regulations with ICAO minimum standards and certain recommended practices.

Airports Company of South Africa
Most large airports in South Africa are owned and operated by the Airports Company of South Africa ("ACSA"). At an operational level, the Company interacts with ACSA on a continuous basis and maintains a fulltime representative in the ACSA Airport Management Centre at Oliver Tambo International Airport. The Company, together with AASA also engages ACSA on the important issues of airport user charges and the standard of service provided by ACSA to airport users. During the year under review, the Company continued to object to the tariff increase proposed by ACSA for the next Permission Period through the Regulating Committee. The Company also criticized ACSA for the service disruptions that occurred at King Shaka International Airport during the Soccer World Cup 2010, which necessitated the closure of the airport and diversion of three of the Company's aircraft.

Air Traffic and Navigation Services Company
Air traffic and navigation services in South Africa are provided by the Air Traffic and Navigation Services Company ("ATNS"). The Company regularly interacts with ATNS at an operational level and maintains a good relationship with this service provider. During the year under review, the Company provided technical input on plans of ATNS to implement Performance-Based Navigation ("PBN") in South Africa. PBN promises to substantially improve operational efficiencies for airlines to the benefit of both the Company and other airlines.

National Consumer Commission
The Consumer Protection Act (No. 68 of 2008) ("the CPA") came into operation on 1 April 2011. The CPA has created a new regulatory body called the National Consumer Commission ("NCC") which is primarily responsible for the investigation of consumer complaints laid against suppliers. The Company is committed to co-operating with the NCC whenever a consumer complaint is referred to the Commission. The Company will also endeavour to provide any complaint-related information sought by the NCC as well as participate in any conciliation process initiated by the NCC to resolve the complaint.

Industry Bodies

Airlines Association of South Africa (AASA)
The Airlines Association of Southern Africa ("AASA") is an organisation formed to promote and protect the interests of its member airlines operating with the Southern African region. The Company actively participates in both the activities of and management of the Association. The Company believes that the association is vital to ensuring a healthy and commercially successful airline sector in Southern Africa. The Company supports AASA by providing it with data and information on a variety of airline issues; by giving feedback and comment on AASA position papers and submissions; and by participating in the various AASA delegations that attend important stakeholder meetings.

The International Air Transport Association (IATA)
The International Air Transport Association ("IATA") is responsible for promoting safe, reliable, secure and economical air services and fostering inter-airline co-operation. IATA also operates the airline clearing house in Geneva which processes and allocates financial credits and debits between member airlines as well as administering the IOSA airline safety audit scheme. The Company maintains its membership of IATA, participates in the clearing house and undergoes an annual IOSA safety audit.

Investors

The Company's main objective is to create value for its shareholders. Reports to the Company's shareholders are aimed at providing a clear understanding of the Company's financial, economic, social and environmental performance both positive and negative. Policies are in place to ensure that communications with shareholders are made available timeously and simultaneously.

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 Annual Reports. The Board encourages shareholders to attend its Annual General Meeting, notice of which is contained in this Integrated Annual Report, at which shareholders have the opportunity to put questions to the Board.

No material issues or topics were raised by investors during the period under review.

Community

The Company is a committed corporate citizen and, together with its employees, endeavours, wherever possible, to improve the lives of fellow South Africans. The Company believes that social responsibility is a duty, privilege and obligation to help those less fortunate and to make some impact on society in general. For more information regarding the Company's engagement with the community, refer to the section dealing with community involvement on page 40 of this report.

Media

The media plays an important role in the Company's engagement with all its stakeholders. The Company interacts on a regular basis with the media by issuing press releases to both the corporate and trade media as well as granting media interviews to share news on developments related to the Company.

The Company's objective is to position Comair in the media as a trusted player in the airline industry – a 'champion' of the people, and to position the CEOs as leaders on industry issues, to educate the media about the Company's business and how the industry operates as well as to broaden the Company's profile amongst the travel industry media.

Commitment to Quality

Commitment to Safety and Quality of Service

The Company is committed to providing a safe, secure, reliable and quality service to its customers, and aims at being regarded as the airline of choice for corporation and individuals in all the areas and regions in which it operates. The safety and security of the Company's customers is of paramount importance to the Company and the Company therefore ensures that a strong culture of safety and security exists among all employees, which goal is supported by a well defined reporting and management process to ensure that all safety and security issues are dealt with thoroughly and effectively. This is formally documented in a Safety Management Manual that has been accepted by the South African Civil Aviation Authority. In addition, the Company maintains an International Air Transport Association Operational Safety Audit ("IOSA") Registration, has been audited, and passed the bi-annual IOSA audit in February 2010. A further audit will take place during the 2012 calendar year. The Company has also received favourable audit ratings from British Airways Plc and the South African Civil Aviation Authority. Security of customers is achieved by applying measures such as, but not limited to, ensuring that all customers, including the Company's airline crew, prior to entering the secure area of the airport, are screened together with their carry-on baggage. All baggage being placed in the hold of the aircraft is screened and no aircraft departs unless the customer and his/her baggage is on board the aircraft.

Quality of Equipment

As mentioned above, the Company's goal is to provide a safe, secure, reliable and quality service to its customers and strives to procure the best and latest equipment and technology affordable to it in providing such services.

Maintenance of the Company's fleet of aircraft is regulated by the South African Civil Aviation Authority and, as the Company leases in a number of aircraft from foreign-owned leasing companies, the Federal Aviation Authority of the United States and the European Aviation Safety Authority. The Company also ensures compliance with directives issued by the manufacturers of the equipment. The Company's buildings, plant and other equipment are also maintained to a high standard to ensure a safe and user-friendly environment for the Company's employees and customers.

The Company has, in the past financial year, made the following investments in respect of equipment, plant and buildings:

- Leased in five Boeing 737-800 new generation aircraft;
- Entered into an agreement with Boeing to acquire eight new generation 737-800 aircraft. The Company intends to secure Exim (Export-Import Bank of the United States of America) backed finance for the acquisition of such aircraft;
- Upgraded its Operational facility situated in Rhodesfield, Kempton Park, by adding a further Simulator Training facility;
- Acquired a new Boeing 737-800 simulator in addition to the two other simulators that it operates (a Boeing 737-200 simulator and a Boeing 737-300/400/500 simulator) in order to provide pilot-related training to the Company's pilots as well as to third parties;

- Is currently in the process of upgrading its information technology systems with particular reference to the kulula information technology system;
- Continuously invests in maintaining the safety and reliability of its aircraft. The Company subcontracts the maintenance of its aircraft and engines to South African Airways Technical (Pty) Ltd, Israeli Aircraft Industries and Singapore Aerospace.

Customer Experience

In providing a safe, secure, reliable and quality service the Company continuously measures customer satisfaction levels in respect of both its British Airways and kulula.com brands to identify areas of improvement and to ensure the delivery of a quality service to its customers. The overall performance of the Company's 2 brands, as measured by customers for the period under review, is reflected below:

British Airways

The Company conducts monthly onboard research amongst randomly selected customers with the assistance of a research company called Catalyst. The research methodology is in line with the global brand's research methodology known as Global Performance Measurements ("GPMs"). The overall customer satisfaction performance of the British Airways brand during the period under review is reflected in the table below.

Overall Performance 2010–2011 (British Airways)

Cabin crew	88%
Meal/refreshments	71%
Cabin environment	72%
Departure process	70%
Lounges	82%
Check-in process	80%
Likelihood of recommendation	79%
Likelihood to travel with BA	82%
Value for money	71%
Overall satisfaction with BA	82%

kulula.com

For the kulula.com brand, the same methodology that is used on the British Airways brand was used for the first six months of the 2010/2011 financial year. In January 2011 a new system was introduced, called Attentive Customer Experience ("ACE"). The ACE system was put in place with the assistance of a research company, Ransys. The ACE system is a proactive live feedback solution, which allows for daily alerts and quick response to the customer. Randomly selected customers are contacted via telephone and prompted with questions specific to their unique customer experience. The kulula brand's overall performance is reflected in the table below.

Overall Performance May–July 2011 (kulula.com)

Likelihood of recommendation	93%
Fly kulula again	95%
Check-in process	94%
Disruptions handling	39%
Experience beyond expectations	49%
Arrival process and baggage collection	82%
Catering	91%
Cabin crew	96%

Broad-Based Black Economic Empowerment

The Board views the Company's business as an integral part of the political, social and economic community in South Africa and is committed to sustainable transformation as part of its business strategy. The Company recognises the importance of implementing a broad-based black economic empowerment ("BBBEE") programme that addresses the inequality of the past through a dedicated and ongoing process and regularly reviews its BBBEE strategy with the aim of effecting improvement across all seven pillars of the BBBEE scorecard.

The Company has been assessed by a SANAS accredited BBBEE verification agency against the generic scorecard criteria set out by the Department of Trade and Industry ("**the dti**"), the results of which are as follows.

Elements	Indication	Weighting	Score 2011*	Score 2010*
Ownership	Black ownership	20	18.6	15.02
Management control	Black top management	10	2.54	1.33
Employment equity	Black managers	15	2.33	7.82
Skills development	Black training spend	15	10.53	9.76
Preferential procurement	Procurement spend	20	10.78	11.02
Enterprise development	Investment in black-owned enterprises	15	0.21	0.00
Socio-economic development	Socio-economic contribution	5	5	5
Total points		**100**	**50.00**	**49.95**

* *There was a change in rating methodology between 2010 and 2011*

The assessment indicates that the Company achieved a total scorecard of 50 in 2010/2011 compared to 49.5 achieved in 2009/2010. The Company remains a level 6 contributor.

Equity Ownership

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 a Black Empowerment Consortium known as Thelo Aviation Consortium (Proprietary) Limited ("Thelo Aviation Consortium") led by Thelo Aviation Investments (Proprietary) Limited ("Thelo Aviation Investments"). In addition to the above-mentioned BEE transaction, Thelo Aviation Investments, the biggest shareholders in the Thelo Aviation Consortium, purchased an additional 6,172,550 shares in the Company for cash from various shareholders. This resulted in Thelo Aviation Investments and the Thelo Aviation Consortium, together, holding in aggregate 16.1% of the Company's issued share capital post the BEE transaction in 2007.

In September 2009, Thomson Analytics (Pty) Ltd identified a total direct and indirect BBBEE shareholding of 28.03% in respect of the Company's shareholder base. By applying the specific rules of **the dti** BBBEE Codes of Good Practice, the BBBEE verification confirmed the percentage of voting rights allocated to black individuals. Voting rights exercisable by black women was 0.05%.

The Company, on its listing in 1998, implemented a share incentive scheme for all permanent employees, including black employees, to enable them to purchase shares in the Company. The Company Shareholder Analysis is set out on pages 122 to 124 of this Integrated Annual Report.

Management Control

The Company's Black Economic Empowerment Consortium has representation on the Comair Board with two of the Consortium members having been appointed to the Comair Board, namely, Mr Ronald Sibongiseni Ntuli as the Non-executive Joint Deputy Chairman of the Board and Mr Khutso Ignatius Mampeule being an independent Non-executive Director.

Currently, five of the Company's 16 Directors (31%), excluding the alternate Director, are black. At Executive Management level, 2 members (17%) of the 12 member Executive Committee are black.

Employment Equity

The Company's focus on employment equity is in line with the Company's overall transformation strategy.

The overall race distribution of the Company's full time employees as at 30 June 2011 is set out below:

Race distribution – full time employees	
White	781 employees (constituting 40% of the total number of permanent employees)
African, Coloured, Indian	1,172 (constituting 60% of the total number of permanent employees)

Reflected below is the summarised employment equity report (EEA10) submitted on 1 October 2010 as required in terms of section 22 of the Employment Equity Act as well as the Company work force profile as at 30 April 2010.

Summarised Employment Equity Report (EEA10) as at 1 October 2010

Occupational Levels	Male				Female				Foreign National		Total
	A	C	I	W	A	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
Professional qualified and experienced specialists and mid-management	3	1	0	137	4	3	7	54	1	1	211
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendants	122	69	39	176	290	139	77	264	1	3	1,180
Semi-skilled and discretionary decision making	66	30	22	28	141	85	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	227	121	404	4	7	1,925
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	192	100	63	350	457	227	121	404	4	7	1,925

Employees with Disabilities as at 1 October 2010

Occupational Levels	Male				Female				Foreign National		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professional qualified and experienced specialists and mid-management	0	0	0	1	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendants	1	0	0	2	1	1	1	1	0	0	7
Semi-skilled and discretionary decision making	1	0	0	0	0	0	0	0	1	0	2
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total permanent	2	0	0	3	1	1	1	1	1	0	10
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	2	0	0	3	1	1	1	1	1	0	10

Workforce Profile as at 30 April 2011

Level	Total	Male				Female				Foreign National		Totals			
		A	C	I	W	A	C	I	W	Male	Female	Total Male	Total Female	White	Black
Top management	2	0	0	0	2	0	0	0	0	0	0	2	0	2	0
	% Rep	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	100%	0%	100%	0%
Senior management	10	0	0	2	6	0	0	0	2	0	0	8	2	8	2
	% Rep	0%	0%	20%	60%	0%	0%	0%	20%	0%	0%	80%	20%	80%	20%
Middle management	206	3	2	0	147	1	3	6	44	0	0	152	54	194	12
	% Rep	1%	1%	0%	71%	0%	1%	3%	21%	0%	0%	74%	26%	93%	7%
Junior management	1,283	126	74	41	196	310	150	90	296	0	0	437	846	478	795
	% Rep	10%	6%	3%	15%	24%	12%	7%	23%	0%	0%	34%	66%	38%	62%
Semi-skilled	444	72	21	14	24	131	73	27	82	0	0	131	313	108	336
	% Rep	30%	16%	9%	43%	68%	35%	21%	67%	0%	0%	29%	71%	24%	76%
Unskilled	28	3	0	0	0	25	0	0	0	0	0	3	25	0	28
	% Rep	11%	0%	0%	0%	89%	0%	0%	0%	0%	0%	11%	89%	0%	100%
Total permanent employees	1,973	204	97	57	375	467	226	123	424	0	0	733	1,240	799	1,174
	% Rep	10%	5%	3%	19%	24%	11%	6%	21%	0%	0%	37%	63%	40%	60%

Employees with Disabilities as at 30 April 2011

Level	Total	Male				Female				Foreign National		Totals			
		A	C	I	W	A	C	I	W	Male	Female	% Total Male	% Total Female	% White	% Black
Top management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Middle management	1	0	0	0	1	0	0	0	0	0	0	100	0	100	0
Junior management	7	1	0	0	2	1	1	1	1	0	0	43	57	43	57
Semi-skilled	2	1	0	0	0	1	0	0	0	0	0	50	50	100	0
Unskilled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total permanent employees	10	2	0	0	3	2	1	1	1	0	0	50	50	40	60
Temporary employees	0	0	0	0	0	0	0	0	0	0	0	0	0		
Grand total	10	2	0	0	3	2	1	1	1	0	0	50	50	40	60

The Company is looking to implement the following action plans in order to improve representation by previously disadvantaged groups:

- *Work force and succession planning.* The Company will identify areas and positions which will mostly, but not exclusively, be at specialist, scarce skills, senior management and executive level. The capabilities required for these key areas will be benchmarked. The Company will implement staffing plans that will include greater focus on recruitment and the identification of potential and talent as well as fast tracking programmes.
- *Recruitment and selection.* The main driver will be the degree of under-representation by candidates in previously disadvantaged groups and the taking of steps to appoint suitably qualified persons from such designated groups. The Company actively strives to reflect the economically active population of South Africa. The Company Employment Equity Forum works with management to increase the number of black persons with the Company. Due to the Company's current very low employee turnover rate, the number of previously disadvantaged employees has remained at 60%. The percentage includes pilots and technicians, professions where the aviation industry is faced with a particular challenge to achieve a more equitable representation. The employment and retention of pilots from previously disadvantaged groups remains a major challenge, especially as the pool of suitably qualified persons from previously disadvantaged groups is less than 18%, with black persons being just over 10%. The Company has attempted to address this challenge through its Cadet Pilot Training Programme, details of which are set out on page 39 of this Report.
- *Job Evaluation.* The Company job evaluation and grading systems will be improved to be more transparent.
- *Entry level barriers and transformational opportunities.* In line with industry requirements and affordability the Company will identify and attempt to eradicate non-regulatory entry level requirements for cabin crew. The Company is also currently investigating a programme to foster an interest among learners in mathematics and science as an entry level to flying and technical careers within the airline industry.

The Company's new Five Year Employment Equity Plan (2011–2016), reflecting the numerical goals/targets that the Company has set and hopes to achieve, is set out below.

Level	EE Goal	% SA Black Target	Budget-ed Head Count	Male				Female				Foreign National		Total	
				A	C	I	W	A	C	I	W	Male	Female	Male	Female
Top management	2011	0%	2	0	0	0	2	0	0	0	0	0	0	2	0
	2016		2	0	0	0	2	0	0	0	0	0	0	2	0
Senior management	2011	30%	10	0	0	2	6	0	0	0	2	0	0	8	2
	2016		10	1	0	1	5	1	0	0	2	0	0	7	3
Mid management	2011	30%	207	3	2	0	147	1	3	6	44	0	0	152	54
	2016		195	14	3	1	121	12	2	1	41	0	0	139	56
Junior management	2011	80%	1,283	126	74	41	196	310	150	89	297	0	0	437	846
	2016		1,276	241	34	18	131	555	80	42	175	0	0	424	852
Semi-skilled	2011	79.7%	444	72	21	14	24	131	73	27	82	0	0	131	313
	2016		443	142	20	11	44	148	21	11	46	0	0	217	226
Unskilled	2011	87.9%	28	3	0	0	0	25	0	0	0	0	0	3	25
	2016		28	9	1	1	3	9	1	1	3	0	0	14	14
Disabled employees	2011		10	2	0	0	3	2	1	1	1	0	0	5	5
	2016		32	5	0	0	2	12	2	1	10	0	0	7	25

Skills Development

The Company's commitment to providing a quality air service means that skills development is a priority. The Company invested approximately R7,300,000 or approximately 1.4% of payroll during the period under review in support of its commitment to training and skills development. See the section dealing with the Company's training and development initiatives on page 39 for more details.

Preferential Procurement

The Company is committed to the concept of preferential procurement. The Company relies on its suppliers to deliver products and services in line with the Company's required standards and, where possible, the Company enters into service level agreements with such suppliers in an attempt to ensure that such standards are met and maintained. Other important factors play a role in selecting suppliers including, but not limited to, compliance with local and international laws and regulations (particularly those related to aviation); good quality service and products; reliability and stability; cost effectiveness; support networks, with particular reference to suppliers of aircraft parts, components and fuels; and the availability of products and services. The BBBEE status of South African suppliers is also taken into account in selecting South African suppliers.

While the Company attempts to source products and services from South African suppliers, this is not always possible, having regard to the nature of the Company's business, where the acquisition of aviation equipment or specialised airline branded products need to be procured and sourced from foreign companies based mainly in Europe and the United States of America. The proportion of spend with foreign suppliers varies significantly year on year due to the capital value of spend on aircraft and aircraft spares. For the period under review the Company spent approximately 13% of its total procurement spend with foreign suppliers.

