



**comair**

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ANNUAL REPORT 1999

Operating as

**BRITISH AIRWAYS**





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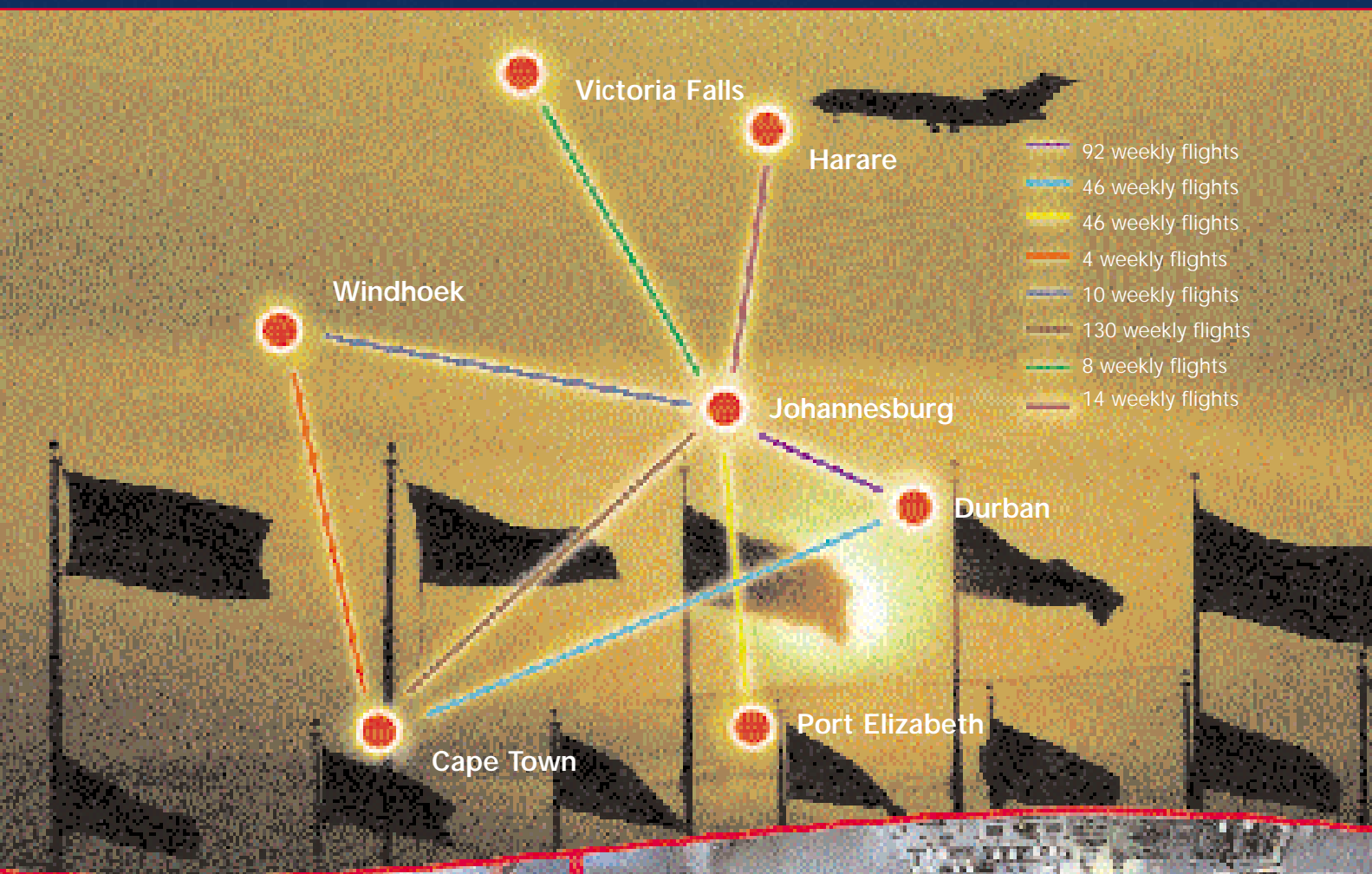
**comair**

**MISSION STATEMENT**

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*To be southern Africa's leading business airline*





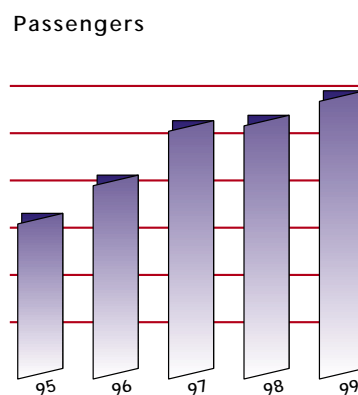
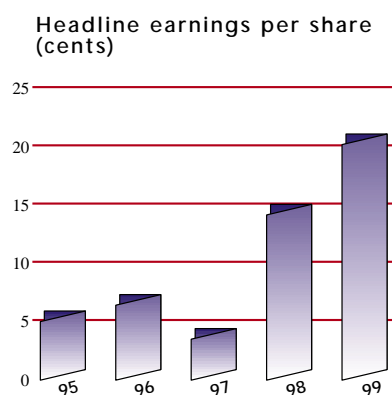
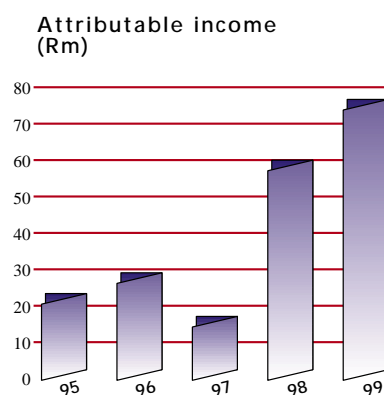
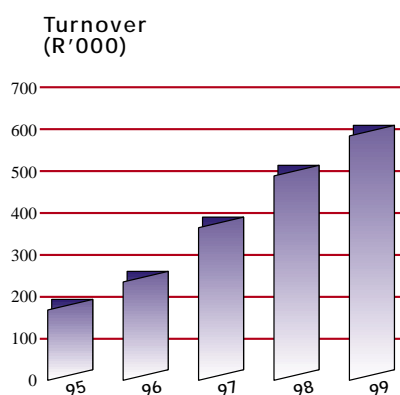
*Comair fleet comprises eight Boeing 737-200 and five Boeing 727-200 aircraft.*



*Comair employs 740 people.*

## FINANCIAL HIGHLIGHTS

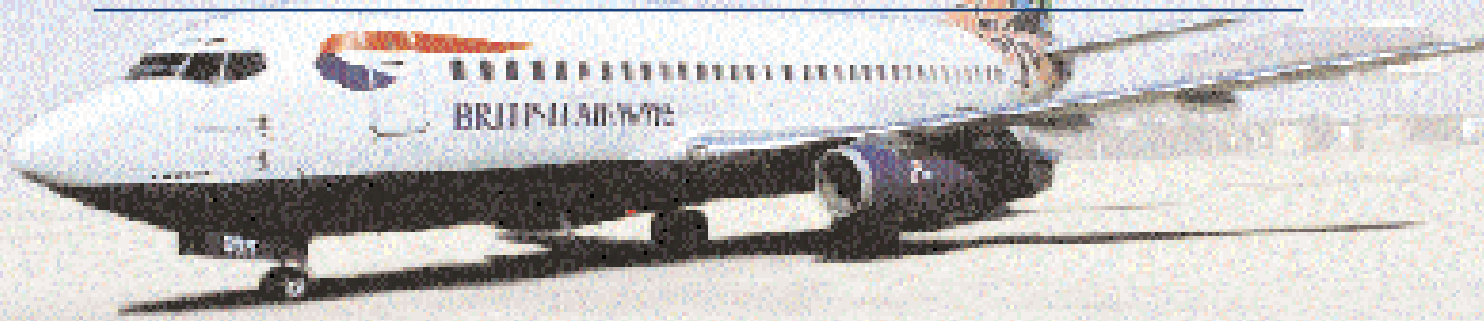
	Group June 1999	Group June 1998	% change
Turnover (R'000)	608 997	513 498	19
Operating profit (R'000)	91 272	76 886	19
Attributable income (R'000)	76 604	60 036	28
Earnings per share (cents)	18,2	15,0	21
Headline earnings per share (cents)	21,0	15,0	40
Dividend per share (cents)	5,0	3,3	53
Operating margin (%)	15	15	
Weighted average shares in issue ('000)	420 000	399 000	5



