

OUR P
ASSI
ONE-V
ERYD
AY

Integrated
Annual Report
2018

Important notice to foreign shareholders and prospective investors

Foreign shareholders and prospective investors in Comair limited ("Comair") should note that the airline industry in South Africa is subject to extensive government and regulatory oversight relating to, amongst other things, restrictions on foreign ownership. Sections 16(4)(c) and 19(a) of the Air Services Licensing Act, No. 115 of 1990, ("Act") requires that a minimum of 75% of the voting rights in a licensee must be held by residents of South Africa ("Foreign Ownership Restriction"). In order to ensure that Comair (as a licensed air services operator in South Africa), remains compliant with the foreign ownership restriction, Comair has adopted a variable voting share structure in terms of which the voting rights attached to each ordinary share held by foreign shareholders will be decreased proportionately if (i) the number of ordinary shares held by foreign shareholders on the record date of any shareholders' meeting exceed 24.99% or (ii) the total number of votes cast by or on behalf of foreign shareholders at such a meeting exceed 24.99% such that the voting rights of foreign shareholders do not, in aggregate, exceed 24.99%. Foreign shareholders and prospective investors are referred to the Comair's Memorandum of Incorporation and website (www.comair.co.za) for further details. If foreign shareholders or prospective investors are in any doubt as to what action to take they should seek advice from their broker, attorney or other professional adviser.

Table of Content

About this Report	002	—	078	Internal Control and Risk Management
Performance Highlights/Group Value Added Statement	003	—	084	Report of the Directors
Our Group	004	—	091	Certificate of Company Secretary
Chairman and CEO's Report	010	—	092	Independent Auditor's Report
Our Purpose, Strategic Intent and Stakeholders	016	—	096	Statements of Financial Position
Our Operations and Customers	021	—	098	Statements of Profit or Loss
Interaction with Government, Regulatory and Industry Bodies	030	—	099	Statements of Comprehensive Income
Interaction with Investors, Suppliers and Media	034	—	100	Statements of Changes in Equity
Company Employees and Broad-Based Black Economic Empowerment	035	—	101	Statements of Cash Flows
Investing in the Community	046	—	102	Accounting Policies
Environmental Report	048	—	108	Notes to the Financial Statements
Corporate Governance Report	058	—	146	Notice of Annual General Meeting
Audit Committee Report	070	—	155	Directors Standing for Election or Re-election
Remuneration Report	073	—	159	Share Price Performance
Social and Ethics Report	077	—	160	Shareholder Analysis

ABOUT THIS REPORT

Scope, Boundary and Reporting Cycle

This Integrated Annual Report ("this Report") of the Comair Group ("the Group") presents the economic, social, governance and environmental performance of the Group's airline and non-airline businesses in respect of its operations in South Africa only, as well as the financial results of the Group for the financial year 1 July 2017 to 30 June 2018. While the performance of the Group's associates is discussed in this Report, the Report focuses more on the performance of the Group's subsidiaries, since their contribution to its performance is more significant. This Report does not extend to or cover the performance of the Group's suppliers in its supply chain, nor its outsourced operations such as, but not limited to, its fleet maintenance or its leased facilities. These limitations are not considered material enough to impair the completeness of this Report.

The Report will be sent to shareholders, who are recorded as such in the Group's Securities Register on 21 September 2018, and is available on the Group's website at www.comair.co.za. Printed copies are available on request from the Group Company Secretary. This is the Group's eighth Integrated Annual Report. The previous Integrated Annual Report, which covered the period 1 July 2016 to 30 June 2017, was published on 30 September 2017 and is also available on the Group's website.

Reporting Principles

The content of this Report is driven by those issues that have the greatest potential to affect the Group's ability to operate. We consider a broad range of external and internal factors, including the outcome of various stakeholder

engagement processes that drive the Group's integrated reporting process, when deciding which issues are the most important to address. While this Report attempts to highlight the significant issues raised and the outcomes of these various engagement processes, as well as the risks identified during our risk assessment process, the content of this Report predominantly focuses on the information deemed relevant to the Group's shareholders and potential investors.

The information included in this Report aims to provide shareholders and investors with a good understanding of the significant economic, social, governance and environmental risks and opportunities the Group faces in the short and medium term, as well as with the Group's response, in order to ensure its ability to create and sustain value for its shareholders and investors in the long term. In addition, the Group attempts to explain its efforts to reduce its impact on the environment and the societies in which it operates.

This Report was prepared in accordance with International Financial Reporting Standards; the Financial Reporting Guides issued by the Accounting Practices Committee; the Listings Requirements of the JSE; the requirements of the Companies Act (No. 71 of 2008) as amended; and the requirements of the King IV Report on Corporate Governance 2016 ("King IV"). It is also guided by the International Integrated Reporting Council's Integrated Reporting Framework. The Group's reporting on sustainable development is guided by the Sustainability Reporting Guidelines of the Global Reporting Initiative ("GRI G4").

External Audit and Assurance

The Group's Annual Financial Statements on pages 96 to 145 were audited

by its independent external auditors, Grant Thornton Johannesburg Partnership ("Grant Thornton"), in accordance with International Standards of Auditing. Their report is included on pages 92 to 95.

Grant Thornton has provided limited assurance over selected key performance indicators and specific disclosures as set out in this Report. Based on their work performed, nothing has come to our attention that causes us to believe that the selected key performance indicators or specific disclosures in the 2018 Integrated Annual Report for the year ended 30 June 2018 have not been fairly stated.