Employees involved in procurement of products and services are bound by the Company's Code of Ethics ensuring that the utmost integrity is maintained with the Company's suppliers, and any form of incentive is prohibited.

Enterprise Development

In order to improve the Company's score in this regard, the Company will strive to make available more resources for enterprise development. In future, the Company will provide shorter payment periods to Category A suppliers (an entity in which black people own more than 50% of the voting rights). This should improve the Company's score in this regard.

Socio-Economic Development

The success of the Company's Corporate Social Investment Strategy and initiatives is reflected in the fact that the Company scored a high mark for this element in the BBBEE score card. Further details on the Company's Corporate Social Investment Strategies and Initiatives are provided on page 40 of this report.

Impact that the Company has on the Economy, Society and Environment and the Impact of Suistainability Trends on the Company

Aviation is an economically vital activity generating employment and wealth across the world. The Company goal is to become the airline of choice for all travellers within the Company's operating environment. The Company's strategy is as follows:

(a) Economic Impact

To provide innovative and responsible ways for the Company's customers to travel with the Company;

(b) Social Impact

To provide a great place for the Company's employees to work and to support the community by providing socially responsible support;

(c) Environmental Impact

To reduce carbon emissions through the adoption of new technology and operating efficiencies.

Economic Impact

The Company, like many other companies, has many impacts on its stakeholders through, amongst others, the creation of wealth; creation of employment opportunities; remunerating its employees fairly and competitively, based on industry standards; and the Company's corporate social investment. Kindly refer to the Group's value added statement as set out on page 52 of this Integrated Annual Report.

Access to Affordable Flights

The airline industry is fraught with many challenges involving, but not limited to, the cost of equipment, oil price fluctuations, airport charges and taxes and, consequently, access to affordable flights. It was for this reason that the Company was the first in South Africa to launch a low fares airline, making air travel affordable for a larger portion of the population that would previously not have flown. To enable the Company to continue to offer access to affordable flights, the Company continuously looks at ways in which to improve its cost effectiveness.

Efficiency and Cost Effectiveness

The Company continuously looks at ways to improve its operational efficiencies in order to be able to continue to offer access to affordable fares in the airline market. To improve the Company's cost effectiveness, the Company continuously investigates ways to reduce its costs, some examples of which are:

- The Company has implemented a progressive fleet replacement programme. By operating more modern and fuel efficient aircraft, the Company has achieved a consistent reduction in the cost of aircraft maintenance as well as the amount of fuel used per seat;
- The weight of an aircraft impacts on fuel burn and the Company has, through the installation of light-weight seats and catering equipment, substantially reduced aircraft weight;
- The Company has maximised the use of available technology to reduce airline distribution costs through the use of the internet, thereby eliminating the use of traditional paper tickets, and by introducing self-service check-in for customers; and
- The Company's Flight Operations Department, working with Air Traffic Control and Navigation Services, has developed the most efficient routing of aircraft between airports.

Despite its many cost saving initiatives, some of which are mentioned above, the Company expects to see a significant increase in average airline ticket prices during the next financial year as a result of a substantial rise in the Airports Company South Africa's tariffs, which they have implemented to fund recent airport upgrades and development projects, particularly the new King Shaka International Airport in KwaZulu-Natal.

Public Private Initiatives

The Company believes that Public Private Partnerships ("PPPs") and other joint initiatives with government could have a meaningful role in ensuring access to affordable airfares. The Company continuously looks at opportunities for PPPs. Some examples of the Company's joint initiatives are listed below. While the Company has defined these as PPPs, they may not in fact constitute PPPs as provided for in Treasury Regulation 16 issued in terms of the Public Finance Management Act (No. 1 of 1999).

- *South African Police Service, Metropolitan Police Department, Gauteng Traffic Police and Gene Louw Traffic College*
  The Company has a joint initiative with the Airports Company South Africa which allows South African Police Service ("SAPS"), Metropolitan Police Department ("MPD"), Gauteng Traffic Police ("GTP") and the Gene Louw Traffic College ("GLTC") members and their immediate families to fly kulula at discounted fares. Since its launch in 2005, thousands of SAPS, MPD, GTP and GLTC families have been given the opportunity to visit the beautiful country they protect and serve.
- *Dube Trade Port Corporation (DTPC)*
  The Company is looking at entering into a strategic partnership with the DTPC, (a statutory corporation established in terms of section 2 of the KwaZulu-Natal Dube Transport Corporation Act (No. 2 of 2010), for the purpose of increasing air access in and out of King Shaka International Airport so as to accelerate the economic development of, and tourism in, the KwaZulu-Natal region), where the Company would receive risk funding from the DTPC for certain initiatives the Company would undertake, including the provision of an air service between King Shaka International Airport and Gatwick Airport in the United Kingdom.

Social Impact

The Company's Employees

Employee Composition and Turnover Rate

The success of the Company is dependent on the commitment of its 1,953 employees to deliver a safe, secure, reliable and quality service. The composition of the Company employees is made up as follows:

(a) Workforce composition by employment type

(a)(i)	Permanent employees	1,901
(a)(ii)	Temporary employees	52

(b) Workforce composition per gender

(b)(i)	Males	730
(b)(ii)	Females	1,223

(c) Workforce composition per age distribution

(c.)(i)	Number of employees younger than 30:	883
(c.)(ii)	Number of employees between 30 and 50:	939
(c.)(iii)	Number of employees older than 50:	131

While the Company does not maintain data on the turnover rate of employees by age group and gender, the annual turnover rate for all employees during the 2010/2011 financial year was 7.42% or 145 employees terminating against a head count of 1,953 compared to a turnover rate of 11.31% or 217 employees terminating against a head count of 1,918 achieved during the 2009/2010 financial year.

Employee Remuneration

The Company offers competitive salaries and benefits to its employees based on the principles of equity and fairness. Further details of the Company's remuneration policies are set out in the Remuneration Report on pages 58 to 60.

Remuneration and reward guidelines serve to create a platform for fair and transparent human resource practices so as to ensure consistency and non-discrimination among employees and thereby eliminate any form of subjectivity or favouritism. The Company's position on salaries is the middle quartile; however, salary progression for new employees will range from the lower quartile to the upper quartile as determined by the employees' skills, experience, qualification and performance.

The Company offers employee benefits to its permanent and temporary employees. The Company has a defined contribution pension scheme in place for its permanent employees, which is an umbrella scheme known as Evergreen, administered by Old Mutual. In addition the Company offers its employees risk benefits in the form of death and disability benefits to permanent employees, which scheme is administered by Discovery Life. The Company's permanent employees contribute 7% towards retirement funding with the Company contributing 10% to cover both retirement funding and risk benefits. A medical aid scheme is also in place for permanent and temporary employees, which scheme is administered by Discovery. The Company contributes 50% of the cost in respect of the Discovery Essential Comprehensive Plan for permanent employees. For temporary employees, the Company contributes R150.00 per month per employee to the Discovery Key Care Plan.

Equal Opportunities

The Company believes in providing equal opportunities to all employees and does not accept any form of unfair discrimination based on gender, race, nationality or religion. In line with the aforementioned, there is no difference in the salary structure for male or female employees performing the same function. During the period under review, no incidents of discrimination were reported or observed.

Labour Relations

The Company's aim is to create and maintain sound labour relations, which support the Company's goal of being the employee of choice in the South African airline industry. The Company regularly reviews its employment conditions. The Company tries to ensure that all employees are made aware of their benefits and this information is furnished to employees via the Company's intranet, newsletters sent directly to staff by the Company, Old Mutual and Discovery and other communication methods referred to earlier in this report.

The Company was not subject to any strikes during the period under review. The Company's disciplinary and grievance procedures are communicated to new employees as part of their induction into the Company and are also available to all employees to ensure that they are aware of the process in place to lodge grievances, should they have the need to do so.

The percentage of the Company's employees represented by trade unions or collective bargaining agreements is reflected on page 26 of this Sustainable Development Report.

The minimum, notice periods for the Company's employees are as follows:

Pilots:	3 months
All other employees:	4 weeks

Performance Management

The performance management process, known as "On Track", is carried out for all employees. The On Track process strives to give employees as much clarity as possible on what is expected of them and how their performance will be measured. It is designed to give managers and staff tools and skills to maintain open, empowered and constructive relationships. The performance management process exists to assist managers to be fair and consistent and manage accountability throughout the organisation. The emphasis is on quality, face-to-face discussions on performance, and aims to contribute to a culture of giving and receiving positive and developmental feedback.

In addition to the above philosophy, the functional purpose is to align individually agreed objectives to ensure that the collective effort will achieve the Company's overall strategic plan. Through the performance management process the Company hopes to create an environment in which individuals get direction, guidance and feedback in order to perform optimally by identifying ongoing accountabilities and agreeing to specific task assignments. Ultimately it enables the Company to recognise and reward high performance by way of performance incentive payouts.

Recruitment and Retention of Skilled Staff

The recruitment and retention of the right calibre of employee is vital to enable the Company to deliver on its goal of becoming the airline of choice in the places and regions to which it operates. The Company acknowledges that its ability to recruit and retain skilled employees is a critical factor in driving Company performance in the intensely competitive and dynamic business environment in which it operates.

The employment and retention of pilots remains a major challenge to the Company, particularly pilots from previously disadvantaged groups. The Company has attempted to address this challenge through its Cadet Pilot Training Programme and, as far as the Company is aware, it is the only airline in South Africa that currently provides such a programme. To date, the Company has trained 11 cadets from previously disadvantaged groups. The costs of this programme are prohibitive, and the Company will be liaising with Government to try and obtain funding from Government aimed at facilitating the training and qualification of airline pilots from designated groups. The Company, in addition, having regard to the fact that each pilot that joins the Company has to be trained to fly on the Company's aircraft, requires that the pilots sign training bonds, to ensure that they remain in the employ of the Company for a certain period to cover the cost of the training.

The Company's recruitment and selection practices are carried out in accordance with all applicable labour legislation and are based on the principles of fairness, transparency and consistency. This is achieved through the use of objective and validated tools including, but not limited to, competency-based interviews and psychometric assessments. The recruitment and selection process entails achieving a balance between employing the best person for the position and the achievement of the numerical goals as set out in the Company's employment equity plan in order to achieve an equitable representation of designated groups in all occupational levels within the Company.

Health and Safety at Work

The Company pays special attention to health and safety in the work place so as to ensure that there is a safe environment for the Company's employees, customers and invitees. The health of the Company's employees is important to ensure the sustainability of the Company. During the period under review, 19 incidents were reported, ranging from equipment injuries to motor vehicle accidents. There were no fatalities during the period under review.

Health and Safety Committees

The Company pays due regard to the health and safety of employees and strives to provide employees, customers and invitees with a clean and safe working environment, and maintains reporting and notification systems. Safety incidents and damage are reported through a 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 in each department 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. The Company is fully compliant with the Occupational Health and Safety Act.

Staff Welfare

Balancing the demands of work and family life is not always easy, and it was with this in mind that the Company entered into a contract with Independent Counselling Advisory Services ("ICAS") and the Company's Precious Cargo Wellness Programme was born. ICAS provides a confidential 24 hour a day, 365 day a year personal support and information service for employees and their families to call for help in dealing with everyday situations and more serious concerns. The service includes telephone consulting, face to face counselling, life management services and HIV counselling. In addition, employees have access to e-Care services, which is an online comprehensive health portal providing valuable and interactive resources on a wide range of topics approved by qualified health professionals.

The Company's HIV/AIDS programme forms part of the Precious Cargo Wellness Programme for all employees and allows all employees to undergo voluntary HIV testing and, if need be, counselling. Employees who test positive are referred for additional counselling through the programme as well as being provided with medical support through the Company's medical aid scheme. The Company runs HIV awareness workshops which allow employees the opportunity to learn more about HIV and AIDS.

Training and Skills Development

The Company's training programmes are focused at improving its human capital, improving business processes and procedures, maintaining and promoting quality service delivery in all aspects of the Company's business and alleviating, within affordable boundaries, skills shortages amongst pilots.

Employee Training

The Company makes a significant investment in training, investing approximately 1.4% of payroll on training.

The Company has implemented the following training programmes:

- *"Take Off"*: 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") and underwritten by the University of Pretoria. As part of this programme the Company's potential future leaders are identified and undertake courses covering several key issues of business management in a mini-MBA styled programme.
- *Cadet Pilot Training Programme:* The Company remains committed to its Cadet Pilot Training Programme, despite the rising cost of providing such training and, to the best of its knowledge and belief, it is the only airline in South Africa that runs such programme. During the period under review two cadet pilots, namely a black female and an Indian male, obtained their commercial pilot licences. Since the Company initiated the programme, 11 cadets have obtained their commercial pilot licences, three of which are currently employed by the Company, while some of the others have been employed at other smaller airlines to obtain sufficient flying experience to qualify for employment as a pilot with the Company.
- *Work Place Experiential Learning:* During the period under review, the Company was involved with various tertiary education providers to provide students in travel-related disciplines offered by these tertiary education facilities with six months' workplace experiential training experience. In this regard:
  - six students from the Durban University of Technology completed their practical component six months' work experience course with the Company at King Shaka International Airport.
  - three students from the Cape Peninsula University of Technology completed their practical component six months' work experience course at Cape town International Airport.
  - two students with disabilities from Boston City Campus completed their six months' experiential learning work experience course at the Company in order to graduate with a diploma in Business Administration. One of these students is employed on a permanent basis in the Company's quality assurance department, while the other was offered a six month work contract with the Company.
- *Internships:* Two students in Industrial Psychology completed their internships with the Company in the Organisational Development (OD) Department. One student is an Honours graduate in Industrial Psychology from the University of South Africa (UNISA) and she completed her six month internship for an Equivalence BA Honours psychology degree in Practical Psychometry. Having successfully completed her internship and board examination, she is now appointed as the Company's full time psychometrist. The second student completed his one year internship for a Masters Degree in Industrial Psychology.
- *Skills Development Programme:* As part of the Company's contribution to the community, 31 students from Reiger Park were provided with the opportunity of gaining six months' work experience at the Company. Since the Company commenced this initiative in 2006, it has awarded 126 students from the Ekurhuleni district with passenger handling certificates. The Company has, in addition, employed nine students from the Ekurhuleni district as cabin attendants. The Company has further offered 111 students permanent employment, with 14 other students still waiting to be interviewed for permanent positions within the Company.

- *Other:* In addition to the aforementioned, the Company provides training and development courses to its employees in areas such as, but not limited to, passenger handling, orientation courses on the Company, passenger check-in, dangerous goods training, customer service training, station emergency awareness training, aviation safety and security training, training on fares and ticketing, customer experience training, safety and emergency procedures training, type-rating training for pilots on the Company aircraft, and crew resource management training, so as to ensure that the highest standards of safety, security and service are maintained. 1,498 employees underwent training and development courses during the period under review.

Investing in 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. In this regard, the Company has assisted the Community as follows:

The South African Police Service, Metro Police Department, Gauteng Traffic Police and Gene Louw Traffic College

The Company has a joint initiative with the Airports Company of South Africa which allows members of the South African Police Service ("SAPS"), Metropolitan Police Department ("MPD"), Gauteng Traffic Police ("GTP") and Gene Louw Traffic College ("GLTC") and their immediate families to fly kulula at discounted fares. Since its launch in 2005, thousands of SAPS, MPD, GTP and GLTC families have been given the opportunity to visit the beautiful country they protect and serve.

Project Green

This project was launched in 2007, and its purpose is to raise money to care for the environment while also offsetting the Company's carbon emissions through the sustainable greening of townships in South Africa. The Company, through a collection process run through the kulula website, has raised over R1,000,000.00 from its customers, which money is handed over to Food and Trees for Africa to complete the greening process.

Reiger Park

In addition to the Company's skills development programme with Reiger Park, the Company has adopted approximately 600 vulnerable children and orphans that are cared for by the Community Crisis Centre in Reiger Park. This Centre provides support to the Greater Ekurhuleni area including the surrounding informal settlements. The Company's employees have supported the Crisis Centre for the last five years by donating their time on feeding days and supplying food.

Christmas 2010

The Company and its employees hosted a Christmas party for over 600 vulnerable children and orphans from the Greater Ekurhuleni areas. The Company employees collected gifts for the children which were handed to them at the event. The children were treated to pizza, cold drinks, bags of sweets and lots of fun.

SKY

As part of the Company's Take Off programme, employees on the programme went on an experiential tour to Soweto and visited the Soweto Kliptown Youth Centre ("SKY"). SKY provides hope and services to some of the most neglected children in South Africa. Taking leadership to its next level and being inspirational involves connecting people in need to support and opportunities, which is exactly what the Take Off employees did. They recognised an opportunity to integrate exemplary leadership in giving back to the community and organised a party for the children in this shelter, which made a huge difference to many children's lives.

Casual Day

The Company, through its employees, raised more than R96,000 in support of the Casual Day charity.

Movember

Movember (the month formerly known as November) is a moustache growing charity event held annually during November to help raise funds and awareness for prostrate and testicular cancer. The Company collected over R10,000 for this charity.

Environmental Impact

The Company is committed to protecting the environment, conserving natural resources and utilising resources in an effective and responsible way, by adopting sound environmental practices in its business.

This section of the report deals with the environmental performance of the Company and reflects the carbon footprint of the Company based on the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol ("GHG Protocol"). The organisational boundary of the report is reflected in the table below.

Organisational entity	Comair Limited
Operational control	100%
Boundary approved	Operational control
Reporting period	1 July 2010 to 30 June 2011

As mentioned at the outset of this Report, this Report deals only with the Company and its operations in South Africa and does not deal with the Company's subsidiary and associated companies. The Report includes the compulsory reporting requirements of the GHG Protocol by quantifying the Company's emissions that are categorised as Scope 1 and Scope 2 and includes selected Scope 3 emissions. The activities listed in the table below have been reported on.

Scope 1	Scope 2	Scope 3
• Mobile fuel combustion in company-owned/ leased aircraft and company-owned vehicles • Stationary combustion in company-owned assets (Generator)	Consumption of purchased electricity	Water supply

Environmental Objectives

The Company's environmental objectives are currently aimed at:

- Identifying and complying with environmental legislation and regulations;
- Identifying and managing all risks relating to the Company's impact on the environment with regard to water use, energy use and conservation and emissions and climate change;
- Creating environmental awareness amongst all employees;
- Limiting aircraft noise without compromising safety; and
- Linking fuel saving initiatives to an environmental saving objective.

These objectives enable the Company to identify aspects of its business that could have an effect on the environment with a view to reducing such impact.

The Company's Chief Executive Officers are responsible for ensuring compliance with these goals and delegate this responsibility to senior managers within the Company.

Environmental Management Risk Assessment

The Company is committed to ensuring that it complies with environmental legislation and regulations applicable to it. The main environmental impact being managed is the utilisation of fuel and oil which have a direct effect on the Company's carbon emissions.

The Company assesses the risks faced by it associated with climate change, which risks include:

- *Regulatory risks:* Compliance with environmental legislation; and
- *Physical risks:* Interruption to and fuel shortages and the risks associated with load shedding in South Africa.

Emissions

Globally, aviation produces around 700 million tons of carbon dioxide ("CO_2“) per year, which represents approximately 2% of total man-made emissions. This share is projected to grow.