## FIVE-YEAR REVIEW FOR THE YEAR ENDED 30 JUNE

	1999 R'000	1998 R'000	1997 R'000	1996 R'000	1995 R'000
<b>INCOME STATEMENT</b>					
Turnover	608 997	513 498	389 777	260 214	193 248
Operating profit	91 272	76 886	25 742	42 536	33 248
Net investment income	34 743	9 498	2 618	2 996	2 562
Net income before taxation	126 015	86 384	28 360	45 532	35 810
Taxation	(37 776)	(31 727)	(10 938)	(16 210)	(12 156)
Net income after taxation	88 239	54 657	17 422	29 322	23 654
Sun Air investment written off	(11 627)	–	–	–	–
Share of associate company income	–	5 377	–	–	–
Outside shareholders' interest	(8)	2	(1)	–	–
Earnings attributable to ordinary shareholders	76 604	60 036	17 421	29 322	23 654
<b>BALANCE SHEET</b>					
<b>Capital employed</b>					
Share capital and reserves	188 313	135 274	73 118	60 110	35 789
Outside shareholders' interest	507	39	265	124	–
Long-term liability	133 261	6 584	–	669	–
Deferred taxation	7 117	399	9 183	8 068	9 546
Total capital employed	329 198	142 296	82 566	68 971	45 335
<b>Employment of capital</b>					
Fixed assets	142 258	73 123	88 234	82 728	55 562
Loan to Share Incentive Trust	15 120	15 120	–	–	–
Unlisted investments	56 823	17 877	835	1 253	427
Current assets	264 574	157 870	52 254	43 216	46 124
Current liabilities	(149 577)	(121 694)	(58 757)	(58 226)	(56 778)
Total employment of capital	329 198	142 296	82 566	68 971	45 335
<b>FINANCIAL RATIOS AND STATISTICS</b>					
Operating margin	15,0%	15,0%	6,6%	16,3%	17,2%
Profit margin	14,5%	10,6%	4,5%	11,3%	12,2%
Earnings per share (cents)	18,2	15,0	4,4	7,3	5,9
Headline earnings per share (cents)	21,0	15,0	4,4	7,3	5,9
Dividends per share (cents)	5,0	3,3	1,1	1,3	–
Weighted ordinary shares issued ('000)	420 000	399 000	399 000	399 000	399 000
Net tangible asset value per share (cents)	45,0	33,9	18,4	15,1	9,0
Current ratio (times)	1,77	1,30	0,89	0,74	0,81
Gearing ratio	71%	–	–	–	–

## DIRECTORATE



Left to right:

*Piet van Hoven*

*Martin Moritz*

*Derek Borer •*

*Dave Novick*



Left to right:

*Bert van der Linden*

*Peter Marx*

*Glenn Orsmond*

*Nic Vlok*



### EXECUTIVE DIRECTORS

**Dave Novick** (60) CA(SA) (Chairman)

**Martin Moritz** (54) BCom, LLB (Deputy Chairman)

**Piet van Hoven** (55) (Managing Director)

**Nic Vlok** (51) BSc (Elec) Eng, MBL

**Bert van der Linden** (50) (Neth.)  
(Marketing Director)

**Peter Marx** (61) (British) (Flight Operations Director)  
(Alternate)

**Glenn Orsmond** (36) BCom, CA(SA)  
(Financial Director) (Alternate)

### NON-EXECUTIVE DIRECTORS

**The Hon Justice Cecil Margo** (83) BA, LLB, QC,  
FRAeS, FSA MECHE

**Reuel Khoza** (50) BA (Hons), MA, PMD (Harvard)

**Rodney Sacks** (49) HDip Law, HDip Tax

**Dr Peter Welgemoed** (56) BCom (Hons), MCom,  
DCom

**Arnold Witkin** (55) BCom, CA(SA)

**Christoff Botha** (39) BCom, LLB, CA(SA)

• *Company Secretary*

## CORPORATE GOVERNANCE

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Comair is committed to the principles of good corporate governance through the establishment of appropriate reporting and control structures within the company. The company strives to substantially comply in all material respects with the King Report's code of Corporate Practices and Conduct.

### FINANCIAL STATEMENTS

The directors are responsible for the preparation of the annual financial statements in a manner which fairly and accurately presents the state of affairs and the results of the company and group. The directors are responsible for adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, and for the safeguarding of assets.

### AUDIT COMMITTEE

The company has an audit committee, chaired by a non-executive director, which meets periodically and operates in terms of formally approved guidelines. The audit committee also reviews the effectiveness of the company's system of internal control as reported on by a strong internal audit function. The independent auditors' appointment is recommended by the committee and considered annually by the shareholders.

Chairman: Dr Peter Welgemoed

Members: Mr Dave Novick

Mr Piet van Hoven

Mr Christoff Botha

### REMUNERATION COMMITTEE

The remuneration committee, chaired by a non-executive director, reviews and approves the remuneration and terms of employment of executive directors and senior management.

Chairman: Hon C S Margo

Member: Mr Christoff Botha

### BOARD OF DIRECTORS

The Board of Directors meets regularly and monitors the performance of executive management through review of financial reports and provides strategic guidance for management. The roles of Chairman and Managing Director have been separated. The Group Secretary ensures that statutory and other procedures are followed and can only be removed from his duties by means of a directors' resolution.

### NON-EXECUTIVE DIRECTORS

Non-executive directors offer independent judgement of management and, apart from their fees and in some cases, shareholding, there are no extraneous factors that materially affect their judgement. Their fees are paid under a laid-down tariff that reflects their committed time and levels of responsibility.

### EMPLOYMENT EQUITY

Comair is committed to employment equity and has incorporated the principle of employment equity into its strategic vision. Comair believes that the achievement of employment equity in the work place is an opportunity for the company to make



a difference to the broader South African society by redressing previous imbalances.

The company is in the process of transforming its affirmative action plan into an employment equity plan and intends to apply for a certificate of compliance from the Department of Labour. The certificate and a summary of Comair's employment equity report will be forwarded to all of its business partners.

#### **YEAR 2000 STATEMENT**

Comair's year 2000 (Y2K) project began early in 1998 in conjunction with British Airways. The main aim of the project is to ensure the safety and security of passengers, employees and all those affected by Comair's operations.

The programme to make Comair's systems and technical infrastructure compliant for year 2000 is on target. The policy to make all systems ready is expected to reach full completion by the end of August 1999. All new systems acquired, and the integration of systems, will continue to be tested throughout 1999. Efforts during the latter part of 1999 will be concentrated on eliminating any potential inconveniences that could make travelling less efficient during the date change period.

Comair has an excellent safety record, as does the airline industry generally. This will not be compromised during the millennium changeover or at any other time. Comair will, therefore, be fully operational during the millennium changeover period.

All airlines are dependent on suppliers of services and equipment, which are critical to our business. These include the airports and air traffic control systems.

The member airlines of IATA (International Air Transport Association), including ourselves, have implemented a far-reaching programme in co-operation with the main suppliers of services and equipment to the air transport industry. Air traffic systems and airports have been surveyed. Aircraft, engine and avionics manufacturers have been included in this common effort to identify any remedial action as far as the millennium issue is concerned.

Comair's objective is to ensure the continuity of its business operations and the correct functioning of the business systems upon which it relies. Safety is of paramount importance and will not be compromised.

## **JOINT CHAIRMAN AND MANAGING DIRECTOR'S REPORT**



*Piet van Hoven*  
Managing Director

*Dave Novick*  
Chairman

Trading conditions in the second half of the financial year were difficult with pressure on margins being caused by a combination of overcapacity in the market, the weakened rand, higher fuel costs and lower demand caused by the general economic slowdown and high interest rates.

Strong cash flow from operations and the high interest rate environment contributed towards the excellent interest earnings growth. The lowering of company tax rates further enhanced earnings growth.

### **FINANCIAL REVIEW**

It is a pleasure to report the excellent results achieved by Comair. Headline earnings per share increased by a healthy 40% from 15,0 cents per share to 21,0 cents per share, 16% ahead of the 18,1 cents forecasted in the prospectus when listing in July last year. Attributable earnings for the financial year ending June 1999 grew by 28% to R76,6 million compared with the R60,0 million earned in the previous financial year.

A cash dividend of 5,0 cents has been declared in accordance with Comair's dividend policy reflecting a 53% increase compared to the dividend per share declared last year.

Operating profits and turnover increased by 19% on stable operating margins. The turnover growth reflects satisfactory passenger and yield growth. Average load factors declined to 64% from 67% last year due largely to market overcapacity in the second half of the year.

### **AIRCRAFT FLEET**

The aircraft fleet has increased from nine jet aircraft at the previous financial year-end to the thirteen jet aircraft currently operated. The fleet now comprises eight owned Boeing 737-200 aircraft and five Boeing 727-230 aircraft under operating leases with Safair.

Two additional Boeing 737-200 aircraft were purchased from British Airways at a cost of USD 6,5 million each at financial year-end and are currently utilised on the new Durban/Cape Town schedule route introduced in July this year. Structured finance loan capital was used to fund the acquisition.

Two additional leased Boeing 727-230 aircraft were acquired to expand capacities on existing routes and to improve the fleet back-up capability.

The additional B737-200 aircraft are maintained by SAA under contract with the existing B737 fleet and the B727-230 aircraft will be maintained by Safair.

## *“Headline earnings per share increased by a healthy 40%”*

The company is still in the process of undertaking a fleet evaluation study that will determine its longer-term fleet composition.

### **SUN AIR**

Comair originally acquired a 25% shareholding in Sun Air effective 1 September 1997 with the desired objective of achieving a merger between the two airlines.

Due to Sun Air's poor financial performance and due to resistance from Sun Air's controlling shareholders and management the desired merger was not achieved. Subsequent to the year-end Sun Air ceased operations in August 1999 and is expected to be placed in liquidation.

The Sun Air investment has been written off in full for the year under review. This is expected to be more than offset by market share gains derived from Sun Air's withdrawal from the market in the new financial year.

### **CAPACITIES AND ROUTES**

During the year the company expanded capacities on all domestic routes currently served as well as the

regional route to Harare in Zimbabwe. This has resulted in a 15% increase in total annual seat capacity offered compared to the previous financial year. Subsequent to the financial year-end, Comair reintroduced services on the Durban/Cape Town route to complete the “golden triangle” and now has a meaningful presence on the four biggest domestic routes.

The following scheduled weekly departures are currently offered by Comair:

#### *Domestic market*

Johannesburg/Cape Town	130
Johannesburg/Durban	92
Johannesburg/Port Elizabeth	46
Cape Town/Durban	46

#### *Regional market*

Johannesburg/Harare	14
Johannesburg/Windhoek	10
Johannesburg/Victoria Falls	8
Cape Town/Windhoek	4



*Our people are our greatest asset and allow us to deliver consistent world-class customer service.*



*A healthy meal alternative is one of our recently introduced on-board innovations.*

## JOINT CHAIRMAN AND MANAGING DIRECTOR'S REPORT

CONTINUED

### BRITISH AIRWAYS

The British Airways franchise arrangement continues to provide benefits for Comair with the British Airways brand having been successfully established in the South African market. The revenue management, technology services and revenue accounting services rendered by British Airways continue to give Comair a competitive advantage in the market.

The success of the "Millennium Offer", in terms of which Executive Club frequent flyers can achieve a free Concorde transatlantic flight, has entrenched the Executive Club frequent flyer brand in the South African market.

resulted in a significant decrease of capacity in the market and as a result Comair has decided to withdraw its objection raised in November 1998 against South African Airways at the Competition Board.

The withdrawal in no way limits Comair's ability to raise future objections in instances of anti-competitive behaviour. The new Competition Act to be introduced in September this year provides greater protection against competitors who abuse their dominant position.



*Fly-thru kerbside check-in at Johannesburg International Airport.*

*Our new unique Terraces Lounge at Johannesburg International Airport was recently opened.*

Comair's membership of the One World global alliance programme ensures that Comair passengers participate fully in the global accrual and redemption of frequent flyer miles within the One World alliance.

### COMPETITION BOARD

Sun Air's demise in August this year and capacity reductions implemented by South African Airways has

### EXECUTIVE CLUB LOUNGES

The company has decided to introduce Executive Club lounges under the British Airways "Terraces" brand at Johannesburg, Cape Town and Durban international airports, with a view to providing superior comfort for its Club Class passengers and regular Executive Club members. The Johannesburg lounge was opened on 11 August this year and it is

## *“As a major airline in southern Africa we enjoy both opportunity and responsibility”*

expected that the Durban and Cape Town lounges will be opened within the next quarter.

In addition to comfortable accommodation, many amenities will be provided specifically for the businessman's preflight needs.

### **MARKET ENVIRONMENT**

A period of relative market stability is expected, following Sun Air's withdrawal from the market with prices at economical levels and capacity in line with demand. Comair's capacity market share is expected to increase from 14% estimated at the end of the previous financial year to 18% after capacity expansions. The South African Airways alliance continues to dominate with approximately 75% of the market.

Comair's relatively low market share provides scope for further market share growth in the medium and longer term in the domestic industry. Further regional growth opportunities in Africa will be vigorously pursued either in our own right or through developing alliances based on the strength of the British Airways brand.

### **HUMAN RESOURCES**

Comair's growth in the past year has created further jobs with the employee complement growing from 605 at our previous financial year-end to 740 currently.

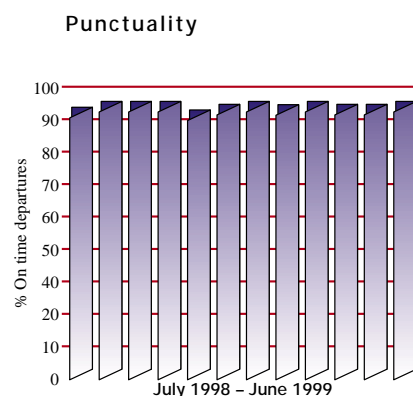
Comair is committed to investing in its people through training and development based on a recognition that its people are its most important asset. The key factor that differentiates Comair from its competitors is its high service delivery standards achieved by a highly skilled and motivated employee and management team.

The company has successfully implemented the revised Basic Conditions of Employment Act. It is expected that the requirements and timetables regarding the implementation of the Employment Equity Act and Skills Development Act will also be successfully implemented during the current financial year.

### **FLIGHT OPERATIONS**

In terms of the agreement with British Airways, Comair flight safety standards were once again audited during the year to ensure compliance with British Airways' prescribed standards and procedures. We are pleased to once again note the favourable report issued.

Comair continues to invest heavily in aircrew conversion and recurrent training to maintain its strict safety standards.



### **SERVICE DELIVERY**

Comair once again achieved excellent service delivery results as measured monthly by the independent British Airways Global Performance Monitor based on independent interviews with Comair passengers. Comair's standards generally exceeded those achieved by British Airways.

The key service delivery elements focused on include efficient check-in, on-time departures, seat comfort,

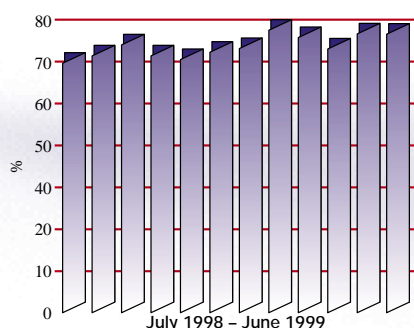
## JOINT CHAIRMAN AND MANAGING DIRECTOR'S REPORT

### CONTINUED

friendly on-board service, quality meals and quick baggage delivery.

Further product innovations introduced during the year include free parking, kerbside check-in, individual meal requests and the development of a "Fly Thru" product to meet the business traveller's needs.

Customer satisfaction



#### PROSPECTS

The prospects for the next financial year are positive, providing that the current pricing and capacity stability continues. With the introduction of the Competition Act of 1998, much improved statutory protection can be achieved against carriers who abuse their dominant market position.

Turnover growth for the June 2000 financial year is expected to be driven by a combination of higher yields and passenger volume growth.

Increased fuel prices, inflation, a weaker rand and higher labour costs due to legislative changes will, however, create cost pressures.