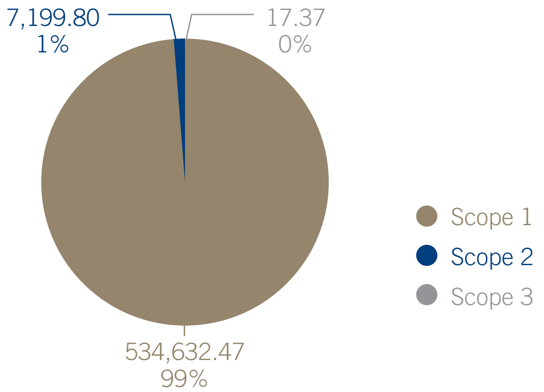
British Airways Plc, the Company franchisor in respect of its BA brand and a major shareholder, is playing a leading role within the aviation industry in developing and promoting proactive schemes for a post-Kyoto aviation policy. They believe that CO_2 emissions from international aviation must be integrated within a global agreement and that this must be done in a way that ensures equal treatment of all airlines.

The Company supports the approach adopted by British Airways Plc and is committed to improving its environmental performance and reducing the adverse impact that its activities have on the local and global environment.

Insofar as the Company's emissions are concerned, the Company's GHG inventory, by scope and expressed in metric tonnes of carbon dioxide equivalent ("CO_2e") is detailed in the tables and graphs below.

GHG inventory 2011	Scope 1	Scope 2	Scope 3	Total
Metric tonnes of CO_2e	534,632.47	7,199.80	17.37	541,849.64

GHG Inventory by Scope: Comair Limited 2011 – Tonnes CO_2e



Total emissions	Emissions per employee	Emissions per m²	Emissions per passenger
541,850	277	0.115	0.116

The total GHG inventory of the Company for the period under review was 541,849.64 metric tonnes of CO_2e made up as follows:

Direct Emissions (Scope 1)

Scope 1 Emissions

Emission Source	Unit of Measure	Emission Factor	Consumption	Tonnes of CO_2e
Mobile fuel consumption	ℓ	Various[1]	209,816,860	534,567.63
Stationary combustion (generators)	ℓ	2,67[1]	24,304	64.83
Total Scope 1				534,632.47

[1] 2011 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting July 2011

The direct emissions reflected above are broken down as follows:

Detailed breakdown of mobile fuel combustion in company-owned/leased aircraft and owned vehicles:

Emission Source	Unit of Measure	Emission Factor[1]	Consumption	Tonnes of CO_2e
Aviation fuel	ℓ	2.5478 kg	209,800,926	534,530.80
Petrol	ℓ	2,3117 kg	15,934	36.83

Detailed breakdown of stationary combustion (generators)

Emission Source	Unit of Measure	Emission Factor[1]	Consumption	Tonnes of CO_2e
Diesel	ℓ	2,667 kg	24,304	64.83

Indirect Emissions (Scope 2)

Emission Source	Unit of Measure	Emission Factor[2]	Consumption	Tonnes of CO_2e
Purchased electricity	kWh	0,99 kg	7,272,525	7,199.80
Total Scope 2				7,199.80

[2] Source: Grid Electricity Emission Factor as per Eskom Annual Report 2011

Scope 3 Emissions

Emission Source	Unit of Measure	Emission Factor	Consumption	Tonnes of CO_2e
Water supply (purchased water)	Million ℓ	340	51.09	17.37
Total Scope 3				17.37

In order to reduce the effect that the Company has in respect of Scope 1, Scope 2 and Scope 3 emissions, the Company:

- has, over the past number of years, implemented a fleet replacement programme and currently operates five Boeing 737-800 new generation aircraft, 10 Boeing 737-400 aircraft and nine Boeing 737-300 aircraft. The Company has phased out the use of its B737-200 aircraft from scheduled services. In addition, the Company placed an order with the Boeing Company to acquire eight new generation B737-800 aircraft, with the first deliveries occurring in the 2012 calendar year. These new generation B737-800 aircraft are not only quieter than the older generation B737 aircraft but also offer better performance and fuel efficiency, reduced noise on take-off and landing, and lower engine emissions;
- approximately three years ago, implemented a programme to reduce weight on board the aircraft by implementing a paperless cockpit, reducing the amount of potable water carried on board the aircraft and reducing the weight of the aircraft galleys and thus reducing the fuel used on board the aircraft;
- in conjunction with Air Traffic Control, has, where possible, implemented a Continuous Descent Approach to achieve fuel efficiency and reduce the impact of noise;
- has, where such stands are assigned to them by the Airports Company South Africa, used fixed ground power units as opposed to Auxiliary Power Units to reduce fuel consumption and noise;
- has attempted to reduce the impact of noise, as annoyance and sleep disturbance are the most commonly reported adverse effects of aircraft noise. The Company's objective is to try to reduce or limit the total number of people exposed to high levels of aircraft noise. Current regulations and voluntary actions by the Company, such as phasing out its older aircraft, ensuring that all its engines are stage 3 noise compliant, as well as restrictions on the use of airspace, night time flying and ground operations restrictions, have, to a large extent, resulted in reduced aircraft noise;
- is currently investigating implementing various energy saving initiatives with regard to electricity consumption such as, but not limited to, changing all light fittings and globes to more energy efficient ones; and
- has implemented a number of initiatives to reduce water consumption, including the use of borehole water at the Company's head office and operational buildings. Other initiatives to reduce water consumption include employee awareness, monitoring of uncontrolled leakages and monitoring garden irrigation cycles.

Waste Management and Recycling

While the Company does have a programme in place to recycle paper, no measures have yet been put in place to measure the tonnage of paper re-cycled.

The Company outsources the maintenance of its aircraft and aircraft engines to third party suppliers as detailed earlier in this report. These third party suppliers dispose of waste arising from the maintenance of the aircraft and aircraft engines, including radioactive material, in accordance with their own policies and procedures relating to water management and recycling.

Refuse removal in the Company complies with South African laws and regulations. During the period under review there were no incidents or fines imposed for breach of any law or regulation.

Compliance

To the best of the Company's knowledge and belief there have been no incidents of material non-compliance with any environmental laws or regulations and no fines were imposed upon the Company during the period under review.

Glossary of Terms used in this Environment Impact Section

Boundaries – The inventory boundaries to determine which emissions are accounted for and reported. Boundaries include organisational, operational, geographic and business unit structures.

Carbon Footprint – The total greenhouse gas emissions caused directly and indirectly by an organisation, typically over a period of 12 months.

CO_2e – Carbon dioxide equivalent – standardisation of all greenhouse gases to reflect its warming equivalent to carbon dioxide (CO_2). This is used to evaluate different greenhouse gases against a common basis.

Direct emissions – GHG emissions from facilities or sources owned or controlled by the reporting company, e.g. generator, company-owned vehicles, etc.

Emissions – The release of greenhouse gases into the atmosphere.

Emission factor – Conversion factor to translate activity data, e.g. tonnes of fuel consumed, into emission data.

GHG – Greenhouse gases. Under the GHG Protocol standard six gases are accounted for, namely carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, per fluorocarbons and sulphur hexafluoride.

GHG Inventory – A listing of the GHG emissions and sources that are attributable to the company.

GHG Protocol – GHG Protocol Corporate Accounting and Reporting Standard.

Indirect emissions – Emissions that are a consequence of the operations of the reporting company, but occur at sources owned or controlled by another company.

Operational boundary – The boundary to establish the operations and sources of emissions included in the GHG Inventory.

Organisational boundary – The boundary to establish business units or entities of an organisation included in the GHG Inventory. An equity or control approach can be taken.

Reporting period – The period of time, typically a calendar or financial year for which the report covers.

Scope 1 emission – Direct emission from company-owned or controlled equipment, vehicles or aircraft.

Scope 2 emission – Indirect emission from the consumption of purchased electricity.

Scope 3 emission – Indirect emission from other activities associated with the activities of the company, e.g. commuting travel, business air travel and paper or water consumption.

GRI G3 Disclosure Index

The table below identifies the location of the standard disclosures required by the Global Reporting Initiative's sustainability reporting guidelines although all may not be entirely in accordance with the GRI guidelines. The reports meet the requirements for an application Level C in terms of the GRI G3 requirements.

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
		Strategy and analysis	
1.1 – full compliance	CEO statement on sustainability	Chairman and Joint CEOs' Report	5
1.2 – partial compliance	Key impacts, risks and opportunities	Chairman and Joint CEOs' Report Corporate Governance Report	5 9
		Organisational profile	
2.1–2.8 – full compliance	Name; primary brands; products and services; operational structure; location of headquarters; countries where organisation operates; nature of ownership and legal form; markets served; scale of the organisation	Outside Front Cover Sustainable Development Report: Organisational Structure Sustainable Development Report: Social Impact Audited Group Financial Statements Shareholder Analysis	OFC 24 36 68–72 122
2.9 – full compliance	Significant changes regarding size, structure or ownership	Report Profile	2
2.10 – full compliance	Awards received	Sustainable Development Report: Introduction	23
		Report parameters	
Report Profile			
3.1–3.4 – full compliance	Reporting period; date of previous report; reporting cycle; contact person	Sustainable Development Report: Scope and Boundary Sustainable Development Report: Management Approach	23 25
3.5–3.8 – full compliance	Process for defining report content; boundary of the report; limitations on scope or boundary of report; basis for reporting on joint ventures, subsidiaries, leased facilities; outsourced operations and other entities	Report Profile Sustainable Development Report: Scope and Boundary of the Report	2 23
3.9 – non-compliance	Data measurement techniques and bases of calculations	Not reported	-
3.10 – full compliance	Explanation of the effect of any re-statements of information provided in earlier reports	Sustainable Development Report: Scope and Boundary	23
3.11 – full compliance	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied	Sustainable Development Report: Scope and Boundary	23
GRI content index			
3.12 – full compliance	Location of the standard GRI disclosures	Sustainable Development Report: GRI G3 Disclosure Index	45
Assurance			
3.13 – full compiance	Policy and practice regarding external assurance	Report Profile Sustainable Development Report: Assurance	2 23

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
	Governance, commitments and engagement		
4.1–4.3 – full compliance	Governance structure of the organisation, including Board committees; indication if Chairman also executive; number of independent and/or Non-executive Board members	Corporate Governance Report Report of Directors Sustainable Development Report: Management Approach	10 64 25
4.4 – full compliance	Mechanism for shareholders and employees to provide recommendations to Board	Sustainable Development Report: Engagement with Stakeholders	25
4.5 – full compliance	Linkage between compensation for Board members, senior managers and executives and the organisation's performance	Remuneration Report	58
4.6 – full compliance	Processes of Board to ensure conflicts of interest are avoided	Corporate Governance Report: Conflicts of Interests	11
4.7 – non-compliance	Process for determining the qualifications and expertise of Board members for guiding the organisation's strategy on economic, environmental and social topics	Corporate Governance Report: Board Evaluations	11
4.8–4.9 – full compliance	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social topics; procedures for Board for overseeing the organisation's identification and management of economic, environmental and social performance	Comair Limited ("Group") Core Values Group Objectives Sustainable Development Report Corporate Governance Report: Audit Committee	3 4 23 12
4.10 – partial compliance	Processes for evaluating Board's own performance, particularly with regard to economic, environmental and social performance	Corporate Governance Report: Board Evaluations	11
Commitments to external initiatives			
4.11 – full compliance	Whether and how precautionary approach or principle is addressed	Corporate Governance Report: Introduction Sustainable Development Report: Introduction	9 23
4.12 – full compliance	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Sustainable Development Report: Reporting Principles Report Profile	23 2
4.13 – full compliance	Membership in associations	Sustainable Development Report: Engagement with Stakeholders	25
Stakeholder engagement			
4.14 – full compliance	List of stakeholder groups engaged by organisation; basis for identification and selection of stakeholders with whom to engage	Sustainable Development Report: Engagement with Stakeholders	25
4.16–4.17 – partial compliance	Approaches to stakeholder engagement; key topics and concerns that have been raised through stakeholder engagement and how organisation responded	Sustainable Development Report: Engagement with Stakeholders	25

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
Management approach and performance indicators (core indicators in **bold**)			
Environmental			
Materials			
EN1 – non-compliance **EN2 – non-compliance**	**Materials used by weight or volume; percentage of materials used that are recycled input materials**	Not reported	-
Energy			
EN3 – full compliance **EN4 – full compliance** EN5 – non-compliance (not reported) EN6 – non-compliance (not reported) EN7 – non-compliance (not reported)	**Direct energy used consumption by primary energy source; indirect energy consumption by primary source;** energy saved due to conservation and efficiency improvements; initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives; initiatives to reduce energy consumption and reductions achieved	Sustainable Development Report: Environmental Impact	41
Water			
EN8 – full compliance EN9 – non-compliance (not reported) EN10 – non-compliance (not reported)	**Total water withdrawn by source:** water sources significantly affected by withdrawal of water; percentage and total volume of water recycled and reused	Sustainable Development Report: Environmental Impacts	41
Biodiversity			
EN11 – non-compliance **EN12 – non-compliance** EN13 – non-compliance EN14 – non-compliance EN15 – non-compliance	**Location and size of land owned, leased, managed in or adjacent to, protected areas of high biodiversity value outside protected areas; description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas;** habitats protected or restored; strategies; current actions and future plans for managing impacts on biodiversity; number of IUCN Red List species and national conservation list species with habitats in areas affected by operations by level of extinction risk	Not reported	-

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
Emissions, effluents and waste			
EN16 – full compliance **EN17 – non-compliance (not reported)** EN18 – partial compliance **EN19 – non-compliance (not reported)** **EN20 – non-compliance (not reported)** **EN22 – non-compliance (not reported)** **EN23 – not applicable** EN24 – not applicable EN25 – not applicable	**Total direct and indirect greenhouse gas emissions by weight; other relevant indirect greenhouse gas emissions by weight;** initiatives to reduce greenhouse gas emissions and reductions achieved; **emissions of ozone-depleting substances by weight; NO, SO and other significant air emissions by type and weight; total water discharge by quality and destination; total weight of waste by type and disposal method; total number and volume of significant spills;** weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally; identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Sustainable Development Report: Environmental Impact	41
Products and services			
EN26 – partial compliance	**Initiatives to mitigate environmental impacts**	Sustainable Development Report: Environmental Impact	41
EN27 – not applicable	**Products sold and their packaging materials reclaimed**	Not applicable	-
Compliance			
EN28 – full compliance	**Fines and non-monetary sanctions for non-compliance with environmental laws and regulations**	Sustainable Development Report: Environmental Impact	39
Transport			
EN29 – not applicable	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	Not applicable	-
Overall			
EN30 – non-compliance	Total environmental protection expenditures and investments by type	Not reported	-
Social: Human rights			
Investment and procurement practices			
HR1 – non-compliance **HR2 – non-compliance**	**Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening; percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken**	Not reported	-
HR3 – non-compliance	Total hours of employee training on policies and procedures concerning aspects of human rights that relevant to operations including the percentage of employees trained	Not reported	-

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
Non-discrimination			
HR4 – full compliance	**Total number of incidents of discrimination and actions taken**	Sustainable Development Report: Social Impact – The Company's Employees: Employee Remuneration and Equal Opportunities	37
Freedom of association and collective bargaining			
HR5 – partial compliance	**Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights**	Sustainable Development Report: Social Impact – The Company's Employees: Labour Relations	26; 37
Child and forced/compulsory labour			
HR6 HR7 – not applicable	**Operations identified as having significant risk for incidents of child or forced/compulsory labour, and measures taken to contribute to the elimination of child or forced/compulsory labour**	Not applicable	-
Security practices			
HR8 – not applicable	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not applicable	-
Indigenous rights			
HR9 – full compliance	Total number of incidents of violations involving rights of indigenous people and actions taken	See HR4 above	37
Social: Labour practices and decent work			
Employment			
LA1 – full compliance LA2 – partial compliance	**Total workforce by employment type, employment contract and region; total number and rate of employee turnover by age group, gender and region**	Sustainable Development Report: Employment Equity Sustainable Development Report: The Company's Employees: Employee Composition and Turnover Rate	33 36
LA3 – full compliance	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Sustainable Development Report: The Company's Employees: Employee Remuneration	36
Labour/management relations			
LA4 – full compliance LA5 – full compliance	**Percentage of employees covered by collective bargaining agreements; minimum notice period(s) regarding operation changes, including whether it is specified in collective agreements**	Engagement with Stakeholders – Employees and Trade Unions Sustainable Development Report: The Company's Employees: Labour Relations	26 37
Occupational health and safety			
LA6 – non-compliance	Percentage of total workforce represented in formal joint management – worker health and safety committees that help monitor and advise on occupational health and safety programmes	Not reported on	-
LA7 – partial compliance	**Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region**	Sustainable Development Report – The Company's Employees: Health and Safety	38
LA8 – full compliance	**Education, training, counseling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases**	Sustainable Development Report: – The Company's Employees: Staff Welfare	38
LA9 – non-compliance	Health and safety topics covered in formal agreements with trade unions	Not reported	-

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
Training and education			
LA10 – partial compliance **LA11 – non-compliance** **LA12 – non-compliance**	**Average hours of training per year per employee by employer category:** programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings; percentage of employees receiving regular performance and career development reviews	Sustainable Development Report: Employment Equity: Skills Development Sustainable Development Report: Training and Skills Development	35 39
Diversity and equal opportunity			
LA13 – full compliance **LA14 – full compliance**	**Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity; ratio of basic salary of men to women by employee category**	Sustainable Development Report: Employment Equity Sustainable Development Report: The Company's Employees: Employee Composition and Turnover Rate Directors Report Sustainable Development Report: The Company's Employees: Employee Remuneration	31 37 64 37
Social: Society			
Community			
S01 – partial compliance	**Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities**	Sustainable Development Report: Engagement with Stakeholders; Sustainable Development Report: Social Impact: Investing in the Community	25 40
Corruption			
S02 – non-compliance **S03 – non-compliance** **S04 – full compliance**	**Percentage and total number of business units analysed for risks related to corruption; percentage of employees trained in organisation's anti-corruption policies and procedures; actions taken in response to incidents of corruption**	Corporate Governance Report: Corruption	10
Public policy			
S05 – partial compliance	**Public policy positions and participation in public policy development and lobbying**	Sustainable Development Report: Stakeholder Engagement: Government and Authorities	27
S06 – full compliance	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Corporate Governance Report: Corruption	10
Anti-corruption behaviour			
S07 – full compliance	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Corporate Governance Report: Competition	10
Compliance			
S08 – full compliance	**Fines and non-monetary sanctions for non-compliance with laws and regulations**	Corporate Governance Report: Compliance	10
Social: Product responsibility			
Customer health and safety			
PR1 – partial compliance	**Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures**	Sustainable Development Report: Commitment to Quality	29
PR2 – full compliance	Incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Corporate Governance Report: Compliance	10

GRI G3 Disclosure Reference	Description	Section of Integrated Annual Report	Page Reference
Product and service labeling			
PR3 – not applicable	**Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements**	Not applicable	-
PR4 – not applicable	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	Not applicable	-
PR5 – full compliance	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainable Development Report: Commitment to Quality	29
Marketing communications			
PR6 – non-compliance	**Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship**	Not reported	-
PR7 – full compliance	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Corporate Governance Report: Compliance	10
Customer privacy			
PR8 – full compliance	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Corporate Governance Report: Customer Privacy	10
PR9 – full compliance	**Fines for non-compliance with laws and regulations concerning the provision and use of products and services**	Corporate Governance Report: Compliance	10
Economic			
Economic performance			
EC1 – full compliance	**Direct economic value generated and distributed**	Value Added Statement	52
EC2 – full compliance	**Financial implications and other risks and opportunities for the organisation's activities due to climate change**	Sustainable Development Report: Environmental Impact	41
EC3 – not applicable	**Coverage of the organisation's defined benefit plan obligations**	Not applicable	-
EC4 – full compliance	**Financial assistance received from government**	Sustainable Development Report: Engagement with Stakeholders: Government and Authorities	27
Market presence			
EC5 – non-compliance	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	Not reported	-
EC6 – full compliance	**Policy, practices and proportion of spending on locally-based suppliers at significant locations of operations**	Sustainable Development Report: Preferential Procurement	35
EC7 – full compliance	**Procedures for local hiring and proportion of senior management hired from the local community at location's of significant operation**	Sustainable Development Report: Employment Equity Sustainable Development Report: Social Impact – The Company's Employees: Recruitment and Retention of Skilled Staff	31 38
Indirect economic impacts			
EC8 – partial compliance	**Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bone engagement**	Sustainable Development Report: Social Impact: Investing in the Community	40
EC9 – partial compliance	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainable Development Report: Economic Impact	35

Group Value Added Statement
for the year ended 30 June 2011

	2011 R'000	%	2010 R'000	%
Wealth created				
Group revenue	**3,587,754**		3,009,544	
Cost of materials and services	**(2,762,713)**		(2,258,326)	
Value added	**825,041**		751,218	
Interest income	**17,545**		22,683	
Total value added	**842,586**		773,901	
Wealth distributed				
Employees				
Salaries, wages and related benefits	**537,740**	**64**	471,579	61
Providers of capital				
Interest on loans	**35,255**	**4**	45,859	6
Dividends paid to shareholders	**23,598**	**3**	20,040	3
Government				
Taxation expense	**10,672**	**1**	24,211	3
Re-invest in the Group	**235,321**	**28**	212,212	27
Depreciation	**158,835**		142,542	
Retained Income	**76,486**		69,670	
	842,586	**100**	773,901	100

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 61 to 109 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 61 to 109 were approved by the Board of Directors on 12 September 2011 and signed on its behalf.

ER Venter
Joint CEO
12 September 2011

GS Novick
Joint CEO
12 September 2011

D Novick
Chairman
12 September 2011

Like all skills, the art of doing nothing takes time to master

Statement of Company Secretary

In terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended (“the Act”), I certify that the Company has lodged all returns and notices as required by the Act and that all such returns are true, correct and up to date.

To the extent that the Companies Act of 1973 (“the 1973 Act”) is applicable to the period under review, I certify that in terms of section 269 G (d) of the 1973 Act, the Company has lodged with the Registrar all such returns as is required by the 1973 Act, and that all such returns are true, correct and up to date.

Mr DH Borer
Company Secretary
12 September 2011

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2011.

Audit Committee Mandate

The Comair Audit Committee ("the Committee") has adopted a mandate that has been approved by the Board of Directors. The Committee has conducted its affairs in compliance with this mandate and has discharged its responsibilities contained therein.

Composition and Meeting

The Committee consists of 3 (three) independent Non-executive Directors and one Non-executive Director who acts independently, and meets at least 3 (three) times per annum.

The Chairman of the Board, CEOs, Financial Director, internal auditor and external auditor attend Committee meetings by invitation.

During the year the Committee held 4 (four) meetings.

Committee Members

Name	Date of Appointment	Qualifications	No. of Meetings held during year	Attendance
Dr PJ Welgemoed	28/03/1996	BCom (Hons), MCom, DCom	4	4
Mr KI Mampeule	05/09/2005	BA, MSc, MBA	4	4
Ms WD Stander	15/09/2008	BA (Hons), MBA	4	2
Mr AK Buchanan	30/11/2009	MA, LLB	4	3

Abridged curricula vitae of the Committee members appear on pages 118 to 120 of this Integrated Annual Report.

The Board re-appointed the Committee members, which appointments are subject to shareholders re-electing the Committee members at its Annual General Meeting to be held on Wednesday, 9 November 2011 at 12h00.

Role and Function of the Committee

The roles and functions of the Committee, including its statutory duties, are set out below:

- Review and recommend to the Board for approval the Company's Integrated Annual Report, interim reports and results announcement;
- Nominate registered auditors who, in the opinion of the Committee, are independent of the Company and ensure that the appointment complies with the provisions of the Companies Act (No. 71 of 2008) (the "Companies Act") and other legislation relating to their appointment;
- Review and evaluate the effectiveness and performance of the external auditors as well as the scope, adequacy and costs of the audits to be performed;
- Evaluate and approve the external auditors' plans, findings and reports;
- Monitor and evaluate the performance of the Financial Director;
- Identify and evaluate exposure to financial risk;

- Evaluate the effectiveness of the internal audit function, including its activities, scope and adequacy, and receive and approve the internal audit plan, internal audit reports and material changes to same;
- Evaluate procedures and systems including, but not limited to, internal controls, disclosure controls and the internal audit function;
- Consider legal matters which could financially affect the Company;
- Monitor the ethical conduct of the Group and the Company;
- Recommend principles for the use of external auditors for non-audit services and to ensure that the fees for such services do not become so significant as to call into question their independence; and
- Receive and deal appropriately with any concerns or complaints, whether received internally or externally, dealing with the Company's or the Group's accounting policies and internal audits, the Company's financial statements, internal financial controls and related matters.

The Committee is satisfied that it has fulfilled all its statutory duties, including those prescribed by the Companies Act, and duties assigned to it by the Board during the financial year under review. In addition, the Committee did not receive or deal with any concerns related to matters listed in s94(7)(g)(i)-(iv) of the Companies Act.

External Audit

The Committee has, during the period under review, nominated external auditors, PKF (JHB) Inc., approved its fee and determined its terms of engagement. The appointment will be presented to shareholders of the Company at the Annual General Meeting for approval. The Committee has further satisfied itself that PKF (JHB) Inc is accredited and appears on the JSE list of Accredited Auditors and that the designated auditor is not disqualified from acting as such. The committee has further satisfied itself that the external auditors, PKF (Jhb) Inc., is independent of the Company as contemplated in sections 90(2)(b), (c) and 94(8) of the Companies Act.

There is a policy that governs the process whereby the external auditors are considered for non-audit related services. The Committee approved the terms of the policy for the provision of non-audit services by the external auditors and approved the nature and extent of non-audit services that the external auditors may provide. During the period under review, the external auditors did provide non-audit services to the Company, namely in the form of tax advice. The use of the external auditors for such services was pre-approved by the Committee.

Internal Financial Controls

The Committee is responsible for assessing the Group and the Company systems of internal financial controls and has considered reports from the internal and external auditors and has satisfied itself about the adequacy and effectiveness of the Group and the Company system of internal financial controls.

Expertise and Experience of the Financial Director and Finance Function

The Committee performed a review of the Financial Director and the finance function and the Committee is satisfied with the expertise and experience of the Financial Director and the appropriateness of the finance function.

Internal Audit

Internal audit forms an integral part of the Company's risk management process and system of internal controls. The Committee is satisfied with the independence, quality and scope of the internal audit function. Mr Sean Percival Miller was appointed as Chief Audit Executive ("CAE"). The CAE has developed a sound working relationship with the Committee in that he

- provides an objective set of eyes and ears across the Company;
- provides assurance and awareness on risks and controls specific to the Company and the industry in which he is involved;
- has positioned himself as a trusted strategic adviser to the Committee;
- confirms to the Committee at least once a year the independence of the internal audit function; and
- communicates regularly with the Committee Chairman.

Further details of the Company's internal audit function are contained in the Corporate Governance Report. The Committee has considered and recommended the Internal Audit Charter for approval by the Board. The internal auditor's annual audit plan was approved by the Committee.

Risk Management

The Board has assigned oversight of the Group and the Company's risk management function to the Risk Management Committee. The members of the Committee are also members of the Risk Management Committee. The Committee fulfils an oversight role regarding financial reporting risks, internal financial controls and fraud risk as it relates to financial reporting and safety and security issues. Further details of the Company's risk management function can be found in the Corporate Governance Report.

Financial Statements

The Committee has reviewed the financial statements of the Group and the Company and is satisfied that they comply with International Financial Reporting Standards.

Going Concern

The Committee, based on an assessment received from executive management, is of the view that the Group and the Company will be a going concern for the foreseeable future.

Duties Assigned by the Board

The Committee fulfils an oversight role regarding the Company's Integrated Annual Report and the reporting process, including the systems of internal financial controls. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to effectively discharge its duties. The Committee also oversees co-operation between the internal and external auditors, and serves as a link between the Board and its functions.

Whistle Blowing

The Committee is satisfied that all instances of whistle blowing have been appropriately dealt with during the period under review.

Sustainable Development Reporting

The Committee recommended to the Board the appointment of PKF (Jhb) Inc., an external assurance provider, to perform an assurance engagement on the key sustainability performance indicators included in this Integrated Annual Report.

The Committee has considered the Company's sustainability information as disclosed in this Integrated Annual Report and has assessed its consistency with operational and other information known to Committee members, and for consistency with the annual financial statements. The Committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Recommendation of the Integrated Annual Report for Approval by the Board

The Committee recommended the Integrated Annual Report for approval by the Board on 12 September 2011.

Dr PJ Welgemoed
Chairman: Comair Limited Audit Committee
12 September 2011

Remuneration Report

Remuneration and Nominations Committees

Comair has a dedicated Board Committee that, inter alia, determines the governance of remuneration matters, Group remuneration philosophy, remuneration of Executive Directors and other senior managers, as well as the compensation of Non-executive Directors, which is ultimately approved by the shareholders.

Details on the mandate, composition and attendance of meetings held by the Remuneration and Nominations Committees are set out in the Corporate Governance Report.

Remuneration Approach

The Company's remuneration policy provides full details of the remuneration approach for Directors, senior managers and Non-executive Directors.

The Remuneration Philosophy is based on the following principles:

- Affordability;
- Internal fairness; and
- External fairness.

The remuneration approach that guides the level of salaries of all Directors and senior management is aimed at:

- Ensuring that no discrimination occurs;
- Recognising exceptional and value adding performance;
- Encouraging team performance and participation; and
- Promoting cost-effectiveness and efficiency.

In order to balance external equity with affordability and to ensure that market-related salaries are offered to staff, the Company participates in several salary surveys and uses that information for benchmarking purposes.

Remuneration Structures

Management remuneration structures of the Company comprise of fixed and variable components:

- Fixed pay: base salary and benefits; and
- Variable pay: short-term merit bonus and a long-term incentive programme.

Base Salary

Market data are used to benchmark individual salary levels for Directors and senior managers. This information, combined with the individual's performance assessment, is the key consideration for the annual salary reviews.

Retirement Benefits

The Company offers membership to a defined contribution pension fund. This fund is part of an umbrella arrangement known as Evergreen and is administered by Old Mutual.

Other Benefits

Other benefits include medical aid, risk benefits insurance (i.e. death and disability) and leave.

Variable Pay

Short-term Incentives

Executive Directors and senior managers participate in management incentive schemes.

The key business performance criterion for the financial year in respect of the management incentive schemes was profit after tax.

Payments in terms of short-term incentives to any employee are dependent upon achievement against personal targets and business performance targets and remain subject to the final discretionary approval of the Board.

Employees who do not participate in the short-term incentive scheme are entitled to a bonus as follows:

Pilot group – Guaranteed 13th cheque
Rest of staff – Discretionary amount based on personal performance and Company affordability

Other than pilots, who are guaranteed a 13th cheque, payments in terms of the short-term incentives to any other employee are dependent upon achievements against personal performance targets and the Company's performance and affordability and remain subject to final discretionary approval by the Board.

Long-term Incentive Programme

In terms of the long-term management incentive scheme for executive Directors and senior managers an amount, if any, will be payable to them according to the following:

- The hurdle amount is R500 million aggregate income before taxation (excluding any extra-ordinary items) for the Company financial years ending 2011 to 2013. The maximum cap on the bonus is reached at R810 million.
- No payment will be made if the target is not achieved or if the Executive Director or senior manager resigns before September 2013.
- The bonus pool is on a sliding scale from R0 to a maximum of R75 million.
- The cash balance for the Company after payment of the bonus must be in excess of R400 million. If not, payment will be withheld until this condition is achieved.

Executive Directors' Remuneration

Remuneration of executive Directors is compared to the market for comparable roles in companies of a similar size.

The annual bonus payable to executive Directors in terms of the short-term management incentive scheme is limited to 100% of their annual base salary, and is based on personal and Company performance.

Executive Directors have standard service contracts with a one-month notice period.

Details of the remuneration of individual Executive and Non-executive Directors are set out in the annual financial statements on pages 66 to 67.

Non-executive Directors' Remuneration

Non-executive Directors do not receive any benefits or share options from the Company apart from Directors' fees, which fees were approved by shareholders at the Company's Annual General Meeting on 28 October 2010. The Company appointed a Lead Independent Director ("LID") on 6 June 2011. The Nominations Committee has recommended that no fee be paid to the LID for the 2012 financial year. The LID and Non-executive Directors fees for the year ended 30 June 2011 are included in the joint remuneration payable to the Company's Non-executive Directors, as included in Special Resolution No. 1 in the Notice of Annual General Meeting to be held on Wednesday, 9 November 2011.

The Directors' fees per meeting, for the financial years ended 30 June 2010 and 30 June 2011, as well as the proposed fee per meeting for the financial year ending 30 June 2012, are set out below.

Directors' Fees

Meeting	Annual fee for the year ended 30 June 2010 R	Annual fee for the year ended 30 June 2011 R	Annual fee for the year ended 30 June 2012 R
Chairperson: Board	500,000	500,000	500,000
Vice-Chairperson: Board	250,000	250,000	250,000
Member: Board	120,000	120,000	120,000
Lead Independent Director	-	-	-

Meeting	Fee per meeting for the year ended 30 June 2010 R	Proposed fee per meeting for the year ended 30 June 2011 R	Proposed fee per meeting for the year ended 30 June 2012 R
Chairperson: Audit Committee	10,000	10,000	10,000
Member: Audit Committee	-	-	-
Chairperson: Risk Committee	-	10,000	10,000
Member: Risk Committee	-	-	-
Chairperson: Nominations Committee	-	10,000	10,000
Member: Nominations Committee	-	-	-
Chairperson: Remuneration Committee	10,000	10,000	10,000
Member: Remuneration Committee	-	-	-
Chairperson: Pension Fund	10,000	10,000	10,000

Independent Auditor's Report to the Shareholders of Comair Limited

We have audited the financial statements of Comair Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Report of the Directors, as set out on pages 62 to 109.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 by Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Comair Limited as of 30 June 2011, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF(Jhb) inc

PKF (JHB) INC.
Director: B Frey
Registered Auditors
Chartered Accountants (SA)
Registration number 1994/001166/21
Johannesburg
12 September 2011

Report of the Directors

The Directors take pleasure in presenting their report, which forms part of the audited financial statements of the Group and the Company for the year ended 30 June 2011.

Nature of Business

The main business of the Company is the provision of domestic and regional air services in the Southern African market, trading under the names of British Airways and kulula.com. In addition to the foregoing, the Company provides other travel related services, undertakes third party simulator training and operates airline lounges.

General Review of Main Activities

The Company currently operates a fleet of twenty four Jet aircraft and two twin turboprop aircraft flying to the destinations as set out on page 24 of this Integrated Annual Report. The Directors have performed the solvency and liquidity test required by the new Companies Act.

Financial Results

Full details of the financial results are set out on pages 68 to 109 of this Integrated Annual Report for the year ended 30 June 2011.

Dividends

The Directors have resolved not to declare a cash dividend (prior year: 5 cents).

Share Capital

The authorised share capital of the Company remained unchanged during the period under review.

Subsidiaries, Joint Ventures and Associates

Details of the Company's subsidiaries, joint ventures and associates are recorded in Note 3 and 8 of this Integrated Annual Report on pages 85 to 86 and 88 to 89.

Subsequent Events

The Directors are not aware of any matter or circumstances arising since the end of the period under review that would significantly affect or have a material impact on the financial position of the Group or the Company.

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 2011 as set out below:

Director	2011					2010				
	Direct Beneficial	Indirect Beneficial	Held by Associates	Total Shares	%**	Direct Beneficial	Indirect Beneficial	Held by Associates	Total Shares	%***
Mr D Novick	-	28,223,607	-	28,223,607	5.77	-	28,223,607	-	28,223,607	5.77
Mr MD Moritz	-	49,623,607	9,462	49,633,069	10.15	-	49,623,607	9,462	49,633,069	10.15
Mr P van Hoven	204,647	-	-	204,647	0.04	204,647	-	-	204,647	0.04
Mr GS Novick	350,892	-	-	350,892	0.07	350,892	-	-	350,892	0.07
Mr ER Venter	1,106,983	-	-	1,106,983	0.23	806,983	-	-	806,983	0.17
Mr MN Louw	1,000	-	-	1,000	0.00	1,000	-	-	1,000	0.00
Dr PJ Welgemoed	118,788	-	-	118,788	0.02	118,788	-	-	118,788	0.02
Mr KI Mampeule**	-	-	-	-	-	-	-	-	-	-
Mr RS Ntuli**	-	6,172,550	-	6,172,550	1.26	-	6,172,550	-	6,172,550	1.26
Mr DH Borer*	188,000	-	-	188,000	0.04	188,000	-	-	188,000	0.04
Mr AK Gupta***	-	22,800,000	-	22,800,000	4.66	-	22,800,000	-	22,800,000	4.66
Total	1,970,310	106,819,764	9,462	108,799,536	22.24	1,670,310	106,819,764	9,462	108,499,536	22.18

* *Alternate Director*

** *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 between 30 June 2011 and the date of posting of this Integrated Annual Report.

Special Resolutions

Since its last annual report, the Company has passed 1 (one) special resolution at its Annual General Meeting, held on 28 October 2010, namely a special resolution as contemplated in terms of sections 85(2) and 85(3) of the Companies Act (No. 61 of 1973) as amended, i.e. a general approval to repurchase shares. Other than the aforegoing, no other special resolutions were passed.

As required in terms of section 8.63(i) of the JSE Listings Requirements, no special resolutions were passed by the Company's subsidiaries relating to borrowing powers, the object clause contained in the Memorandum of Association or other material matters that affect the Company and the subsidiaries for the period under review.