The continued focus on our people to provide excellent service delivery standards to meet our customers' needs are expected to contribute towards achieving another year of solid earnings growth.

#### APPRECIATION

Our thanks and appreciation are due to members of the Board, management and employees for their contributions towards our success achieved during a difficult trading year. We welcome Mr Sam Nematswerani to the Board of Directors. We look forward to entering the new millennium with a successful financial year.



*Fly-thru LOFO baggage system in operation.*



*Our Fly-thru valet parking service.*

## VALUE ADDED STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	1999 R'000	%	1998 R'000	%
<b>WEALTH CREATED</b>				
Group turnover	608 997		513 498	
Cost of materials and services	413 209		354 576	
Value added	195 788		158 922	
Net investment income	34 743		9 498	
Total value added	230 531	100	168 420	100
<b>WEALTH DISTRIBUTED</b>				
<b>Employees</b>				
Salaries, wages and related benefits	93 367	41	62 604	37
<b>Providers of capital</b>				
Dividends to shareholders	21 000	9	13 000	8
<b>Government</b>				
Taxation	37 776	16	31 727	19
<b>Re-invested in the group</b>				
Depreciation	17 407		19 430	
Retained profit	60 981		41 659	
	230 531	100	168 420	100

## REPORT OF THE INDEPENDENT AUDITORS

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### TO THE MEMBERS OF COMAIR GROUP

We have audited the annual financial statements and group annual financial statements of Comair Limited set out on pages 16 to 27 for the year ended 30 June 1999. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these financial statements based on our audit.

#### Scope

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

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

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

#### Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 1999, and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Companies Act.



Fisher Hoffman Sithole  
Chartered Accountants (SA)  
Registered Accountants and Auditors

Johannesburg  
20 August 1999



## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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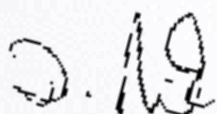
The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report.

The financial statements, presented on pages 16 to 27, have been prepared in accordance with generally accepted accounting practice, and include amounts based on judgements and estimates made by management.

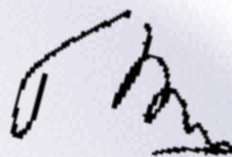
The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or the group will not be going concerns in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of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

The financial statements have been audited by the independent accounting firm, Fisher Hoffman Sithole, 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. Fisher Hoffman Sithole's audit report is presented on the preceding page.

The financial statements which appear on pages 16 to 27 were approved by the Board of Directors on 20 August 1999 and signed on its behalf.



Chairman



Managing Director

## REPORT OF THE DIRECTORS

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The directors have pleasure in presenting their report which forms part of the audited financial statements of the company and of the group for the year ended 30 June 1999.

### NATURE OF THE BUSINESS

Comair Limited, trading as British Airways operated by Comair, provides scheduled air services in Southern Africa between Johannesburg and Cape Town, Durban, Port Elizabeth, Harare, Victoria Falls and Windhoek, as well as between Cape Town and Windhoek and Cape Town and Durban subsequent to year-end. The airline currently operates a fleet of thirteen jet aircraft.

### FINANCIAL RESULTS

Full details of the financial results are set out on pages 18 to 27 for the year ended 30 June 1999.

### DIVIDENDS

A final dividend of R21 million (5,0 cents per share) (1998: R13 million 3,3 cents per share) was declared on 20 August 1999, payable to shareholders registered on 10 September 1999, for the year under review in accordance with the company's dividend cover policy. Dividend cheques will be posted and electronic dividend payments made to shareholders on or about 28 September 1999. No interim dividend was declared for the year under review.

### SHARE CAPITAL

There have been no changes in the authorised and issued share capital during the year under review.

Movements in the share premium account for the year under review are summarised as follows:

	R'000
Share premium opening balance	11 021
Net cost of listing	2 565
Share premium balance at year-end	<u>8 456</u>

### SUBSIDIARIES

Details of the company's sole subsidiary, Commuter Handling Services (Pty) Limited, are recorded in the notes to the annual financial statements. The interest in the subsidiary contributed R25 071 (1998: (R5 326)) towards the group after tax earnings.

### DIRECTORS

D Novick – *Chairman*  
M D Moritz – *Deputy Chairman*  
P van Hoven – *Managing Director*  
R C Sacks  
B J van der Linden  
P R Marx (Br) (*Alternate to B J van der Linden*)

### APPOINTED

30 June 1970  
15 February 1979  
10 November 1973  
10 March 1980  
3 July 1981  
1 August 1985

**comair**

The Hon Justice C S Margo	3 November 1987
Dr P J Welgemoed	1 November 1994
A Witkin	1 April 1995
N Vlok	11 September 1995
G W Orsmond ( <i>Alternate to M D Moritz</i> )	28 July 1997
R J Khoza	5 June 1998
C G Botha	31 July 1998
N S Nematswerani ( <i>Alternate to R J Khoza</i> )	27 October 1998

#### SECRETARY

D H Borer  
 2nd Floor, FHS House  
 15 Girton Road  
 Parktown  
 2193  
 PO Box 1370, Johannesburg, 2000

#### EVENTS SUBSEQUENT TO YEAR-END

Comair acquired a 25% shareholding in Sun Air (Pty) Limited with effect from 1 September 1997. As profits earned by Sun Air for their financial year ended 31 March 1999 have been offset by losses incurred to Comair's reporting date, no associate income has been recognised for the financial year under review.

Subsequent to Comair's year-end, Sun Air ceased operations during August 1999 and is expected to be placed in liquidation. As there is no likelihood of Sun Air recommencing operations, the Sun Air investment has been written off in full in the financial year under review.

#### DIRECTORATE SHAREHOLDING

The beneficial direct and indirect interests of directors' holding in excess of 1% of the issued shares of Comair Limited as at financial year-end are as follows:

	1998	1999
Number of ordinary shares	165 719 623	165 723 313
Percentage shareholding	39,5	39,5

## INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

	Notes	Group		Company	
		1999 R'000	1998 R'000	1999 R'000	1998 R'000
Turnover		608 997	513 498	594 367	507 499
Operating profit	1	91 272	76 886	90 614	76 250
Net investment income	16	34 743	9 498	35 366	10 135
Net income before taxation		126 015	86 384	125 980	86 385
Taxation	2	(37 776)	(31 727)	(37 766)	(31 722)
Net income after taxation		88 239	54 657	88 214	54 663
Share of associate income	3	–	5 377	–	5 377
Sun Air investment written off		(11 627)	–	(11 627)	–
Outside shareholders' interest		(8)	2	–	–
Earnings attributable to ordinary shareholders		76 604	60 036	76 587	60 040
Transfer from/(to) non-distributable reserve	8	5 377	(5 377)	5 377	(5 377)
Ordinary dividend	4	(21 000)	(13 000)	(21 000)	(13 000)
Retained income for the year		60 981	41 659	60 964	41 663
Retained income brought forward		114 676	73 017	114 692	73 029
Retained income carried forward	9	175 657	114 676	175 656	114 692
Headline earnings per share (cents)	5	21,0	15,0		
Earnings per share (cents)	5	18,2	15,0		

## BALANCE SHEETS AT 30 JUNE 1999

		Group		Company	
	Notes	1999 R'000	1998 R'000	1999 R'000	1998 R'000
Capital employed					
Share capital	6	4 200	4 200	4 200	4 200
Share premium	7	8 456	11 021	8 456	11 021
Non-distributable reserve	8	–	5 377	–	5 377
Distributable reserve	9	175 657	114 676	175 656	114 692
Shareholders' interest		188 313	135 274	188 312	135 290
Outside shareholders' interest		507	39	–	–
Long-term liability	10	133 261	6 584	133 260	6 584
Deferred taxation		7 117	399	7 117	399
		329 198	142 296	328 689	142 273
Employment of capital					
Fixed assets	11	142 258	73 123	139 471	69 896
Loan to Share Incentive Trust	12	15 120	15 120	15 120	15 120
Investments	13	56 823	17 877	59 141	19 676
Net current assets		114 997	36 176	114 957	37 581
Current assets		264 574	157 870	261 081	155 423
Inventories	14	3 652	2 058	3 652	2 058
Accounts receivable		50 790	21 724	47 555	19 274
Cash and cash equivalents		210 132	134 088	209 874	134 091
Current liabilities		149 577	121 694	146 124	117 842
Accounts payable		110 993	84 592	108 061	81 354
Current portion of long-term liabilities		850	603	334	–
Aircraft maintenance provision		16 148	6 872	16 148	6 872
Dividends		21 000	–	21 000	–
Taxation		586	29 627	581	29 616
		329 198	142 296	328 689	142 273

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

	Notes	Group		Company	
		1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>Operating activities</b>		<b>88 387</b>	140 354	<b>88 540</b>	139 402
Cash receipts from customers		579 932	527 784	566 087	523 556
Cash paid to suppliers and employees		(466 189)	(368 063)	(452 830)	(365 424)
Cash generated from operations	15	113 743	159 721	113 257	158 132
Net investment income	16	34 743	9 498	35 366	10 135
Taxation paid	17	(60 099)	(11 465)	(60 083)	(11 465)
Cash available from operating activities		88 387	157 754	88 540	156 802
Dividends paid	18	-	(17 400)	-	(17 400)
<b>Investing activities</b>		<b>(143 420)</b>	(16 541)	<b>(143 452)</b>	(15 604)
Additions to fixed assets	11	(86 634)	(5 565)	(86 147)	(3 942)
Proceeds on disposal of fixed assets		37	724	37	723
Proceeds on disposal of investment		-	800	-	800
Increase in loans to subsidiaries		-	-	(519)	(685)
Investment in unlisted companies		-	(12 500)	-	(12 500)
Investment in preference shares		(56 823)	-	(56 823)	-
<b>Financing activities</b>		<b>131 077</b>	6 358	<b>130 695</b>	6 584
Increase/(decrease) in outside shareholders' interest		468	(226)	-	-
Listing costs		(2 565)	-	(2 565)	-
Increase in long-term borrowings		133 174	6 584	133 260	6 584
<b>Net increase in cash and cash equivalents</b>		<b>76 044</b>	130 171	<b>75 783</b>	130 382
Cash and cash equivalents at the beginning of the year		134 088	3 917	134 091	3 709
Cash and cash equivalents at the end of the year		210 132	134 088	209 874	134 091

## ACCOUNTING POLICIES

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The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies in compliance with generally accepted accounting practice in South Africa, which are consistent with those of the previous year.

### Turnover

Turnover comprises airline revenue and commissions earned and is recognised when the transportation service is provided.

### Foreign currencies

Foreign currency transactions are recorded at the industry IATA five-day rate ruling on the transaction dates. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the balance sheet date, or the forward rates where applicable. Exchange differences arising are taken to income.

### Deferred taxation

Deferred taxation is provided for on the comprehensive basis using the liability method.

### Fixed assets

Freehold land and buildings are stated at cost and are not depreciated.

Aircraft and related equipment, buildings, vehicles, furniture, computers and other equipment are depreciated on the straight line basis at the following rates, which are estimated to amortise the assets to their anticipated residual values over their useful lives:

Aircraft and related equipment	12,5% – 20%
Motor vehicles	20%
Furniture and equipment	10%
Computer equipment	20%

Expenditure relating to aircraft and related equipment is capitalised to the extent that it improves the condition of the asset beyond its original assessed standard of performance.

### Inventories

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

### Aircraft maintenance

An aircraft maintenance provision is created for any unscheduled maintenance that may occur in the future. The provision is based on a fixed rate per flown hour.

### Associated companies

Associates are those companies in which the group has a long-term interest and over which it exercises significant influence, but not control. The group's share of post-acquisition results of associates is included in the consolidated financial statements using the equity method.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

	Group		Company	
	1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>1 OPERATING INCOME</b>				
Operating income is stated after incorporating the following items				
Audit fees	198	214	168	150
– audit services	198	161	168	150
– other services	–	53	–	–
Depreciation of fixed assets	17 407	19 430	16 510	18 590
Directors' emoluments			4 088	2 826
– for services as directors			210	180
– for managerial and other services			3 595	2 548
– retirement and medical benefits			283	98
Rentals under operating leases	17 720	12 094	17 175	11 765
– property rentals	1 272	1 029	788	755
– hire aircraft, equipment and vehicles	16 448	11 066	16 387	11 010
(Profit)/loss on disposal of fixed assets	(26)	558	(19)	556
<b>2 TAXATION</b>				
South African normal tax				
– Current	32 248	38 886	32 238	38 881
– Deferred	3 530	(8 784)	3 530	(8 784)
	35 778	30 102	35 768	30 097
Secondary tax on companies	1 998	1 625	1 998	1 625
	37 776	31 727	37 766	31 722
<i>Reconciliation of rate of taxation</i>	%	%	%	%
South African normal tax rate	30,0	35,0	30,0	35,0
Adjusted for:	(1,6)	(0,1)	(1,6)	(0,1)
Disallowable expenditure	0,0	0,1	0,0	0,1
Exempt income	(1,6)	(0,2)	(1,6)	(0,2)
Secondary tax on companies	1,6	1,9	1,6	1,9
Effective rate	30,0	36,8	30,0	36,8
<b>3 ASSOCIATED COMPANIES</b>				
Share of post-acquisition retained income	–	5 377	–	5 377
Dividends received	–	–	–	–
	–	5 377	–	5 377
<b>4 DIVIDENDS</b>				
Ordinary:				
– Final of 5 cents per share (1998: 3,3 cents)	21 000	13 000	21 000	13 000



	Group		Company	
	1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>5 HEADLINE EARNINGS</b>				
Earnings attributable to ordinary shareholders	76 604	60 036	76 587	60 040
Add back exceptional item	11 627	–	11 627	–
Headline earnings	88 231	60 036	88 214	60 040
The calculation of headline earnings per ordinary share is based on the consolidated net income attributable to ordinary shareholders of R88 231 000 before exceptional items (1998: R60 036 000) and the weighted average of 420 000 000 (1998: 399 000 000) ordinary shares in issue.				
<b>6 SHARE CAPITAL</b>				
Ordinary shares				
Authorised				
1 000 000 000 ordinary shares of 1 cent each	10 000	10 000	10 000	10 000
1 000 000 000 "N" ordinary shares of 0,01 cent each	100	100	100	100
	10 100	10 100	10 100	10 100
Issued				
420 000 000 ordinary shares of 1 cent each	4 200	4 200	4 200	4 200
	4 200	4 200	4 200	4 200
<b>7 SHARE PREMIUM</b>				
Opening balance	11 021	–	11 021	–
Arising on issue during the year	–	14 910	–	14 910
Capitalisation issue	–	(3 889)	–	(3 889)
Utilised to defray listing cost	(2 565)		(2 565)	
	8 456	11 021	8 456	11 021
<b>8 NON-DISTRIBUTABLE RESERVES</b>				
Opening balance	5 377	–	5 377	–
Transfer from/(to) the income statement comprising post-acquisition retained profits and reserves of associate	(5 377)	5 377	(5 377)	5 377
	–	5 377	–	5 377
<b>9 DISTRIBUTABLE RESERVE</b>				
Retained income	175 657	114 676	175 656	114 692

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 1999

	Group		Company	
	1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>10 LONG-TERM LIABILITY</b>				
Final instalment owed to the South African Government for the purchase of a 25% shareholding in Sun Air (Pty) Limited payable free of interest on 15 January 2000. The loan is secured with a pledge of 12,5% of shares held in Sun Air (Pty) Limited	–	6 584	–	6 584
African Merchant Bank loan (AMB)				
Aircraft financing and working capital loan from AMB of which the capital is to be repaid in full on 31 May 2004. The interest is payable every six months at 19% pa. The two aircraft mortgages serve as collateral covering security	133 261	–	133 260	–
	133 261	6 584	133 260	6 584
<b>11 FIXED ASSETS</b>				
Property and buildings				
Cost	6 900	5 394	6 823	5 317
Accumulated depreciation	(694)	(653)	(617)	(599)
Book value	6 206	4 741	6 206	4 718
Aircraft and related equipment				
Cost	195 499	110 870	193 973	109 409
Accumulated depreciation	(66 068)	(51 188)	(65 549)	(50 849)
Book value	129 431	59 682	128 424	58 560
Motor vehicles				
Cost	9 906	10 091	5 481	5 977
Accumulated depreciation	(5 917)	(4 418)	(3 146)	(2 301)
Book value	3 989	5 673	2 335	3 676
Office equipment				
Cost	5 849	5 944	6 273	5 762
Accumulated depreciation	(3 217)	(2 917)	(3 767)	(2 820)
Book value	2 632	3 027	2 506	2 942
<b>TOTAL FIXED ASSETS</b>	<b>142 258</b>	<b>73 123</b>	<b>139 471</b>	<b>69 896</b>