Board of Directors, Company Secretary and Board Meeting Attendance

The names, ages, qualifications, nationality, business addresses, attendance at Board Meetings and occupations of the Directors and Company Secretary 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:73 CA (SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Non-executive Chairman
Martin Darryl Moritz Age: 66 B.Com; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Non-executive Joint Deputy Chairman
Ronald Sibongiseni Ntuli Age: 41 LLB (Edinburgh University)	South African	Thelo Group (Pty) Ltd, Pinmill Farm, 164 Katherine Street, Sandown, Sandton, 2196	3 of 4	Non-executive Joint Deputy Chairman
Khutso Ignatius Mampeule Age: 46 BA; MSc; MBA	South African	C/o Lefa Group Holdings (Pty) Ltd, Mulberry Hill Office Park, Broadacres Ave, Dainfern, 2055	4	Independent Non-executive Director
Alan Kerr Buchanan Age: 53 MA; LLB	British	British Airways plc, Waterside (HBA3), Harmondsworth, Middlesex UB7 OGB, UK	3 of 4	Non-executive Director
Wrenelle Doreen Stander Age: 45 BA (Hons); MBA	South African	272 Kent Avenue, Randburg, 2194	2 of 4	Independent Non-executive Director
Rajesh Ramanlal Mehta (1) Age: 52 MSc; BSc (Hons)	British	British Airways plc Heathrow Airport, Technical Block C, Heathrow Airport TW6 2JA, UK	0	Non-executive Director
Atul Kumar Gupta Age: 43 BSc	South African	89 Gazelle Avenue, Corporate Park South, Old Pretoria Main Road, Midrand, 1682	1 of 4	Independent Non-executive Director
Gavin James Halliday (2) Age: 47 BA (Hons) Economics; MBA (Lancaster University)	British	British Airways plc Waterside (HBAG), Harmondsworth, Middlesex UB7 OGB, UK	1 of 1	Non-executive Director

Name, Age, Qualification	Nationality	Business Address	Four (4) Board Meetings held during the year: Attendance	Occupation
Pieter van Hoven Age: 67	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Independent Non-executive Director
Rodney Cyril Sacks Age: 61 HDip Law; HDip Tax	South African	550 Monica Circle, Suite 201, Corona, CA 92880, USA	2 of 4	Independent Non-executive Director
Dr Peter Johannes Welgemoed Age: 68 BCom (Hons); MCom; DCom	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Independent Non-executive Director
Jacob Meyer Kahn Age: 72 BA (Law); MBA (UP); DCom (hc); SOE	South African	SABMiller plc, 1st Floor, 2 Jan Smuts Avenue, Braamfontein, Johannesburg, 2001	4	Independent Non-executive Director
Gidon Saul Novick Age: 41 BCom; CA (SA); MBA	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Joint CEO
Erik Rudolf Venter Age: 40 BCom; CA (SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Joint CEO
Martin Nicolaas Louw Age: 56 BMil	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Director Flight Operations
Ranil Yasas Sri-Chandana Age: 38 BCompt (Hons); MCom; CA (SA); CFA; HDip Co.Law	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Finance Director
Derek Henry Borer Age: 49 BCom; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Alternate Director to Martin Nicolaas Louw and Company Secretary

Notes:

(1) Rajesh Ramanlal Mehta resigned as a Non-executive Director of the Company on 31 July 2010.

(2) Gavin James Halliday was appointed as a Non-executive Director on 1 May 2011.

Share Incentive Scheme

Executive Directors participate in a share incentive scheme with the following allocations at 1 July 2010 and as at 30 June 2011:

Name	Allocated at 1 July 2010		Awarded During the Year		Exercised During the Year			Total as at 30 June 2011		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	-	-	(1,300,000)	1.60	2.17	1,566,000	1.60	745
Mr GS Novick	3,032,667	1.56	-	-	(3,032,667)	1.56	2.21	-	-	1,994
Mr MN Louw	2,466,667	1.54	-	-	(2,466,667)	1.54	2.15	-	-	1,494
Mr DH Borer	1,299,334	1.58	-	-	(1,299,334)	1.58	2.15	-	-	745
	9,664,668		-	-	(8,098,668)	-	-	1,566,000		4,978

No share options were issued to employees through the share incentive scheme during the year, and 4,216,797 options remain available for issue at year end.

Directors' Remuneration

Name	For Services as Directors R'000	Related Committee Work R'000	Package (1) R'000	Performance Related (2) R'000	Pension R'000	Group Life and Disability R'000	Medical R'000	Share-based Payments as per IFRS R'000	Total 2011 R'000	Total 2010 R'000
Executives										
Mr ER Venter	-	-	1,931	806	260	51	29	752	3,829	4,411
Mr GS Novick	-	-	1,953	806	257	50	31	201	3,298	4,453
Mr MN Louw	-	-	1,332	746	183	36	26	163	2,486	3,097
Mr RY Sri Chandana	-	-	1,187	625	138	23	24	-	1,978	1,835
Mr DH Borer	-	-	1,097	648	138	27	31	91	2,032	2,164
	-	-	7,500	3,631	957	187	141	1,207	13,623	15,960
Non-executives										
Mr D Novick	500	10	-	-	-	-	-	-	510	500
Mr MD Moritz	250	-	-	-	-	-	-	-	250	250
Mr RS Ntuli	250	-	-	-	-	-	-	-	250	250
Dr PJ Welgemoed	120	70	-	-	-	-	-	-	190	160
Mr JM Kahn	120	30	-	-	-	-	-	-	150	140
Mr KI Mampeule	120	-	-	-	-	-	-	-	120	120
Mr P van Hoven	120	30	-	-	-	-	-	-	150	150
Ms WD Stander	120	-	-	-	-	-		-	120	120
	1,600	140	-	-	-	-	-	-	1,740	1,690
	1,600	140	7,500	3,631	957	187	141	1,207	15,363	17,650

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 2011.
3) Remuneration receivable by the Directors will not vary as a result of any proposed issue for cash or repurchase of shares.

Further details regarding the Company's remuneration policies are set out in the Remuneration Report, which can be found on pages 58 to 60 of this Integrated Annual Report.

This time, like all times, is a very good one.

Statements of Financial Position
as at 30 June 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**R'000**	R'000	**R'000**	R'000
Assets					
Non-current assets		**1,319,025**	1,144,853	**1,291,936**	1,126,545
Property, plant and equipment	1	**1,315,357**	991,853	**1,263,489**	940,829
Loan to share incentive trust	2	**-**	-	**7,754**	13,750
Investment in subsidiaries	3	**-**	-	**20,693**	18,966
Goodwill	4	**3,668**	-	**-**	-
Available-for-sale investments	5	**-**	153,000	**-**	153,000
Current assets		**784,596**	877,720	**813,918**	916,563
Inventory	6	**6,914**	7,464	**6,914**	7,464
Trade and other receivables	7	**470,674**	419,976	**468,625**	419,898
Investment in subsidiaries	3	**-**	-	**30,044**	29,862
Investment in associates	8	**61,550**	75,887	**69,846**	84,945
Forward exchange contracts	9	**-**	116	**-**	116
Taxation		**11,427**	-	**12,281**	-
Bank and cash	10	**234,031**	374,277	**226,208**	374,278
		2,103,621	2,022,573	**2,105,854**	2,043,108
Equity and Liabilities					
Capital and reserves		**800,521**	725,275	**800,842**	745,447
Share capital	11	**5,562**	5,441	**5,633**	5,633
Share premium		**123,599**	123,356	**123,742**	123,742
Non-distributable reserves		**16,745**	13,828	**16,745**	13,828
Accumulated profits		**654,615**	582,650	**654,722**	602,244
Non-current liabilities		**371,503**	267,439	**371,960**	267,439
Interest-bearing liabilities	12	**274,245**	188,976	**274,245**	188,976
Deferred taxation	13	**97,258**	78,463	**97,715**	78,463
Current liabilities		**931,597**	1,029,859	**933,052**	1,030,222
Trade and other payables	14	**725,194**	701,775	**726,649**	701,493
Provisions	15	**76,403**	62,607	**76,403**	62,607
Taxation		**-**	23,315	**-**	23,960
Interest-bearing liabilities	12	**129,606**	242,162	**129,606**	242,162
Forward exchange contracts	9	**394**	-	**394**	-
		2,103,621	2,022,573	**2,105,854**	2,043,108
Net asset value per share (cents)		**166.3**	154.1		

Statements of Comprehensive Income
for the year ended 30 June 2011

		Group		Company	
	Note	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Revenue		**3,587,754**	3,009,544	**3,577,678**	3,009,544
Operating expenses		**(3,311,147)**	(2,723,009)	**(3,409,330)**	(2,724,684)
Operating profit before depreciation	16	**276,607**	286,535	**168,348**	284,860
Depreciation		**(158,835)**	(142,542)	**(158,835)**	(142,542)
Profit from operations		**117,772**	143,993	**9,513**	142,318
Interest income		**17,545**	22,683	**17,123**	22,683
Interest expense		**(35,255)**	(45,859)	**(35,255)**	(45,859)
Dividend income		**5,639**	10,068	**114,175**	10,068
Share of profit/(loss) of associates	8	**762**	(6,814)	**-**	-
Profit before taxation		**106,463**	124,071	**105,556**	129,210
Taxation	17	**(29,466)**	(34,364)	**(28,554)**	(33,895)
Profit for the year		**76,997**	89,707	**77,002**	95,315
Other comprehensive (loss)/income					
Unrealised (loss)/profit due to change in fair value of cash flow hedge net of taxation		**(511)**	17,640	**(511)**	17,640
Total comprehensive income for the year attributable to equity holders of the parent		**76,486**	107,347	**76,491**	112,955
Earnings per share (cents)	18	**15.9**	22.0		
Diluted earnings per share (cents)	18	**15.9**	21.8		

Statements of Changes in Equity
for the year ended 30 June 2011

	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 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**
BEE share-based payments	-	-	3,428	-	-	**3,428**
Total comprehensive (loss)/income for the year	-	-	-	(511)	76,997	**76,486**
Dividend paid	-	-	-	-	(23,598)	**(23,598)**
Shares sold by Share Trust	121	243	-	-	18,566	**18,930**
Balance at 30 June 2011	5,562	123,599	17,140	(395)	654,615	**800,521**
Company						
Balance at 1 July 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**
BEE share-based payments	-	-	3,428	-	-	**3,428**
Total comprehensive (loss)/income for the year	-	-	-	(511)	77,002	**76,491**
Dividend paid	-	-	-	-	(24,524)	**(24,524)**
Balance at 30 June 2011	5,633	123,742	17,140	(395)	654,722	**800,842**

Statements of Cash Flow
for the year ended 30 June 2011

		Group		Company	
	Note	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Cash from Operating Activities		**112,078**	228,325	**115,685**	226,176
Cash receipts from customers		**3,464,214**	2,853,517	**3,456,109**	2,853,581
Cash paid to suppliers		**(3,271,053)**	(2,593,302)	**(3,366,399)**	(2,595,118)
Cash generated by operations	19	**193,161**	260,215	**89,710**	258,463
Interest paid		**(35,255)**	(45,859)	**(35,255)**	(45,859)
Interest received		**17,545**	22,683	**17,123**	22,683
Dividend received		**5,639**	10,068	**114,175**	10,068
Taxation (paid)/received	20	**(45,414)**	1,258	**(45,544)**	1,821
Cash available from operating activities		**135,676**	248,365	**140,209**	247,176
Dividend paid		**(23,598)**	(20,040)	**(24,524)**	(21,000)
Cash Utilised in Investing Activities		**(135,564)**	(252,836)	**(128,065)**	(249,846)
Additions to property, plant and equipment		**(301,095)**	(222,352)	**(300,251)**	(222,352)
Payment on acquisition of businesses	21	**(2,568)**	-	**(2,568)**	-
Decrease in loan to share incentive trust		**-**	-	**5,996**	1,715
Sale/(acquisition) of preference shares		**153,000**	(21,420)	**153,000**	(21,420)
Increase in subsidiaries loans	3.1, 3.4–3.6	**-**	-	**659**	1,275
Increase/(decrease) in associates loans	8	**15,099**	(9,064)	**15,099**	(9,064)
Cash (Utilised in)/Generated by Financing Activities		**(116,760)**	89,568	**(135,690)**	88,728
Shares purchased by Share Trust		**-**	(495)	**-**	-
Shares sold by Share Trust		**18,930**	1,335	**-**	-
Proceeds on Rights Issue for acquisition of aircraft		**-**	115,978	**-**	115,978
Repayment of interest bearing liabilities		**(135,690)**	(27,250)	**(135,690)**	(27,250)
Net (decrease)/increase in cash and cash equivalents		**(140,246)**	65,057	**(148,070)**	65,058
Cash and cash equivalents at the beginning of the year		**374,277**	309,220	**374,278**	309,220
Cash and cash equivalents at the end of the year		**234,031**	374,277	**226,208**	374,278

Segmental Report
for the year ended 30 June 2011

	Airline R'000	Non-airline R'000	**Total R'000**
30 June 2011			
Revenue	3,538,766	48,988	**3,587,754**
Operating profit before depreciation	261,492	15,115	**276,607**
Depreciation	(155,859)	(2,976)	**(158,835)**
Profit before interest, dividend and taxation	105,633	12,139	**117,772**
Segmental assets and liabilities			
Segmental assets	1,991,594	112,027	**2,103,621**
Segmental interest-bearing liabilities	(342,752)	(61,099)	**(403,851)**
Other segmental liabilities	(859,169)	(40,080)	**(899,249)**
Segmental net asset value	789,673	10,848	**800,521**
Segmental capital additions during the year	377,722	31,776	**409,498**
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 before interest, dividend and taxation	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**

Comair predominately operates within South Africa and as a result no Geographic Segmental Report is presented.

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) as well as the AC 500 standards as issued by the Accounting Practices Board in terms of the listing requirements of the JSE Limited and the Companies Act of South Africa 2008. 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.

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 2010.

Adoption of Standards and Interpretations Effective in 2011

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 27.

Principles of Consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and all entities, including special purpose entities, which are controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business Combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

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 aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company.

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.

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

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 associates other comprehensive income 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 initial investment plus 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. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity, less any impairment losses. Profits or losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest therein.

The Group's share of movements in the joint venture's other comprehensive income 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 initial investment plus aggregate of loans made to the associate plus the holding company's aggregate share of post-acquisition equity.

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. The useful life depreciation method and residual values are assessed at the end of each reporting period and revised if necessary.

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%
New simulator equipment	7%

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 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. The aircraft residual values are between 0 and 10%.

Depreciation rates for aircraft

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

Pre-delivery Payments

Aircraft pre-delivery payments and security deposits are capitalised to property, plant and equipment once all conditions precedent to the legal agreements are met and construction of the aircraft has begun. Prior to being capitalised to property, plant and equipment; aircraft security deposits are accounted for as deposits in other receivables. Aircraft pre-delivery payments and security deposits are not depreciated. Upon delivery of the relevant aircraft the pre-delivery payments are transferred to the cost of the aircraft.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested at reporting date for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

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 statement of financial position. 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.

Instalment Sales Agreements

Instalment sales agreements are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the assets or, if lower, the present value of the minimum payments. The corresponding liability to the lessor is included in the statement of financial position 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.

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 Group 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 Group's balance sheet when the Group 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 Group 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.

Derecognition

Financial assets (or a portion thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. In derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the statement of comprehensive income. Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount and the financial liability, including related unamortised costs, and amount paid for it are included in the statement of comprehensive income.

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 statement of comprehensive 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 statement of comprehensive income.

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 statement of other comprehensive income as interest expense.

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 Group 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 Group's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost.

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.

Reversal of impairment losses are recognised in profit or loss.

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 9.

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 statement of comprehensive income within 'other comprehensive gains or losses'.

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 case of inventory or in depreciation in 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.

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 Group 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 Group'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.

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.

Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 17 – Provisions.

Expected Manner of Realisation for Deferred Taxation

Deferred taxation is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred taxation liability. Refer Note 8 – Deferred taxation.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxation audit issues based on estimates of whether additional taxes will be due. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxation and deferred taxation provisions in the period in which such determination is made.

The Group recognises the net future taxation benefit related to deferred income taxation assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income taxation assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing taxation laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred taxation assets recorded at the end of the reporting period could be impacted.

Revenue Recognition

Revenue comprises all of airline-related and non-airline 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.

International Loyalty Programme Revenue is income received from BA Executive Club members using the Group's services.

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 Group's right to receive payment has been established.

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:

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

Current tax and deferred taxes are charged or credited directly to other comprehensive income if the tax relates to items that are credited or charged in the same, or a different period, directly to other comprehensive income.

Current tax is calculated at a rate of 28% in accordance with the South African Income Tax 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.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (aircraft) are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 other comprehensive income.

Employee Benefits Short-term

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and bonuses), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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 the end of each reporting period 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 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 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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

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.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

Sources of Estimation Uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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.

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.

Trade and Other Receivables

The Group assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. 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 end of the reporting period.

The carrying value less impairment provision of trade and other receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Annual Financial Statements
for the year ended 30 June 2011

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
1. Property, Plant and Equipment				
Property and buildings				
Cost	**117,214**	87,862	**66,190**	36,838
Accumulated depreciation	**(9,902)**	(5,950)	**(9,902)**	(5,950)
Book value	**107,312**	81,912	**56,288**	30,888
Aircraft and flight simulator equipment				
Cost	**1,535,377**	1,358,296	**1,535,377**	1,358,296
Impairment	**(26,510)**	(115,106)	**(26,510)**	(115,106)
Accumulated depreciation	**(592,263)**	(355,297)	**(592,263)**	(355,297)
Book value	**916,604**	887,893	**916,604**	887,893
Vehicles, furniture and equipment and computer equipment				
Cost	**76,226**	56,641	**75,382**	56,641
Accumulated depreciation	**(41,106)**	(34,593)	**(41,106)**	(34,593)
Book value	**35,120**	22,048	**34,276**	22,048
Pre-delivery payments	**256,321**	-	**256,321**	-
Total property, plant and equipment and pre-delivery payments	**1,315,357**	991,853	**1,263,489**	940,829
Reconciliation of carrying value				
Property and buildings				
Carrying value at the beginning of the year	**81,912**	61,889	**30,888**	10,865
Additions	**29,352**	21,745	**29,352**	21,745
Depreciation	**(3,952)**	(1,722)	**(3,952)**	(1,722)
Carrying value at the end of the year	**107,312**	81,912	**56,288**	30,888
Aircraft and flight simulator equipment				
Carrying value at the beginning of the year	**887,893**	834,368	**887,893**	834,368
Additions	**177,081**	188,869	**177,081**	188,869
Depreciation	**(148,370)**	(135,344)	**(148,370)**	(135,344)
Carrying value at the end of the year	**916,604**	887,893	**916,604**	887,893

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
1. Property, Plant and Equipment (continued)				
Vehicles, furniture and equipment and computer equipment				
Carrying value at the beginning of the year	**22,048**	15,786	**22,048**	15,786
Additions	**19,585**	11,738	**18,741**	11,738
Depreciation	**(6,513)**	(5,476)	**(6,513)**	(5,476)
Carrying value at the end of the year	**35,120**	22,048	**34,276**	22,048
Pre-delivery payments				
Carrying value at the beginning of the year	**-**	-	**-**	-
Payments made	**183,480**	-	**183,480**	-
Transfer from trade and other receivables (Note 7)	**72,841**	-	**72,841**	-
Carrying value at the end of the year	**256,321**	-	**256,321**	-
Total property, plant and equipment	**1,315,357**	991,853	**1,263,489**	940,829

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 R107 million (2010: R96.8 million).