	Group		Company	
	1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>11 FIXED ASSETS (continued)</b>				
<i>Reconciliation of carrying value</i>				
Property and buildings				
Carrying value at the beginning of the year	4 741	4 692	4 718	4 643
Additions	1 506	254	1 506	254
Disposals	–	(124)	–	(124)
Depreciation	(41)	(81)	(18)	(55)
Carrying value at the end of the year	6 206	4 741	6 206	4 718
Aircraft and related equipment				
Carrying value at the beginning of the year	59 682	73 662	58 560	72 650
Transferred from motor vehicles	534		534	
Additions	84 095	2 818	84 030	2 541
Disposals	–	(34)	–	(34)
Depreciation	(14 880)	(16 764)	(14 700)	(16 597)
Carrying value at the end of the year	129 431	59 682	128 424	58 560
Motor vehicles				
Carrying value at the beginning of the year	5 673	6 334	3 676	5 016
Transferred to aircraft and related equipment	(534)	–	(534)	–
Additions	439	1 652	100	358
Disposals	(92)	(1 035)	(62)	(1 035)
Depreciation	(1 497)	(1 278)	(845)	(663)
Carrying value at the end of the year	3 989	5 673	2 335	3 676
Office equipment				
Carrying value at the beginning of the year	3 027	3 545	2 942	3 480
Additions	594	841	511	788
Disposals	–	(52)	–	(52)
Depreciation	(989)	(1 307)	(947)	(1 274)
Carrying value at the end of the year	2 632	3 027	2 506	2 942
<b>TOTAL FIXED ASSETS</b>	<b>142 258</b>	<b>73 123</b>	<b>139 471</b>	<b>69 896</b>
Aircraft with a book value of R80 506 044 serve as collateral covering security as referred to in note 10.				

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 1999

	Group		Company	
	1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>12 LOAN TO COMAIR SHARE INCENTIVE TRUST</b>				
This loan relates to the Comair Share Incentive Trust acquisition of 21 million ordinary shares at 72 cents per share on 30 June 1998. The term of the loan is unspecified and bears no interest	15 120	15 120	15 120	15 120
<b>13 INVESTMENTS (UNLISTED)</b>				
Subsidiary – Commuter Handling Services (Pty) Limited				
69 shares at cost (67%)			1	1
Loan				
The loan is interest free and there are no fixed terms of repayment			2 317	1 798
			2 318	1 799
Amber (Pty) Limited preference shares				
5 549 shares at R10 000 per share at cost	55 490	–	55 490	–
Add dividend accrued	1 333	–	1 333	–
	56 823	–	56 823	–
Associate – Sun Air (Pty) Limited				
10 522 240 shares at cost (25%)	12 500	12 500	12 500	12 500
Group's share of post-acquisition retained income and reserves	5 377	5 377	5 377	5 377
Investment written off	(17 877)		(17 877)	
	–	17 877	–	17 877
Directors' valuation of shares	56 823	17 877	59 141	19 676
<b>14 INVENTORIES</b>				
Aircraft engines and spares	950	1 160	950	1 160
Catering equipment and consumables	2 702	898	2 702	898
	3 652	2 058	3 652	2 058

	Group		Company	
	1999 R'000	1998 R'000	1999 R'000	1998 R'000
<b>15 CASH GENERATED BY OPERATIONS</b>				
Operating profit	91 272	76 886	90 614	76 250
Depreciation and other non-cash items	17 480	19 430	16 554	18 591
Increase in aircraft provision	9 276	1 975	9 276	1 975
(Profit)/loss on disposal of fixed assets	(26)	558	(19)	556
Operating profit before working capital changes	118 002	98 849	116 425	97 372
Decrease/(increase) in working capital	(4 259)	60 872	(3 168)	60 760
– Inventories	(1 594)	10 269	(1 594)	10 269
– Accounts receivable	(29 066)	14 286	(28 281)	16 057
– Accounts payable	26 401	36 317	26 707	34 434
Cash generated from operations	113 743	159 721	113 257	158 132
<b>16 NET INVESTMENT INCOME</b>				
Interest paid	(2 277)	(637)	(1 489)	–
Interest received	33 831	10 135	33 666	10 135
Preference dividends accrued	3 189	–	3 189	–
	34 743	9 498	35 366	10 135
<b>17 TAXATION PAID</b>				
Unpaid at the beginning of the year	(29 627)	(582)	(29 616)	(575)
Charged in income statement	(31 058)	(40 510)	(31 048)	(40 506)
Unpaid at the end of the year	586	29 627	581	29 616
	(60 099)	(11 465)	(60 083)	(11 465)
<b>18 DIVIDENDS PAID</b>				
Unpaid at the beginning of the year	–	(4 400)	–	(4 400)
Charged in income statement	(21 000)	(13 000)	(21 000)	(13 000)
Unpaid at the end of the year	21 000	–	21 000	–
	–	(17 400)	–	(17 400)

## 19 PENSION FUND

The latest actuarial valuation was carried out at July 1996. In the actuary's opinion the fund is in a sound financial position. An actuarial evaluation is currently in progress.

The group operates a defined benefit plan and a defined contribution plan which are governed by the Pension Funds Act.

## 20 BORROWING POWERS

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

## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of Comair Limited will be held in the Comair Board Room, Comair Head Office, 1 Marignane Drive, Corner Atlas Road, Bonaero Park, 1619, on Friday, 22 October 1999 at 12:00 for the following purposes:

1. To consider the Annual Financial Statements for the year ended 30 June 1999.

### ORDINARY RESOLUTIONS

2. To appoint directors in place of Messrs B J van der Linden, The Honourable C S Margo, P J Welgemoed, A Witkin and R J Khoza, who retire by rotation at the Annual General Meeting but, being eligible, offer themselves for re-election.
3. To authorise the directors to determine the remuneration of the auditors and to appoint them for the ensuing year.
4. To place the unissued shares of any class in the capital of the company under the control of the directors, who shall be authorised to allot such shares at such prices, on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, No 61 of 1973 (as amended), and the rules and requirements of the Johannesburg Stock Exchange ("JSE");
5. To grant the directors the specific authority, in terms of the requirements of the JSE, to issue the unissued shares of any class in the capital of the company for cash as and when suitable circumstances arise, subject to the following limitations:
  - (a) that this authority shall not extend beyond the date of the next Annual General Meeting or beyond 15 (fifteen) months from the date of this Annual General Meeting, whichever is the earlier;
  - (b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issues;
  - (c) that issues for cash in aggregate in any one year will not exceed 10% of the number of shares of any class in the company's issued share capital, provided further that such issues shall not in aggregate in any three-year period exceed 15% of the company's issued share capital; and
  - (d) that in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the average closing price of the shares in question, as determined over 30 (thirty) days prior to either the date of the paid press announcement or, where no announcement is required and none has been made, the date of issue of the shares.

As more than 35% of the company's issued shares are in the hands of the public as defined by the JSE, the approval of a 75% majority of votes cast by shareholders present or represented by proxy at this meeting is required for this resolution to become effective.

### SPECIAL RESOLUTIONS

To consider and, if deemed fit, pass the following special resolutions with or without modification in the manner required by the Companies Act, No 61 of 1973 (as amended):

6. Derek Henry Borer be and is hereby authorised on behalf of the company to sign all documents and do all and any acts whatsoever as may be necessary in order to give effect to the special and ordinary resolutions.

#### 7. SPECIAL RESOLUTION NUMBER 1

RESOLVED that the company's Articles of Association be and they are hereby amended by

- 7.1 the deletion therefrom of the existing Article 13.2 and the substitution therefor of the following new Article 13.2, namely:  
"13.2 reduce its capital, any capital redemption reserve fund and any share premium account in any manner permitted by the Act and the Listings Requirements of the Johannesburg Stock Exchange from time to time."
- 7.2 the deletion therefrom of existing Articles 54, 55 and 56 under the heading "Dividends" and by the substitution therefor of the following new Article 54, namely:

#### "54. DIVIDENDS AND OTHER PAYMENTS TO MEMBERS

- 54.1 Subject to the provisions of any applicable law and the requirements of the Johannesburg Stock Exchange, the company may make payments to its members from time to time.
- 54.2 The company in general meeting or the directors may from time to time determine a dividend or other payment to be made to the members in such manner as the company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the foregoing, that a payment shall be made by distribution of specific assets or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment the directors may settle same as they consider appropriate.
- 54.3 The declaration of the directors as to whether –
  - 54.3.1 the company is, or would be after the payment able to pay its debts as they become due in the ordinary course of business;

- 54.3.2 the consolidated assets of the company, fairly valued, would after the dividend or other payment, not be less than the consolidated liabilities of the company;  
shall be conclusive as regards the company in general meeting, or the directors, declaring a dividend or making any other payment to members.
- 54.4 No notice of change of address or instructions as to payment given after the determination of a dividend or other payment by the company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the company in general meeting or the directors so determine at the time the dividend or other payment is approved.
- 54.5 All unclaimed dividends or other payments to members as contemplated in this article may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend or bonus or other payment to members remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the company.
- 54.6 The company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the company's bankers from time to time."
- 7.3 that the existing Articles of Association be amended by the insertion therein of the following new Articles 70 and 71, namely:

"70. **ACQUISITION OF SHARES**

Notwithstanding anything to the contrary in the foregoing provisions of these Articles of Association and subject to the Act and the Listings Requirements from time to time of the Johannesburg Stock Exchange and any other stock exchange on which the shares of the company may be quoted or listed, the company may from time to time by special resolution, approve the acquisition by the company of shares issued by it. Such approval may be a general approval or a specific approval for a particular transaction. If such approval is given in the form of a general authority to the directors, it shall only be valid until the next annual general meeting of the company but it may be varied or revoked by special resolution by any general meeting of the company at any time prior to such annual general meeting.

71. **PAYMENT TO SHAREHOLDERS**

- 71.1 Subject to Section 90 of the Act, the company is hereby authorised to make payments to its shareholders in cash or *in specie*. All unclaimed amounts due as a result of a payment to shareholders may be invested or otherwise made use of by the directors for the benefit of the company until claimed.
- 72.1 Subject to the Act and without in any way limiting or derogating from any other provisions of these Articles of Association, the company may from time to time also write off amounts from its stated capital or share premium account as the board of directors may deem fit, provided that the company in general meeting confirms such write-off by the passing of an ordinary resolution."

The reason for passing this special resolution is so as to amend the Articles of Association of the company to bring them into line with recent amendments to the provisions of the Companies Act, No 61 of 1973 (as amended), so as to, *inter alia*, allow the company to make payment to its shareholders, acquire its own issued shares, on conditions to be determined from time to time by the directors of the company, reduce its share capital, capital reserves and share premium account in the manner permitted in terms of the Companies Act and the Listings Requirements of the JSE. The effect of passing of the said special resolution is that the Articles of Association of the company shall be amended to the extent therein contemplated.

**8. SPECIAL RESOLUTION NUMBER 2**

RESOLVED that subject to the passing and registration of Special Resolution No 4 at the general meeting at which this special resolution is proposed, the company's Articles of Association be and they are hereby amended by the incorporation therein of the following new Article 72, namely:

- "72. The following rights, privileges and restrictions shall attach to the redeemable cumulative preference shares with a par value of R0,01 (one cent) each in the capital of the company ("the preference shares"), namely:
- 72.1 they will rank, as regards dividends and return of capital, prior to the ordinary shares and any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares. Save as set out herein, the preference shares shall not be entitled to any participation in the profits or assets of the company nor, on a winding-up, to any participation in any of the surplus assets of the company;
- 72.2 the preference shares shall confer the right, prior to the provision for dividends on the ordinary shares and the provision for any dividend on any other class of shares not ranking prior to or *pari passu* with the preference shares, to receive out of the profits of the company, available for distribution from time to time, a cumulative



preferential cash dividend ("the preference dividend"), provided that the right to receive payment of such dividend shall be conditional upon the company having (in the opinion of the board of directors of the company) sufficient cash reserves available from which such preference dividends can be paid.

- 72.3 the preference dividend shall be calculated on a daily basis compounded monthly from the date on which the preference shares are subscribed for by the registered holders thereof on the subscription price of R0,01 (one cent) per share plus any share premium thereon (less any portion thereof previously paid or distributed to the registered holders of the preference shares), and shall be at the rate agreed to by the company in writing at the date of issue of the preference shares;
- 72.4 the following terms shall apply to the preference shares on a winding-up of the company –
- 72.4.1 the preference shares shall confer the right to the repayment of an amount equal to the aggregate subscription price of the shares and arrears in the preference dividend (whether declared or not) calculated to the date of repayment;
- 72.4.2 such repayment shall be in priority to any payment to the registered holders of any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares;
- 72.5 the registered holders of the preference shares shall have the right to receive notice of and to attend any meeting of the company but not be entitled to vote, either in person or by proxy, at any meeting of the company, by virtue of or in respect of the preference shares, unless any one or more of the following circumstances prevail at the date of the meeting –
- 72.5.1 the preference dividend or any part thereof remains in arrear and unpaid after 3 (three) months from the date of declaration thereof;
- 72.5.2 any redemption or other payment due on account of the preference shares remains in arrear and unpaid after 3 (three) months from the due date therefor;
- 72.5.3 a resolution of the company is proposed which directly affects the rights attached to the preference shares or the interests of the registered holders thereof. The rights and privileges attaching to the preference shares shall not be regarded as being directly or adversely affected by the creation and issue by the company of any further shares of any class, unless those new shares rank as regards participation in assets or profits of the company in all or some respects in priority to or *pari passu* with the preference shares;
- 72.5.4 a resolution of the company is proposed for the disposal of the whole or substantially the whole of the undertaking of the company, or the whole or the greater part of the assets of the company, which shall include a resolution of the company for the disposal of the undertaking or assets of a subsidiary of the company, if such undertaking or assets constitute the whole or substantially the whole of the undertaking or assets of the company and all its subsidiaries considered as one entity for this purpose.
- 72.6 each registered holder of the preference shares entitled to vote in respect of the preference shares shall be entitled, on a poll at combined general meetings, to that proportion of the total votes in the company which the amount of the nominal value of each preference share held by the holder bears to the aggregate amount of the nominal value of all shares entitled to be voted at such meeting;
- 72.7 without in any way limiting or derogating from any other provisions of this Article 72 –
- 72.7.1 the terms of the preference shares may not be modified, altered, varied, added to or abrogated;
- 72.7.2 the share capital or stated capital of the company may not be reduced (except for any reduction which does not involve a distribution to shareholders or the redemption of preference shares originally issued as redeemable by the company) if such repayment, distribution or capitalisation issue could have the effect of reducing the share capital or stated capital below the amount of capital required by the company for payment on a winding-up to the registered holders of the preference shares and any other shares ranking prior to or *pari passu* with the preference shares, provided that nothing herein contained shall in any manner whatsoever be construed or interpreted as prohibiting the company from exercising any other right conferred on it in terms of these Articles of Association;
- 72.7.3 the share premium arising on the issue of the preference shares or non-distributable reserves of the company may not be repaid or distributed and no capitalisation shares may be issued out of it;
- 72.7.4 no shares in the capital of the company ranking, as regards rights to dividend, or, on a winding-up, return of capital, in priority to or *pari passu* with the preference shares shall be created or issued,
- without the prior written consent of the holders of the preference shares or the prior sanction of a resolution passed at a separate class meeting of the holders of the preference shares in the same manner, *mutatis mutandis*, as a special resolution;



- 72.8 subject to the provisions of the Act, the company shall be obliged to redeem the preference shares at par in full and without penalty, together with all preference dividends then due and unpaid at the instance of the registered holders thereof;
- 72.9 there shall be paid on any preference shares redeemed all preference dividends (including any which are in arrear) accrued in respect of the same, down to the date fixed for the redemption thereof, and the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the certificate in respect of such preference shares, payment of the redemption moneys shall be refused or not made by the company;
- 72.10 the company shall not be liable to a preference shareholder for interest on any unclaimed redemption moneys."