Instalment sale agreement and finance lease agreement book values are disclosed under Note 12.

Pre-delivery payments are payments made to the Boeing Company for the eight new Boeing 737-800 aircraft which are scheduled to arrive in South Africa from July 2012. The finance for the aircraft was partly through a rights issue (See Note 11) during the 2010 financial year and a further loan through Investec Limited which is disclosed in Note 12. Future capital commitments relating to the Boeing 737-800s are disclosed in Note 26.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000

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 7,091,864 shares representing 1.5% of shares in issue (prior year: 18,528,033 shares representing 3.8%) at a closing price of 239c (prior year: 210c).

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
	-	-	**7,754**	13,750

3. Investment in Subsidiaries

Non-current portion

3.1 Aconcagua 32 Investments (Pty) Ltd

1 ordinary share of R1 at cost (100% shareholding)

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Investment at cost	**-**	-	**18,125**	18,966

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.

3.2 Holiday Travel (Pty) Ltd

6.5 million shares of 1 cent each at cost (65% shareholding)

The Group acquired 65% of the issued share capital. The terms and conditions of the purchase agreement were fulfilled in January 2011. The Company is an outbound tour operating company offering holiday packages to destinations outside of South Africa.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Investment at cost	**-**	-	**2,558**	-

3.3 Churchill Finance 23 Ltd

2 shares of US$1 at cost (100% shareholding)

In 2004 Comair Limited entered into a finance lease with Churchill Finance Services 23 Limited. In terms of the agreement once the lease came to an end Comair would have an option to purchase the shares in Churchill Finance 23 Limited. In October 2010 the lease came to an end and Comair then owned the 3 aircraft previously leased. During February 2011 Comair Limited exercised its option to purchase 100% of the shares in Churchill Services 23 Limited for an amount of R10,000.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Investment at cost	**-**	-	**10**	-
Total non-current portion	**-**	-	**20,693**	18,966

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Current portion				
3.4 Alooca Technologies (Pty) Ltd				
100 ordinary shares of R1 at cost (100% shareholding)				
Loan receivable	**-**	-	**29,314**	29,862
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 unsecured, has no fixed repayment terms and is interest free.				
3.5 Amber (Pty) Ltd				
1 ordinary share of R1 at cost (100% shareholding)				
5549 Preference Shares at R10,000 per share at cost	**-**	-	**-**	55,490
Dividend Accrued	**-**	-	**-**	80,000
Subscription to Comair Preference Shares	**-**	-	**-**	(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. These shares were redeemed on the 24 February 2011 and Company is currently being liquidated.				
3.6 Kulula Air (Pty) Ltd				
90 ordinary shares of R1 at cost (90% shareholding)				
This previously dormant Company operates a business lounge situated opposite the Gautrain Station in Sandton. The lounge commenced operations in August 2011.				
Loan receivable	**-**	-	**730**	-
The loan is unsecured, has no fixed repayment terms and is interest free.				
Total current portion	**-**	-	**30,044**	29,862
Total investment in subsidiaries	**-**	-	**50,737**	48,828

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

4. Goodwill

Opening balance	**-**	-	**-**	-
Addition through business combinations	**3,668**	-	**-**	-
Closing balance	**3,668**	-	**-**	-

Refer to Note 21 on Business Combinations.

The recoverable amount of goodwill has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. As a result of the acquisition of Holiday Tours (Pty) Ltd the Group's footprint into Africa has been enhanced and the synergies that the Group will add has resulted in the recognition of goodwill.

5. Available-for-sale Investments

Preference shares in KWJ Investments (Pty) Ltd 150,000 paid up shares (prior year 129 000) at R1,020 per share at cost.	**-**	153,000	**-**	153,000

These were sold on 15 December 2010 and the proceeds utilised in settlement of the Investec Limited Aircraft Instalment Agreement Loan.

Total directors' valuation of unlisted investments	**-**	153,000	**-**	153,000

6. Inventory

Aircraft spares	**5,859**	5,859	**5,859**	5,859
Catering equipment and consumables	**5,776**	6,326	**5,776**	6,326
Write down of aircraft spares to realisable value	**(4,721)**	(4,721)	**(4,721)**	(4,721)
	6,914	7,464	**6,914**	7,464

7. Trade and Other Receivables

Trade receivables	**282,377**	247,820	**277,225**	247,742
Deposits	**46,866**	99,768	**46,866**	99,768
Other receivables	**141,431**	72,388	**144,534**	72,388
	470,674	419,976	**468,625**	419,898

The significant increase in other receivables relates to VAT recoverable from SARS on Aircraft Leases.

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

60 days +	**4,686**	6,583	**4,686**	6,583

8. Investment in Associates and Equity Accounted Joint Ventures

8.1 Commuter Handling Services (Pty) Ltd

Comair Limited has a 40% Shareholding in Commuter Handling Services (Pty) Ltd, a Company in the passenger and ground handling industry.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Carrying value of the investment				
Shareholder's loan	**54,287**	68,486	**54,287**	68,486
The loan is unsecured. Interest was charged at prime rates for the year (2010: prime) and there are no fixed repayment terms.				
Cumulative post-acquisition equity				
Prior year	**(1,813)**	4,227	**-**	-
Current year	**749**	(6,040)	**-**	-

This associate provides passenger handling services to airlines at ACSA-based airports and made an after tax profit of R1.8 million (2010: loss of R15.1 million). The Company is incorporated in South Africa and has a June year end.

8.2 Imperial Air Cargo (Pty) Ltd

Comair Limited has a 30% Shareholding in Imperial Air Cargo (Pty) Ltd, a Company in the air freight industry.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Carrying value of the investment				
Shareholder's loan	**15,559**	16,459	**15,559**	16,459
Cumulative post-acquisition equity				
Prior Year	**(7,245)**	(6,471)	**-**	-
Current Year	**13**	(774)	**-**	-

This associate is an air freight Company and made an after tax profit of R42 thousand (2010: loss R2.6 million). The Company is incorporated in South Africa and has a June year end.

The shareholders loan has been subordinated until such time as the assets fairly valued exceed the liabilities.

The loan is unsecured, interest free and there are no fixed repayment terms.

8.3 Protea Hotel ORT (Pty) Ltd

The Group 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 was built on Erf 700 Rhodesfield Township. Comair has no capital commitments in relation to this project. A 99 year lease is in place. Comair does not share in the profits or losses of the hotel.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Carrying value of the investment	**-**	-	**-**	-
	61,550	75,887	**69,846**	84,945

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Summarised financial information of associates (aggregated)				
Statement of Comprehensive Income				
Revenue	**363,836**	326,687	**-**	-
Operating profit/(loss)	**10,629**	(21,345)	**-**	-
Net finance charges	**(8,116)**	(2,713)	**-**	-
Profit/(loss) before taxation	**2,513**	(24,058)	**-**	-
Taxation	**(2,003)**	6,383	**-**	-
Profit/(loss) for the year	**510**	(17,675)	**-**	-
Statement of Financial Position				
Assets				
Property plant and equipment	**129,150**	93,843	**-**	-
Deferred tax	**11,675**	15,888	**-**	-
Net current assets	**33,501**	15,218	**-**	-
	174,326	124,949	**-**	-
Equity and liabilities				
Capital and reserves	**(38,139)**	23,085	**-**	-
Borrowings	**212,465**	101,864	**-**	-
	174,326	**124,949**	**-**	**-**

9. 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. The carrying values equate to the fair values of each financial instrument.

Identification of financial instruments

	Fair value	Settled through profit/loss	Loans and receivables	Available-for-sale	Financial assets/ liabilities at amortised cost	Non-financial instruments	Total
2011 (R'000)							
Assets							
Non-current assets							
Property, plant and equipment	-	-	-	-	-	1,315,357	1,315,357
Goodwill	-	-	-	-	-	3,668	3,668
Current assets							
Inventories	-	-	-	-	-	6,914	6,914
Trade and other receivables	329,243	-	329,243	-	-	141,431	470,674
Investments in associates and joint ventures	61,550	-	61,550	-	-	-	61,550
Taxation	-	-	-	-	-	11,427	11,427
Bank and cash	234,031	-	234,031	-	-	-	234,031
Total assets	624,824	-	624,824	-	-	1,478,797	2,103,621
Equity and Liabilities							
Capital and reserves							
Share capital	-	-	-	-	-	5,562	5,562
Share premium	-	-	-	-	-	123,599	123,599
Non-distributable reserves	-	-	-	-	-	16,745	16,745
Accumulated profit	-	-	-	-	-	654,615	654,615
Non-current liabilities							
Interest-bearing liabilities	274,245	-	-	-	274,245	-	274,245
Deferred taxation	-	-	-	-	-	97,258	97,258
Current liabilities							
Trade and other payables	578,690	-	-	-	578,690	146,504	725,194
Provisions	-	-	-	-	-	76,403	76,403
Interest-bearing liabilities	129,606	-	-	-	129,606	-	129,606
Forward exchange contracts	394	394	-	-	-	-	394
Total liabilities	982,935	394	-	-	982,541	1,120,686	2,103,621

	Fair value	Settled through profit/loss	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	-	-	153,000
Current assets							
Inventories	-	-	-	-	-	7,464	7,464
Trade and other receivables	347,588	-	347,588	-	-	72,388	419,976
Investments in associates and joint ventures	75,887	-	75,887	-	-	-	75,887
Forward exchange hedging contracts	116	116	-	-	-	-	116
Bank and cash	374,277	-	374,277	-	-	-	374,277
Total assets	950,868	116	797,752	153,000	-	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	-	188,976
Deferred taxation	-	-	-	-	-	78,463	78,463
Current liabilities							
Trade and other payables	530,517	-	-	-	530,517	171,258	701,775
Provisions	-	-	-	-	-	62,607	62,607
Interest-bearing liabilities	242,162	-	-	-	242,162	-	242,162
Taxation	-	-	-	-	-	23,315	23,315
Total liabilities	961,655	-	-	-	961,655	1,060,918	2,022,573

Financial assets are substantially the same for the Group and the Company, however loans to subsidiaries amount to R48.1 million (2010: R48.8 million) and 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.

9. Financial Risk Management and Financial Instruments (continued)

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 2011

Group	Carrying Amount	Contractual cash flows	Within 1 year	2 to 5 years	More than 5 years
2011 (R'000)					
Secured and non-current borrowings	274,245	294,364	-	285,174	9,190
Secured short-term borrowings	129,606	155,356	155,356	-	-
Trade and other payables	578,690	578,690	578,690	-	-
Total financial liabilities – Group and Company	982,541	1,028,410	734,046	285,174	9,190
Total financial assets – Group	624,824	624,824	624,824	-	-
2010 (R'000)					
Secured and non-current borrowings	188,976	278,712	-	278,712	-
Secured short-term borrowings	242,162	269,817	269,817	-	-
Trade and other payables	530,517	530,517	530,517	-	-
Total financial liabilities – Group and Company	961,655	1,079,046	800,334	278,712	-
Total financial assets – Group	950,752	950,752	950,752	-	-

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$2,379,102 (2010: US$1,197,704) and GBP9,974,977 (2010: GBP5,639,257) and net short-term receivables of GBP13,511,133 (2010: 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 dollars. The Group hedged the US$ price of fuel. 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 payable (prior year R0.1 million receivable). 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.

Group	Foreign exchange risk				Interest rate risk		
	Profit/(loss) should the rand exchange rate change by 5%				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
2011							
Financial asset R'000							
Bank	234,031	42,426	(2,121)	2,121	234,031	4,681	(4,681)
Trade and other receivables	329,243	174,475	(8,724)	8,724	-	-	-
Impact of financial assets on:							
- profit before tax	-	-	(10,845)	10,845	-	4,681	(4,681)
- profit after tax	-	-	(7,808)	7,808	-	3,370	(3,370)
Financial liabilities R'000							
Interest bearing liabilities	403,851	-	-	-	403,851	(8,077)	8,077
Trade and other payables	578,690	122,498	6,125	(6,125)	-	-	-
Forward exchange contract	394	394	20	(20)	-	-	-
Impact of financial liabilities on:							
- profit before tax	-	-	6,145	6,145	-	(8,077)	8,077
- profit after tax	-	-	4,424	4,424	-	(5,815)	5,815
Overall impact on profit after taxation	-	-	(3,385)	(3,385)	-	(2,445)	2,445

9. Financial Risk Management and Financial Instruments (continued)

Group	Foreign exchange risk				Interest rate risk		
	Profit/(loss) should the rand exchange rate change by 5%				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	347,588	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	530,517	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)

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 ÷ adjusted capital. Net debt is calculated as total interest-bearing debt (as shown in the statement of financial position) 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 2011 and 2010 were as follows:

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Total liabilities excluding deferred tax	**1,205,842**	1,218,835	**1,207,297**	1,219,198
Less: Cash and bank	**(234,031)**	(374,277)	**(226,208)**	(374,278)
Adjusted liabilities	**971,811**	844,558	**981,089**	844,920
Equity	**800,521**	725,275	**800,842**	745,447
Adjusted capital ratio	**1.21:1**	1.13:1	**1.22:1**	1.10:1

10. Cash Encumbered

The Group has pledged cash totalling R10 million (prior year: R20 million) in respect of aircraft lease obligations.

11. Share Capital

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 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
10,000,000 "N" ordinary shares of 1 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:				
489,176,471 ordinary shares of 1 cent each	**4,892**	4,892	**4,892**	4,892
74,117,647 A Class shares of 1 cent each	**741**	741	**741**	741
Adjustment in respect of consolidation of share trust	**(71)**	(192)	**-**	-
13,549 preference shares of 1 cent each issued at R10,000 each				
	5,562	5,441	**5,633**	5,633

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 (No. 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.

11. Share Capital (continued)

At a general meeting of the Group 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 will be converted to equity if the hurdle rate is achieved. The hurdle rate is set out as per the circular issued on the 23 August 2006. Refer to Note 16 below. The “A” shares shall vote as a single class at all meetings of shareholders of the Group save for resolutions of the Group 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	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
12. 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 was made on 2 October 2010. Interest is calculated at 13% per annum. Three aircraft mortgages serve as collateral covering security (2010 net book value R137 million).	**-**	21,330	**-**	21,330
Rand Merchant Bank				
Simulator Loan				
Instalment sale agreement payable in 30 quarterly instalments with the final payment due on 31 December 2017. Interest is charged at a variable rate – currently 9.4%. The current instalment is R3.6 million. A Boeing 737-800 simulator serves as collateral covering security (net book value R62.7 million).	**61,099**	-	**61,099**	-
Investec Limited				
Aircraft instalment sale agreement. Interest instalments are payable bi-annually. Capital of R150,000,000 was paid on 14 December 2010. Interest is calculated at 10% per annum. Three aircraft mortgages serve as collateral covering security (2010 net book value R138 million).	**-**	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 7.6%. The current instalment is R5.2 million. One aircraft mortgage serves as collateral covering security (net book value R69 million, prior year R72 million).	**29,441**	47,205	**29,441**	47,205

	Group		Company	
	2011 **R'000**	2010 R'000	**2011** **R'000**	2010 R'000
Investec Limited				
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 7.6% The current instalment is R5.7 million. Two aircraft mortgages serve as collateral covering security (net book value R164 million, prior year R182 million).	**41,974**	60,588	**41,974**	60,588
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 7.6%. The current instalment is R1.7 million.	**13,859**	19,274	**13,859**	19,274
Working Capital Loan. This is a short-term loan and was repaid in full on 24 August 2011. Proceeds from Comair's VAT submission stood as security for this loan. Interest was charged at a rate of 7.9% p.a.	**45,360**	-	**45,360**	-
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. A notorial bond of R80 million rand has been registered against these properties. Interest is charged at a variable rate – currently 10.39%. The current instalment is R4.8 million.	**49,373**	62,837	**49,373**	62,837
Boeing 737-800 A facility for pre-delivery payments required for four new 737-800 aircraft on order. Cross colatarisation of other Investec Loans stand as security for this loan. The facility is repayable on delivery of the relevant aircraft. The facility is in US$ and earns a variable interest rate payable quarterly – currently 3.8%. The first aircraft is currently scheduled for delivery in July 2012 with the fourth aircraft scheduled for delivery in December 2012.	**108,402**	-	**108,402**	-
Nedbank				
Aircraft refinance agreement payable in 20 quarterly instalments with the last payment due on 31 December 2014. Interest is charged at a variable rate – currently 9.3%. The current instalment is R5.2 million. One aircraft mortgage serves as collateral covering security (net book value R100 million, prior year R108 million).	**54,343**	69,300	**54,343**	69,300
Sub-total	**403,851**	431,138	**403,851**	431,138
Less short-term portion	**(129,606)**	(242,162)	**(129,606)**	(242,162)
	274,245	188,976	**274,245**	188,976
Total value of interest bearing liabilities	**403,851**	431,138	**403,851**	431,138
Finance charges	**45,869**	117,391	**45,869**	117,391
Total interest bearing liability commitments	**449,720**	548,529	**449,720**	548,529
commitments for year one	**155,356**	269,817	**155,356**	269,817
commitments for year two to five	**285,174**	278,712	**285,174**	278,712
commitments after year five	**9,190**	-	**9,190**	-

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
13. Deferred Taxation				
On temporary differences arising from:				
Property, plant and equipment	**149,213**	136,015	**149,213**	136,015
Staff obligations and accruals	**(69,750)**	(77,369)	**(69,750)**	(77,369)
Prepayments	**19,694**	20,910	**20,151**	20,910
STC asset	**(1,899)**	(1,093)	**(1,899)**	(1,093)
	97,258	78,463	**97,715**	78,463
Deferred tax reconciliation				
Opening balance	**78,463**	68,310	**78,463**	68,310
Deferred tax – Current	**19,601**	11,229	**20,058**	11,229
STC asset utilised	**(806)**	(1,076)	**(806)**	(1,076)
Closing balance	**97,258**	78,463	**97,715**	78,463
14. Trade and Other Payables				
Trade payables	**526,491**	506,855	**527,946**	506,573
Cash settled share-based payment	**2,404**	3,687	**2,404**	3,687
Unflown ticket liability	**146,504**	171,258	**146,504**	171,258
Other	**49,795**	19,975	**49,795**	19,975
	725,194	701,775	**726,649**	701,493

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.

Unflown ticket liability is all monies received from passengers prior to 30 June 2011 for travel after that date.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000

15. Provisions

Leave pay provision	**48,806**	41,056	**48,806**	41,056
Opening balance	**41,056**	38,222	**41,056**	38,222
- Raised	**66,887**	44,713	**66,887**	44,713
- Utilised	**(59,137)**	(41,879)	**(59,137)**	(41,879)
Bonus provision	**27,597**	21,551	**27,597**	21,551
Opening balance	**21,551**	19,771	**21,551**	19,771
- Raised	**66,887**	33,112	**66,887**	33,112
- Utilised	**(60,841)**	(31,332)	**(60,841)**	(31,332)
	76,403	62,607	**76,403**	62,607

Leave pay provision

In terms of Comair's policy employees are entitled to accumulate vested leave benefits not taken within a leave cycle. Leave days have been capped depending on the level of employment of the employees.

Bonus provision

The bonus scheme consists of performance bonuses which are dependent on the achievement of financial and non-financial targets. Bonuses are payable annually in December for all staff other than Executives. Executive bonuses are paid in July.

16. Profit from Operations

Operating expenses are stated after incorporating the following items:

Audit fees	**518**	473	**518**	473
Managerial, technical, administrative and secretarial services	**14,433**	26,634	**14,433**	26,634
Directors' emoluments	**15,333**	17,650	**15,333**	17,650
- for services as Directors	**1,710**	1,690	**1,710**	1,690
- for managerial and other services	**11,131**	11,889	**11,131**	11,889
- retirement and medical benefits	**1,285**	1,131	**1,285**	1,131
- share-based payments	**1,207**	2,940	**1,207**	2,940
Only Directors are considered key management				
Rentals under operating leases	**225,603**	176,126	**225,603**	176,126
- property rentals	**11,444**	7,292	**11,444**	7,292
- aircraft rentals	**213,225**	168,143	**213,225**	168,143
- equipment and vehicle rentals	**934**	691	**934**	691

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
16. Profit from Operations (continued)				
Contingent rent expensed under capatalised finance leases	**-**	-	**107,486**	-
During the year, the Company made additional payments to a subsidiary in terms of a finance lease arrangement for three aircraft. These payments are eliminated on consolidation.				
Total staff costs	**537,740**	471,579	**537,740**	471,579
Employment costs	**501,177**	439,495	**501,177**	439,495
Contributions to defined contribution funds	**36,563**	32,084	**36,563**	32,084
Number of employees	**1,953**	1,941		
Loss on exchange differences	**(17,095)**	(36,348)	**(17,095)**	(36,348)
Equity accounting of BEE transaction	**3,428**	3,428	**3,428**	3,428

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

17. Taxation

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Normal tax – current	**10,672**	24,211	**9,303**	23,742
Deferred tax – current	**19,600**	11,229	**20,057**	11,229
STC asset utilised	**(806)**	(1,076)	**(806)**	(1,076)
	29,466	34,364	**28,554**	33,895
Reconciliation of taxation rate	**%**	%	**%**	%
South African normal tax rate	**(28.0)**	(28.0)	**(28.0)**	(28.0)
Taxation effect of:				
Exempt income	**1.4**	2.1	**30.4**	2.2
Disallowable expenditure	**(1.9)**	(2.6)	**(30.3)**	(1.2)
STC asset utilised	**0.8**	0.8	**0.8**	0.8
Effective taxation rate	**(27.7)**	(27.7)	**(27.1)**	(26.2)

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

18. Headline Earnings

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Earnings attributable to ordinary shareholders	**76,997**	89,707	**77,002**	95,315
Headline earnings attributable to ordinary shareholders	**76,997**	89,707	**77,002**	95,315
Weighted ordinary shares in issue ('000)	**481,484**	408,295		
Weighted ordinary shares in issue	**420,000**	420,000		
Adjustment for rights issue	**69,176**	6,823		
Adjustment in respect of consolidation of Share Trust	**(7,692)**	(18,528)		
Adjustment for dilutive effect of share options in issue	**980**	4,032		
Diluted weighted ordinary shares in issue ('000)	**482,464**	412,327		
Earnings per share (cents)	**15.9**	22.0		
Headline earnings per share (cents)	**15.9**	22.0		
Diluted earnings per share (cents)	**15.9**	21.8		
Diluted headline earnings per share (cents)	**15.9**	21.8		

The BEE shares in note 16 are non-dilutive in nature.

19. Cash Generated by Operations

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Profit before taxation	**106,463**	124,071	**105,556**	129,210
Depreciation	**158,835**	142,542	**158,835**	142,542
BEE "Equity Settled Expense"	**3,428**	3,428	**3,428**	3,428
Share of profit from associates	**(762)**	6,814	**-**	-
Interest expense	**35,255**	45,859	**35,255**	45,859
Interest received	**(17,545)**	(22,683)	**(17,123)**	(22,683)
Dividends received	**(5,639)**	(10,068)	**(114,175)**	(10,068)
Cash from operations before working capital changes	**280,035**	289,963	**171,776**	288,288
Increase in working capital	**(86,874)**	(29,748)	**(82,066)**	(29,825)
- Inventory decrease	**875**	739	**550**	739
- Accounts receivable increase	**(122,182)**	(156,027)	**(121,568)**	(155,963)
- Accounts payable increase	**34,433**	125,540	**38,952**	125,399
	193,161	260,215	**89,710**	258,463

20. Taxation Paid

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Taxation owing at beginning of year	**(23,315)**	2,154	**(23,960)**	1,603
Taxation charge for the year	**(10,672)**	(24,211)	**(9,303)**	(23,742)
Taxation receivable/(owing) at end of the year	**(11,427)**	23,315	**(12,281)**	23,960
Taxation paid/(received)	**(45,414)**	1,258	**(45,544)**	1,821

21. Business Combinations

Comair Limited acquired 65% of the shares in Holiday Tours (Pty) Ltd during January 2011.

Comair Limited acquired 100% of the shares in Churchill Finance Services 23 Limited during February 2011.

Purchase of non-equity accounted business: Carrying value of assets.

	Holiday Tours R'000	Churchill Finance Services 23 R'000	Total R'000
Accounts receivable	1,357	-	1,357
Inventory	325	-	325
Trade and other payables	(2,782)	-	(2,782)
Total net asset deficit	(1,100)	-	(1,100)
Goodwill	3,658	10	3,668
Total purchase consideration paid	2,558	10	2,568

The Churchill Finance Services 23 Limited figures are provisional and the purchase price allocation will be done in the following financial year.

	Holiday Tours R'000	Churchill Finance Services 23 R'000	Total R'000
Contribution of new business to revenue			
Revenue of acquired businesses for twelve months	10,076	130,240	140,316
Revenue recognised by the Group from acquisition	(2,982)	-	(2,982)
	7,094	130,240	137,334
Contribution of new business to profit after taxation			
(Loss) of acquired businesses for twelve months	(1,665)	(2,856)	(4,521)
(Loss) recognised by the Group from acquisition	(404)	-	(404)
	(2,069)	(2,856)	(4,925)

22. 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.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
23. Operating Lease Commitments				
Commitments for year one				
Aircraft	**231,650**	165,255	**231,650**	165,255
Commitments for year two to five				
Aircraft	**530,214**	375,084	**530,214**	375,084
Commitments after year five				
Aircraft	**277,920**	58,590	**277,920**	58,590
Total operating lease commitments	**1,039,784**	598,929	**1,039,784**	598,929

Leasing arrangements – Aircraft

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

Currently the Group has 3 aircraft on ZAR payment terms and are repayable at R1 million each per month and have been straight lined. The Group has entered into a further 2 aircraft leases on ZAR payment terms of R610,500 per month. 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 are repayable at US$160,000 each per month. Comair has entered into 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 at a rate of US$228,000 per month. A further lease has been entered into at a rate of US$210,000 per month. A further lease has been entered into at a rate of US$255 000 per month. These leases are included in the operating lease commitments outlined above.

24. Borrowing Powers

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

25. 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 Group'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 Group 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 1.5% (prior year: 3.8%) 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 R2.4 million (prior year R7.6 million) based on the closing share price of R2.39 (prior year R2.10).

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

	2011 Number of share options	**2011 Weighted average exercise price R**	2010 Number of share options	2010 Weighted average exercise price R
Balance at beginning of period	**14,316,714**	**1.56**	**15,506,286**	1.56
Options accepted	**-**	**-**	**-**	-
Options exercised	**(11,176,047)**	**1.60**	**(1,121,322)**	1.60
Options forfeited	**-**	**-**	**(68,250)**	2.06
Balance at end of period	**3,140,667**	**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.

The options outstanding at 30 June 2011 become unconditional between the following dates:

	Subscription price R	**2011 Number of share options**	2010 Number of share options
10 August 2000 and 1 July 2003	2.60	**-**	1,154
31 January 2001 and 1 March 2004	1.85	**-**	4,324
23 January 2002 and 1 March 2005	1.25	**-**	34,400
1 September 2004 and 1 September 2007	0.80	**66,667**	483,336
5 December 2005 and 5 December 2010	1.70	**899,000**	2,993,500
5 June 2006 and 5 June 2011	1.57	**2,175,000**	10,800,000
Total		**3,140,667**	14,316,714

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

Share options granted to Directors are as follows:

Balance at beginning of period		**9,664,668**	10,081,002
Options granted		**-**	-
Resignation of Director		**-**	(416,334)
Options exercised		**(7,798,668)**	-
		1,866,000	9,664,668

The options outstanding for Directors at 30 June 2011 become unconditional between the following dates:

1 September 2004 and 1 September 2007	0.80	**-**	366,668
5 December 2005 and 5 December 2010	1.70	**666,000**	2,098,000
5 June 2006 and 5 June 2011	1.57	**1,200,000**	7,200,000
Total		**1,866,000**	9,664,668

26. Capital Commitments

During 2010 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.

	R'000
Financial year 2012	109,337
Financial year 2013	949,129
Financial year 2014	129,719
Financial year 2015	826,853
	2,015,038

27. 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 standards which are applicable to the business of the Group and may have impact on future financial statements.

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	• Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced through Amendments to IFRS 7 in March 2009	
	• Accounting policy changes in the year of adoption	1 July 2010
	• Revaluation basis as deemed cost	
	• Use of deemed cost for operations subject to rate regulation	1 January 2011
	• Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS complaint financial statements for the first time	1 January 2011
	• Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day 1 gains on transactions that occurred before the date of adoption	1 January 2011
IFRS 3: Business Combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS	1 January 2011
	• Measurement of non-controlling interests	
	• Un-replaced and voluntarily replaced share-based payment awards	1 January 2011

Standard	Details of amendment	Annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures	• Clarification of disclosures	1 January 2011
	• Additional disclosure on transfer transactions of financial assets	1 July 2011
IFRS 9: Financial Instruments	• New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement	1 January 2013
IFRS 10 Consolidated Financial Statements	• New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess	1 January 2013
IFRS 11 Joint Arrangements	• New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	• New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	1 January 2013
IFRS 13 Fair Value Measurement	• New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 1: Presentation of Financial Statements	• Clarification of statement of changes in equity	1 January 2011
	• New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity	
IAS 12: Income Taxes	• Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale	1 January 2012
IAS 19: Employee Benefits	• Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans	1 January 2013
IAS 21 The Effects of Changes in Foreign Exchange Rates	• Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)	
IAS 24: Related Party Disclosure	• Simplification of the disclosure requirements for government related entities	1 January 2011
	• Clarification of the definition of related party	

27. New Accounting Pronouncements (continued)

Interpretations	Annual periods beginning on or after
IFRIC 13: Customer Loyalty Programmes Fair value of award credits	1 January 2011
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 April 2010

The Directors have not yet determined what the impact of these new Standards and Interpretation on the Company will be.

28. Related Parties

Subsidiaries
Inspect Note 3 for investments in subsidiaries.

Associates
Inspect Note 8 for investments in associates.

Share Incentive Trust
Inspect Note 2 for the details.

Directors
Inspect Directors emoluments on page 67 and Note 16.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Related party balances				
Loan accounts – Owing (to)/by related parties				
Alooca Technologies (Pty) Ltd	**-**	-	**29,314**	29,862
Aconcagua 32 Investments (Pty) Ltd	**-**	-	**18,125**	18,966
Kulula Air (Pty) Ltd	**-**	-	**730**	-
Commuter Handling Services (Pty) Ltd	**54,287**	68,486	**54,287**	68,486
Imperial Air Cargo (Pty) Ltd	**15,559**	16,549	**15,559**	16,459
Comair Share Incentive Trust	**-**	-	**7,754**	13,750
Amounts included in trade receivable/(trade payable) regarding related parties				
Commuter Handling Services (Pty) Ltd	**51**	51	**51**	51
Imperial Air Cargo (Pty) Ltd	**12,950**	10,130	**12,950**	10,130
Amounts included in finance lease payments to related parties				
Churchill Finance 23 Ltd	**-**	-	**108,535**	-

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Related party transactions				
Interest paid to/(received from) related parties				
Commuter Handling Services (Pty) Limited	**(6,149)**	(6,800)	**(6,149)**	(6,800)
Rent paid to/(received from) related parties				
Aconcagua 32 Investments (Pty) Ltd	**-**	-	**1,135**	-
Dividends to/(received from) related parties				
Churchill Finance 23 Ltd	**-**	-	**(108,535)**	-

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

Notice is hereby given in terms of section 62(1) of the Companies Act, No. 71 of 2008, as amended (**"the Companies Act"**) that the Annual General Meeting ("Meeting") of shareholders of the Company will be held at the SLOW in the City lounge facility in the Gautrain Hotel Building (Radisson Blu Hotel), cnr Rivonia and West streets (opposite Gautrain station), Sandton, 2196, on Wednesday, 9 November at 12h00 to consider, and if approved, pass the following resolutions with or without modification.

This notice has been sent to shareholders of the Company who were recorded as such in the Company's security register on Friday, 23 September 2011, being the notice record date set by the Board of the Company in terms of the Companies Act determining which shareholders are entitled to receive notice of the Annual General Meeting.

Shareholders or their proxies may participate in the Meeting by way of a teleconference call and, if they wish to do so:

- Must contact the Company Secretary (by e-mail at the address derek.borer@comair.co.za) no later than 12h00 on Monday, 7 November 2011 in order to obtain a pin number and dial-in details for that conference call;
- Will be required to provide reasonably satisfactory identification; and
- Will be billed separately by their own telephone service providers for their telephone call to participate in the Meeting.

The notice of meeting includes the attached proxy form.

Ordinary Resolutions

1. Consideration of Annual Financial Statements

Ordinary Resolution No. 1

"**RESOLVED that** the audited annual financial statements, including the Directors' Report, Auditors' Report and the report by the Audit Committee of the Group and the Company for the year ended 30 June 2011 are accepted."

Additional information in respect of Ordinary Resolution No. 1
The complete audited annual financial statements, including the Directors' Report, Auditors' Report and the report by the Audit Committee of the Group and the Company for the year ended 30 June 2011 are included in this Integrated Annual Report of which this notice forms part.

2. Re-appointment of External Auditors

Ordinary Resolution No. 2

"**RESOLVED that** the re-appointment of PKF (JHB) Inc. as nominated by the Company's Audit Committee as independent external auditors of the Company is approved. It is noted that Mr Ben Frey is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2012."

3. Re-election of Directors

Ordinary Resolutions Nos. 3.1 to 3.6

Directors appointed during the year

3.1 "**RESOLVED that** Mr Gavin James Halliday, who was appointed by the Board as a Non-executive Director of the Company with effect from 1 May 2011 and retires in terms of the Company's MOI and who, being eligible, offers himself for re-election, be hereby re-elected as a Director of the Company."

Directors Retiring by Rotation

3.2 "**RESOLVED that** Mr Donald Novick, who retires in terms of the Company's MOI and who, being eligible, offers himself for re-election, be hereby re-elected as a Director of the Company."

3.3 "**RESOLVED that** Mr Gidon Saul Novick, who retires in terms of the Company's MOI and who, being eligible, offers himself for re-election, be hereby re-elected as a Director of the Company."

3.4 "**RESOLVED that** Mr Jacob Meyer Kahn, who retires in terms of the Company's MOI and who, being eligible for re-election, offers himself for re-election, be hereby re-elected as a Director of the Company."

3.5 "**RESOLVED that** Mr Rodney Cyril Sacks, who retires in terms of the Company's MOI and who, being eligible, offers himself for re-election, be hereby re-elected as a Director of the Company."

3.6 "**RESOLVED that** Ms Wrenelle Doreen Stander, who retires in terms of the Company's MOI and who, being eligible, offers herself for re-election, be hereby re-elected as a Director of the Company."

Additional information in respect of Ordinary Resolutions Numbers 3.1 to 3.6

Article 13.2 of the Company's MOI provides that any person appointed as a Director of the Company to fill a casual vacancy or as an additional Director shall retire at the following Annual General Meeting. Article 15 provides that one third of the Company's Directors shall retire at every Annual General Meeting. A brief CV of each of the Directors mentioned above appears on pages 118 to 120 of this Integrated Annual Report of which this notice forms part.

Until the Companies Act, No. 71 of 2008, as amended, ("Act") came into effect on 1 May 2011, the memorandum of incorporation ("MOI") of the Company comprised its memorandum of association and its articles of association. On the date that the Act came into effect, the memorandum of association and articles of association of the Company automatically converted into the Company's MOI. Accordingly, for consistency of reference in this notice of Annual General Meeting, the term "MOI" is used throughout to refer to the Company's memorandum of association and its articles of association (which now form the Company's MOI, as aforesaid). All references to a provision in the Company's MOI in this notice of Annual General Meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of that portion of the Company's MOI that was previously called the Company's articles of association.

4. Election of Audit Committee

Ordinary Resolution No. 4

"**RESOLVED that** Dr PJ Welgemoed, Mr KI Mampeule, Mr AK Buchanan and Ms WD Stander, who, apart from Mr AK Buchanan (who is a Non-executive Director, who acts independently), are independent Non-executive Directors of the Company, be hereby elected as members of the Company's Audit Committee for the financial year ended 30 June 2012."

Additional information in respect of Ordinary Resolution No. 4
A brief CV of each of the Directors mentioned above is included on pages 118 to 120 of this Integrated Annual Report of which this notice forms part. As is evident from the CVs of these Directors, the Committee members have the required qualifications or experience to fulfil their duties.

5. Approval of Group Remunerations Policy

Ordinary Resolution No. 5

"**RESOLVED that** the Company's Remunerations Policy, as described in the Remuneration Report on pages 58 to 60 of this Integrated Annual Report, of which this notice forms part, is hereby approved by way of a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009, commonly referred to as King III."

6. General Authority to Place Shares under the Control of the Directors

Ordinary Resolution No. 6

"**RESOLVED that** the authorised but unissued shares in the capital of the Company be and are hereby placed under the control of the Directors of the Company as a general authority in terms of the Company's MOI, which authority shall be restricted to 5% of the issued ordinary shares as at 30 June 2011 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, the MOI of the Company and the JSE Limited ("JSE") Listings Requirements, to the extent applicable."

7. General Authority to Issue Shares for Cash

Ordinary Resolution No. 7

"**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 MOI of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that –

7.1 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;
7.2 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;
7.3 the number of shares issued for cash shall not in the aggregate in any one financial year exceed ten per cent (10%) 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 (which is 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;

7.4 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;

7.5 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, five per cent (5%) or more of the number of shares in issue prior to the issue;

7.6 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 ten per cent (10%) of the weighted average traded price on the JSE of those shares over the thirty (30) 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 thirty (30) day business day period."

Additional information in respect of Ordinary Resolution No. 7

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 Resolutions

8. Approval of Non-executive Directors' Remuneration 2010/11

Special Resolution No. 1

"**RESOLVED that** the joint remuneration of the Non-executive Directors for their services as Directors of the Company in the amount of R1,740,000.00 (one million seven hundred and forty thousand Rand for the financial year ended 30 June 2011 is approved."