The reason for passing this special resolution is so as to amend the Articles of Association of the company so as to make provision for the rights, privileges and restrictions attaching to the preference shares referred to in Special Resolution No 4. The effect of passing of the said special resolution is that the Articles of Association of the company shall be amended to the extent therein contemplated.

#### **9. SPECIAL RESOLUTION NUMBER 3**

RESOLVED that, subject to the passing of Special Resolution No 1 and registration thereof by the Registrar of Companies, the company hereby approves, as a general approval contemplated in section 85(2) and section 85(3) of the Companies Act, No 61 of 1973 (as amended) ("the Companies Act"), the acquisition by the company from time to time of issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, but subject always to the provisions of the Companies Act and the Listings Requirements from time to time of the JSE, which approval shall endure until the forthcoming annual general meeting of the company (whereupon this approval shall lapse unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond 15 (fifteen) months after the date of registration of this Special Resolution No 3).

The reason for and effect of the passing of this special resolution is so as to enable the company to acquire its own issued shares from time to time upon the terms and conditions and in the amounts as the directors may from time to time decide, subject to certain statutory provisions.

#### **10. SPECIAL RESOLUTION NUMBER 4**

RESOLVED that the authorised share capital of the company currently comprising 1 000 000 000 (one billion) ordinary shares of R0,01 (one cent) each and 1 000 000 000 (one billion) N ordinary shares of R0,001 (one tenth of a cent) each, be and is hereby increased by the creation of 1 000 000 (one million) cumulative redeemable preference shares with a par value of R0,01 (one cent) each in the company's authorised share capital having the rights, privileges and restrictions set out in Article 72 of the Articles of Association of the company.

The reason for the passing of this special resolution is so as to create in the authorised share capital of the company 1 000 000 (one million) cumulative redeemable preference shares having the rights, privileges and restrictions referred to in Article 72 of the Articles of Association of the company. The effect of the passing of this special resolution is that the authorised share capital of the company shall be increased by the creation of the preference share capital referred to therein.

#### **OTHER BUSINESS**

11. To transact such other business as may be transacted at an annual general meeting.

A member entitled to attend, to speak and vote is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote in his stead and the person so appointed need not be a member. A form of proxy is enclosed for this purpose and should be forwarded to reach the registered office of the company (2nd Floor, FHS House, 15 Girton Road, Parktown, 2193 (Postnet Suite 200, Private Bag X30500, Houghton, 2041) not less than 48 hours before the time fixed for the holding of the meeting.

By order of the Board

Derek Borer  
Company Secretary  
20 August 1999

## SHARE PRICE PERFORMANCE

1999

### Market price (cents per share)

Closing (30 June 1999)	160
High	240
Low	80
Closing price/earnings ratio	7,6

### Number of shares in issue

At year end (millions)	420
Weighted average (millions)	420
Volume of shares traded (millions)	87,6
Volume of shares traded to number in issue (%)	20,9
Value of shares traded (millions)	131,2

### ANALYSIS OF SHAREHOLDING

Portfolio size	Number of shareholders	%	Number of shares	%
1 – 1 000	2 620	63,7	816 876	0,2
1 001 – 5 000	958	23,3	2 294 092	0,5
5 001 – 10 000	252	6,1	1 990 803	0,5
10 001 – 50 000	214	5,2	4 361 035	1,0
50 001 – 100 000	23	0,6	1 676 830	0,4
100 001 and over	45	1,1	408 860 364	97,3
	4 112	100,0	420 000 000	100,0

### SHAREHOLDERS

Individuals	3 883	94,4	29 316 282	7,0
Investment companies	23	0,6	65 924 570	15,7
Companies	79	1,9	2 471 583	0,6
Staff Share Incentive Trust	1	0,0	20 986 000	5,0
Institutions, nominees and trusts	126	3,1	301 301 565	71,7
	4 112	100	420 000 000	100

## ADMINISTRATION

### COMAIR OPERATING AS BRITISH AIRWAYS

PO Box 7015, Bonaero Park, 1622 South Africa  
Sales/administration Telephone (011) 921-0111  
Reservations  
Telephone (011) 921-0222  
Groups (011) 921-0333  
Passenger service  
J.I.A. (011) 975-9128  
Telefax (011) 973-1659/973-3913 Telex 7-46738  
AIR CARGO (011) 390-2841

### CAPE TOWN

Terminal 4 and 5  
Cape Town International Airport  
Private Bag X13, Cape Town, Cape Town International Airport, 7525  
Telephone (021) 936-9000 Telefax (021) 934-4729

### PORT ELIZABETH

Port Elizabeth Airport, 6001  
Administration  
Telephone (041) 508-8099 Telefax (041) 508-8007  
Reservations  
Telephone (041) 508-8000

### HARARE

Landela House, 29 Mazoe Street, Harare  
PO Box 66293, Kopje, Harare  
Telephone/Telefax (09263) 737-2000

### DURBAN

PO Durban International Airport, Durban, 4029  
Telephone (031) 450-7000 Telefax (031) 408-1808

### WINDHOEK

Sanlam Centre, 10th Floor  
154 Independence Avenue  
PO Box 20800, Windhoek  
Telephone (09264) 61-248528 Telefax (09264) 61-248529

### VICTORIA FALLS

1 Flamelily Court Fox Road, Victoria Falls, Zimbabwe  
Telephone (09263) 13 5825/2053 Telefax (09263) 13 5825

### BRITISH AIRWAYS EXECUTIVE CLUB

Telephone (011) 880-6719 Toll free 0800-11-3833  
Telefax (011) 442-6989

Internet [www.ba.co.za](http://www.ba.co.za)

# PROXY FORM FOR ANNUAL GENERAL MEETING

**comair**

(Reg No 67/06783/06)

Incorporated in the Republic of South Africa

("Comair")

For use at the annual general meeting of shareholders to be held at Bonaero Park on Friday, 22 October 1999 ("the annual general meeting")

I/We \_\_\_\_\_ being a shareholder of the company 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 in Bonaero Park on Friday, 22 October 1999, at the Comair Head Office, 1 Marignane Drive, corner Atlas Road, Bonaero Park, 1619, 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

RESOLUTIONS		For	Against	Abstain
1	Resolutions to appoint directors			
	B J van der Linden			
	The Hon Judge C S Margo			
	P J Welgemoed			
	A Witkin			
2	Resolution to appoint and determine the auditors' remuneration			
3	Resolution to grant authority to the directors to issue the unissued shares of the company			
4	Resolution authorising the issue of shares for cash other than by way of rights issue			
5	Resolution authorising Derek Henry Borer to give effect to Special and Ordinary Resolutions			
6	Special Resolution No 1 – To amend the Articles of Association to bring them into line with recent amendments to the Companies Act, No 61 of 1973 (as amended)			
7	Special Resolution No 2 – To amend the Articles of Association to set out rights, privileges and restrictions attaching to preference shares			
8	Special Resolution No 3 – Acquisition by the company of its issued shares			
9	Special Resolution No 4 – To create preference shares			

And generally to act as my/our proxy at the said annual general meeting.

(Tick 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 \_\_\_\_\_ 1999

Signature \_\_\_\_\_

assisted by me (where applicable) \_\_\_\_\_

Number of shares held

Ordinary	
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A member entitled to attend, speak and vote is entitled to appoint a proxy/ies to attend, speak and, on a poll, vote in his stead, and such proxy need not also be a member of the company.

## NOTES TO THE PROXY

1. A shareholder may insert the name of a proxy or names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy or whose name has not been deleted, will be entitled 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 the relevant number of votes exercisable by that shareholder in the appropriate space/s provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy or cast them in the same way, but if the total of the votes cast and in respect of which abstention is recorded, may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity 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.
5. The completion and lodging of this form will not preclude the 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.
6. 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 he/she is satisfied as to the manner in which the shareholder wishes to vote.
7. Forms of proxy must be lodged with or posted to the company's resgistered office: 2nd Floor, FHS House, 15 Girton Road, Parktown, 2193 (Postnet suite 200, Private Bag X30500, Houghton, 2041) to be received not later than 48 hours (exluding Saturdays, Sundays and public holidays) before the time appointed for the holding of the annual general meeting.