Additional information in respect of Special Resolution No. 1

The reason for and the effect of the special resolution is to approve the remuneration payable by the Company to its Non-executive Directors for their services as Directors of the Company for the period ended 30 June 2011. The fees payable to Non-executive Directors are based on a fixed annual retainer. The Chairperson of each sub-committee, however, is paid an additional fee for each sub-committee meeting attended. No fees are payable to Mr Gupta, Mr Sacks, Mr Buchanan and Mr Halliday. While Mr van Hoven is not a Chairperson of any board sub-committee, he is the Chairman of Comair Pension Fund and as such gets paid a fee for each Pension Fund Trustee meeting attended. The fees payable to each Director and further details on the basis of calculation of the remuneration are respectively included in the annual finance statements on page 67 and in the Remuneration Report on pages 58 to 60 of this Integrated Annual Report of which this notice forms part.

9. Approval of Non-Executive Directors' Remuneration – 2011/12

Special Resolution No. 2

"**RESOLVED that** the following fees be approved as the basis for calculating the remuneration of the Non-executive Directors for their services as Directors of the Company for the financial year ended 30 June 2012:

	30 June 2011	30 June 2012
Chairman of the Board (1)	**R500,000.00**	R500,000.00
Vice-Chairman (2)	**R250,000.00**	R250,000.00
Non-executive Directors (5)	**R120,000.00**	R120,000.00
Chairperson of each sub-committee per sub-committee meeting attended	**R10,000.00**	R10,000.00

Additional information in respect of Special Resolution No. 2

The reason for and the effect of the special resolution is to approve the basis for calculating the remuneration payable by the Company to its Non-executive Directors for their services as Directors of the Company for the period ending 30 June 2012. The fees payable to Non-executive Directors are calculated on a fixed annual retainer. The Chairperson of each sub-committee, however, is paid an additional fee for each sub-committee meeting attended. No fees are payable to Mr Gupta, Mr Sacks, Mr Buchanan and Mr Halliday. While Mr van Hoven is not a Chairperson of any board sub-committee, he is the Chairman of the Comair Pension Fund and as such gets paid a fee for each Pension Fund Trustee meeting attended. Further details on the basis of calculation of the remuneration are included in the Remuneration Report on pages 58 to 60 of the Intergrated Annual Report of which this notice forms part.

10. General Authority to Re-purchase Shares

Special Resolution no. 3

"**RESOLVED that** the Board is hereby authorised by way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements and as permitted in the Company's MOI, to approve the purchase of its own ordinary shares by the Company, and the purchase of ordinary shares in the Company by any of its subsidiaries, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act and the JSE Listings Requirements, when applicable and provided that –

10.1 the general repurchase by the Company and/or any subsidiary of the Company of ordinary shares in the aggregate in any one financial year shall not exceed ten percent (10%) of the Company's issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than ten percent (10%) of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;

10.2 the repurchase of securities is 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);

10.3 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;

10.4 in determining the price at which the Company's ordinary shares are acquired by the Company or any subsidiary in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be ten percent (10%) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five (5) 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 five (5) day business day period;

10.5 the Company or its subsidiary may not repurchase securities during a prohibited period as defined in 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

10.6 when the Company or any subsidiary has cumulatively repurchased three percent (3%) of the initial number of the relevant class of securities, and for each three percent (3%) in aggregate of the initial number of that class acquired thereafter, an announcement will be made;

10.7 any general repurchases are subject to exchange control regulations and approval at that point in time;

10.8 the Company may only appoint one agent to effect any repurchase(s) on its behalf; and

10.9 a resolution has been passed by the Board of the Company and/or any subsidiary of the Company confirming that the Board has authorised the repurchase, that the Company satisfied the solvency and liquidity tests contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group."

The Board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future. The Board undertakes that it will not implement the proposed authority to repurchase the shares unless the Directors are of the opinion that:

- the Group and the Company will be in a position to repay its debt in the ordinary course of business for the next 12 months after the date of the general repurchase;
- the assets of the Group and the Company, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Group and the Company for the next 12 months after the date of the general repurchase;
- the share capital and reserves of the Group and the Company 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 Group and the Company 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 Group and the Company's working capital in writing to the JSE.

Additional information in respect of Special Resolution No. 3

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

11. General Authority to Provide Financial Assistance to Related and Inter-related Companies or Corporations

Special Resolution No. 4

"**RESOLVED that** the Board of the Company is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two (2) years from the date of adoption of this Special Resolution No. 4) to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to such term in section 45(1) of the Companies Act), that the Board may deem fit to any related or inter-related company or corporation of the Company ("related and inter-related" will herein have the meaning attributed to these terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board may determine."

The main purpose for this authority is to grant the Board the authority to provide inter-group loans and other financial assistance for the purpose of funding the activities of the Group. The Board undertakes that:

11.1 it will not adopt a resolution to authorise such financial assistance unless the Directors are satisfied that –

- 11.1.1 immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- 11.1.2 the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and

11.2 written notice of such resolution by the Board shall be given to all shareholders of the Company and any trade union representing the employees –

- 11.2.1 within ten (10) days after the Board adopted the resolution, if the total financial assistance contemplated in that resolution, together with any previous such resolutions during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution; and
- 11.2.2 within 30 days of the end of the financial year, in any other case.

Additional information in respect of Special Resolution No. 4

The reason for and the effect of the special resolution is to provide a general authority to the Board of the Company to grant direct or indirect financial assistance to any company or corporation forming part of the Company's Group of Companies, including in the form of loans or the guaranteeing of their debts. Prior to the commencement of the Companies Act on 1 May 2011, it was not a requirement to obtain shareholder approval to grant such financial assistance. The Board of the Company provided such inter-group financial assistance to a subsidiary, as disclosed in the annual financial statements in Note 3 on pages 85 to 86 of this Integrated Annual Report of which this notice forms part.

Other disclosure in terms of the JSE Listings Requirements Section 11.26

Further to Special Resolutions Nos. 3 and 4, the JSE Listings Requirements require the following disclosure, some of which is elsewhere in this Integrated Annual Report of which this notice forms part:

Directors and management – pages 64 to 65
Major shareholders of Comair – pages 122 to 124
Directors' interests in securities – page 63
Share capital of the Company – page 95

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the Directors, whose names are given on pages 64 to 65 of this Integrated Annual Report of which this notice forms part, 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, nor are the Directors' aware of any such proceedings that are pending or threatened save for what has been disclosed under the heading "Competition" on page 10 of this Integrated Annual Report.

Directors' responsibility statement

The Directors, whose names are given on pages 64 to 65 of this Integrated 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.

No material change

Other than the facts and developments reported on in this Integrated 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 no. 3, 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 3.

Ordinary Resolution

12. Authorisation for Company Secretary or any Director to Sign Necessary Documents to Give Effect to Resolutions

Ordinary Resolution No. 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

13. To Transact any other Business that may be Transacted at Annual General Meetings

Approvals Required for Resolutions

Ordinary Resolutions Nos. 1 to 6 and 8 contained in this Notice of Annual General Meeting require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, and further subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements.

Ordinary Resolution No. 7 (General Authority to issue shares for cash) and Special Resolutions 1 to 4 contained in this Notice of Annual General Meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting and further subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

Attendance and Voting by Shareholders or Proxies

The record date on which shareholders of the Company must be registered as such in the Company's securities register, which date was set by the Board of the Company in determining which shareholders are entitled to attend and vote at the Annual General Meeting is Friday, 4 November 2011. Accordingly the last day to trade in order to be eligible to attend and vote at the meeting is Friday, 28 October 2011.

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 Wednesday, 9 November 2011, at 12h00. Nevertheless, forms of proxy may be lodged at any time prior to the commencement of voting on the resolutions at the Annual General Meeting. 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. Any forms of proxy not received by this time must be handed to the chairperson of the meeting immediately prior to the 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
- are recorded on the electronic sub-register in "own name" dematerialised form.

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

Equity securities held by a share trust or scheme will not have their votes at annual general meetings taken into account for the purposes 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.

Proof of Identification Required

The Companies Act requires that any person who wishes to attend or participate in a shareholders meeting, must present reasonably satisfactory identification at the meeting. Any shareholder or proxy who intends to attend or participate in the Annual General Meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate in the meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a drivers' licence or a valid passport will be accepted as sufficient identification.

By order of the Board

Derek H Borer
Company Secretary

Date: 12 September 2011
Place: Bonaero Park

Directors Standing for Election or Re-Election

1. GJ Halliday (Board)
   (Age: 47)

Gavin joined British Airways in 1986, working in customer service, operational research and marketing, before joining sales as part of the airline's Global Sales team. He was involved in the airline's launch of e-ticket in 1995 and has since managed sales teams in Miami, the UK, and Latin America. He was responsible for all sales activity in the Asia & the Pacific region in 2006, before joining Europe. He is currently the Area General Manager, Europe and Africa.

2. D Novick (Board)
   (Age: 73)

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

3. GS Novick (Board)
(Age: 41)

Gidon started his career doing accounting articles at Fisher Hoffman. During this time, he successfully completed the board exam towards his Chartered Accountant qualification. After completing three years of articles, he went to the United States to complete his MBA at Kellogg in Chicago, and worked for AT Kearney, a management consulting firm. Following his return from the US in 1998, Gidon worked at Comair in various roles until his appointment as Joint CEO in July 2006.

4. JM Kahn (Board)
(Age: 72)

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

5. RC Sacks (Board)
(Age: 61)

Rodney was born and grew up in South Africa. He graduated from the University of the Witwatersrand in Johannesburg with a law degree and post-graduate higher diploma in tax law. Rodney was the youngest attorney to be made a partner at Werksmans. He was a senior partner by the time he emigrated to California with his family in August 1989, after spending nearly 20 years with Werksmans.

In 1990 a consortium, headed up by Rodney and his partner, Hilton Schlosberg, acquired control of a publicly traded company which ultimately merged into and became known as Hansen Natural Corporation. Hansen Natural Corporation acquired the Hansen's Natural Soda and Apple Juice business in 1992 for a purchase consideration of some $14.5 million. At that time sales were $17.5 million and the business had 12 employees.

Rodney has been Chairman and Chief Executive Officer of Hansen Natural Corporation since 1990. In 2002 Hansen Beverage Company launched the well known Monster Energy drink line which has risen to become the best selling energy drink (in units) in the United States and is now sold internationally in more than 60 countries. Under Rodney's stewardship Hansen Beverage Company's sales have grown to in excess of $1.4 billion and today the company employs more than 1,600 people.

Rodney is currently a Director of Comair as well.

6. WD Stander (Board and Audit Committee)
(Age: 45)

Wrenelle joined Sasol Limited in 2008 and was appointed Managing Director of Sasol Gas in October 2010. She serves on a number of Sasol subsidiary boards including Sasol Gas, Sasol Synfuels International and Sasol Group Services. In addition she serves as an employer representative on the Sasolmed Board of Trustees. Before joining Sasol, Wrenelle served in various capacities within the South African civil aviation industry and also held the position of Chief Executive Officer of the Air Traffic and Navigation Services Company (ATNS). Prior to joining the aviation industry, Wrenelle served in senior positions in the South African energy NGO sector. She holds a BA (Hons) degree from UCT, as well as an MBA from Oxford Brookes University in the United Kingdom.

7. PJ Welgemoed (Audit Committee)
(Age: 68)

In 1971 Peter obtained a Doctorate in Transport Economics at the Rand Afrikaans University. In 1974, he was appointed Professor and Chairman of the Department of Transportation Economics and Director of the Research Centre for Physical Distribution and Transportation Studies at Rand Afrikaans University. Thereafter he served on various Boards of Directors of companies involved in transportation and banking. In September 1989 he was appointed Deputy Minister of Mineral and Energy Affairs and Public Enterprises. In 1990 he served as a Member of the Cabinet, with the portfolio of Minister of Transport, and in 1992 as Minister of Transport and of Posts and Telecommunications. In 1998 he was appointed Executive Chairman of the Board of Market Power (SA) in South America. He controlled the daily operations of the Group in Chile, Argentina and Uruguay from the Head Office in Santiago. At present is he is involved in private business through directorships and consultancy.

8. AK Buchanan (Audit Committee)
(Age: 53)

After qualifying as a solicitor in Scotland, 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. Following the merger with Iberia, Alan was appointed Chief of Staff responsible for the Secretariat, Communications, Insurance, Risk Management and Compliance within British Airways.

9. KI Mampeule (Audit Committee)
(Age: 46)

Khutso Mampeule is the Executive Chairman of Lefa Group Holdings, an investment holding and consulting company which 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 also a Director of Remgro Capevin Limited and a few other privately held companies. Until May 21 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 of the business with approximately R70bn of assets under management. Before joining Old Mutual, he spent seven years in various senior executive positions at Transnet where he had responsibility for the rail operations, including rail/port integration, and the turnaround of 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.

Share Price Performance

The options outstanding at 30 June 2011 become unconditional between the following dates:

	2011	2010
Market Price (cents per share)		
Closing (30 June 2011)	**239c**	210 c
High	**255c**	300c
Low	**190c**	170c
Closing Price/Earnings Ratio	**15.0**	10.6
Number of Shares in Issue		
At year end (millions)	**489**	489
Weighted average (millions)	**489**	420
Volume of shares traded (millions)	**37**	37
Volume of shares traded to number in issue	**7.5%**	8.7%

Shareholder Analysis

Shareholder Spread

Bands	No. of Shareholdings	%	No. of Shares	%
1 – 1,000 Shares	1,831	59.58	563,052	0.12
1,001 – 10,000 Shares	812	26.42	2,921,912	0.60
10,001 – 100,000 Shares	260	8.46	8,165,898	1.67
100,001 – 1,000,000 Shares	123	4.00	38,528,341	7.88
1,000,001 Shares and Over	47	1.54	438,997,268	89.73
	3,073	100.00	489,176,471	100.00

Distribution of Shareholders

Type of Shareholder	No. of Shareholdings	%	No. of Shares	%
Banks	14	0.46	12,428,809	2.54
Medical Schemes	9	0.29	1,836,372	0.38
Close Corporations	25	0.81	153,247	0.03
Empowerment Funds	1	0.03	6,172,550	1.26
Endowment Funds	8	0.26	656,749	0.13
Individuals	2,642	85.98	11,956,127	2.44
Insurance Companies	20	0.65	6,369,333	1.30
Investment Companies	4	0.13	550,477	0.11
Mutual Funds	74	2.41	115,176,331	23.54
Nominees and Trusts	103	3.35	5,525,825	1.13
Other Corporations	17	0.55	207,618	0.04
Retirement Funds	116	3.78	38,685,030	7.91
Private (Pty) Companies	37	1.20	102,079,365	20.87
Strategic Holdings	2	0.07	180,286,774	36.87
Share Trust	1	0.03	7,091,864	1.45
	3,073	100.00	489,176,471	100.00

Beneficial Holdings of 3% or More

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

	No. of Shares	% Shareholding
Bidcorp Group*	126,320,151	25,82
Allan Gray**	54,548,794	11.15
Britair Holdings Limited	53,966,623	11.03
Innercreek Investments (Pty) Limited	49,623,607	10.14
Jetcreek Investments (Pty) Ltd	28,223,607	5.77
Oakbay Investments (Pty) Ltd	22,800,000	4.66
Oasis***	22,456,288	4.59
Total	357,939,070	73,16

* **Bidcorp Group**

Bidcorp Group Provident Fund and Pension Fund collectively hold 1,387,767 shares (0.28%) which are independently managed and which are not disclosed in the number above.

** **Allan Gray**		
Allan Gray Equity Fund	24,442,611	(5.00%)
Allan Gray Domestic Equity portfolio	12,380,609	(2.53%)
Allan Gray Balanced Fund	12,177,573	(2.49%)
Allan Gray Life Hedged Domestic Equity Portfolio	2,459,462	(0.50%)
Allan Gray Global Absolute Portfolio	1,561,903	(0.32%)
Allan Gray Domestic Absolute Portfolio	1,346,636	(0.28%)
Allan Gray Relative Domestic Equity Portfolio	180,000	(0.03%)
	54,548,794	11.15%

*** **Oasis**		
Oasis Crescent Equity Fund	20,259,065	(4.14%)
Oasis General Equity Fund	2,197,223	(0.45%)
	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) Limited, led by Thelo Aviation Investments (Pty) Ltd. Thelo Aviation Investments (Pty) Ltd has, in addition, purchased 1.5% of the Company’s issued share capital at the time from certain shareholders for cash. The Circular to Ordinary Shareholders issued on 23 August 2006 carries further information relating to the BEE transaction.

Fund Managers Holding 3% or More

The following Fund Managers hold 3% or more of the issued share capital of the Company:

	No. of Shares	% Shareholding
Allan Gray Asset Management	76,368,926	15,61
Oasis Asset Management	24,099,838	4,93
Coronation Fund Managers	23,268,480	4,76
Total	123,737,244	25,30

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

Shareholder Type and Number of Shares	Number of Shareholders in South Africa		Number of Shareholders other than in South Africa		Total Shareholders	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Non-public Shareholders						
Directors and Associates (11)	108,799,536	22.24			108,799,536	22.24
Strategic Holdings (More than 10%)						
BB Investment Co. (Pty) Ltd (1)	126,320,151	25.82			126,320,151	25.82
Britair Holdings Limited (1)			53,966,623	11.03	53,966,623	11.03
Share Trusts						
Comair Share Incentive Trust (1)	7,091,864	1.45			7,091,864	1.45
Public Shareholders						
Resident (3107)	181,064,264	37.02			181,064,264	37.02
Non-resident (42)			11,934,033	2.44	11,934,033	2.44
	423,275,815	86.53	65,900,656	13.47	489,176,471	100.00

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
- are recorded on the electronic sub-register in "own name" dematerialised form.

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

Forms of proxy must be lodged with or posted to the Company's Transfer Secretaries to be received not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time appointed for the holding of the Annual General Meeting, being Wednesday, 9 November 2011 at 12h00. Nevertheless, forms of proxy may be lodged at any time prior to the commencement of voting on the resolutions at the Annual General Meeting. 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**
	Ordinary Resolutions			
1	Consideration of the Annual Financial Statements			
2	Re-appointment of External Auditors			
3	To re-elect the following Directors:			
3.1	GJ Halliday			
3.2	D Novick			
3.3	GS Novick			
3.4	JM Kahn			
3.5	RC Sacks			
3.6	WD Stander			
4	To elect the following Directors to the Audit Committee			
4.1	PJ Welgemoed			
4.2	KI Mampeule			
4.3	AK Buchanan			
4.4	WD Stander			
5	Approval of Group Remuneration Policy			
6	General authority to place shares under the control of the Directors			
7	Authority to issue shares for cash			
	Special Resolutions			
1	Approval of Non-executive Directors' Remuneration 2010/11			
2	Approval of Non-executive Directors' Remuneration 2011/12			
3	General Authority to repurchase shares			
4	General Authority to provide financial assistance to related and inter-related companies and corporates			
	Ordinary Resolution			
8	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____________2011
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 Wednesday, 9 November 2011 at 12h00. Nevertheless, forms of proxy may be lodged at any time prior to the commencement of voting on the resolutions at the Annual General Meeting. Any forms of proxy not received by this time must be handed to the Chairperson of the meeting immediately prior to the meeting.

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

Company Secretary and Registered Office
DH Borer
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)

Principal Place of Business
1 Marignane Drive
Bonaero Park
Kempton Park
1619

Comair Limited

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")

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