For a better understanding of the scope of Grant Thornton's assurance process, reference should be made to Grant Thornton's Assurance Statement, which can be obtained from the Group Company Secretary, or accessed via the Group's website www.comair.co.za.

Board Approval

The Board is ultimately responsible for the authenticity of this Report. Together with the appropriate Management and Committee support, the Board reviewed and analysed the information disclosed, and is satisfied with the content of this Report. This Report was approved by the Audit Committee and duly authorised by the Board on 17 September 2018.

Contact Us

We welcome opinions, suggestions and questions from all our stakeholders. Please direct these to the Group Company Secretary, Derek Borer. Our contact details are included on the inside back cover of this Report.

PERFORMANCE HIGHLIGHTS/ GROUP VALUE ADDED STATEMENT

Strategic/Group objective	Indicator	Actual 2015/16	Actual 2016/17	Actual 2017/18
Creating Shareholder value	Net profit (after tax)	192 702 000	296 970 000	325 611 000
	Total turnover/Group revenue	5 959 573 000	6 063 737 000	6 536 540 000
	Operating expenses	5 129 781 000	4 999 789 000	5 412 752 000
	Dividends paid to shareholders	69 764 000	83 776 000	88 528 000
	Interest on loans	170 496 000	250 377 000	248 938 000
	Current taxation	5 250 000	4 269 000	8 902 000
Commitment to quality	On time performance	BA: 85%	BA:85%	BA: 85%
		kulula: 85%	kulula: 85%	kulula: 84%
	Investment in assets (property, plant and equipment)	2 012 053 000	965 821 000	907 872 000
Managing risk	Number of significant safety incidents	1	0	1 ¹
	Number of consecutive unqualified audits by IOSA	6	6	7
Leading as a responsible corporate citizen	Carbon inventory – all scopes footprint per employee (tonnes of CO ₂ emissions)	316.84	331.51	314.32
	% of carbon emissions relating to scope 1	82%	82%	83%
	% of carbon emissions relating to scope 2	1%	1%	1%
	% of carbon emissions relating to scope 3	17%	16%	16%
	No. of legislative/regulatory breaches	0	0	0
	Total staff cost	897 467 000	1 001 889 000	1 132 838 000
	Number of South African employees	2 085	2 105	2 206
	Overall Employment Equity ("EE") representation	1 375	1 479	1 516
	% Staff members belonging to a union	42%	42%	47%
Provide growth and development opportunities for staff	% Spend of training or training investment (% of salary spend)	3.1%	4.4%	4.75%
	Employee turnover rate	8.0%	10.19%	4.8%
	% Female representation	64.5%	63.8%	63.6%
Operational effectiveness	Quantity of fuel consumed per passenger/fuel burn per passenger (kg per passenger)	32.14	30.93	29.19
	Number of passengers carried	5 428 678	5 545 214	5 801 191
	Aircraft and flight simulator spend	1 945 164 000	1 083 201 000	712 919 000
	Number of owned aircraft	19	19	18
	Number of leased aircraft	6	7	8
	Electricity consumed (kWh)	5 996 310	5 283 795	5 028 480

¹ On 23 November 2017 a Foodirections loader slipped off the catering truck while loading meals. It was raining and safety procedures had not been adhered to. Refresher training was provided to all staff.

OUR GROUP

Who We Are and What We Do

Comair Limited ("The Group") is a South African aviation and travel company, offering scheduled and non-scheduled airline services within South Africa, and to Sub-Saharan Africa and the Indian Ocean Islands, as its main business. The Group operates under two brands, namely its low-fare airline brand, kulula.com, and the British Airways Brand, as part of a licence agreement with British Airways PLC. Diagrams reflecting all the destinations to which the Group's two (2) airline brands provided scheduled services, are set out on page 22 of this Report.

In addition to scheduled and non-scheduled airline services, the Group also offers the following non-airline related services:

- **Travel and holiday packages**

service using advanced technology to deliver travel and holiday packages to many destinations locally and internationally, both directly to consumers and to the retail travel trade. Through acquisitions, expansion and partnerships, the Group has established one of the country's largest and broadest digital travel distribution networks. The brands under the Group's travel and holiday package banner include kulula holidays, mtbeds, African Images and African Dream Holidays. In addition, the Group has a Harvey World Travel Holiday Retail Travel Agency. The Group continues to form partnerships with industry leaders in travel reward and recognition programmes, as part of its objective to continuously expand and grow this business.

- In 2009 the Group launched its **SLOW Lounges** and currently operates SLOW Lounges at OR Tambo International Airport in both the domestic and international terminals; Cape Town International Airport domestic terminal; King Shaka International Airport domestic terminal; and SLOW in the City in Sandton, Johannesburg. The SLOW Lounges have set a global standard for airport lounges, providing a perfect sanctuary from the fast pace of travel and modern life, and have won numerous awards for their creative and

service-delivery excellence. Demand for the Lounges has increased and the Group has extended and refurbished its SLOW Lounge at Cape Town International Airport, as well as the SLOW Lounges in the international and domestic terminals at OR Tambo International Airport. In addition, the Group opened a new concept SLOW XS Lounge at Lanseria International Airport. The SLOW XS Lounge offers a slightly different proposition, geared more towards reduced volumes and a smaller airport footprint, but similar in quality and service to delivery at other SLOW Lounges. The Group recently expanded the SLOW in the City offering, by adding a feature restaurant at the Lounge entrance that further extends its offering and allows the general public to experience the brand in a relaxed and convenient location. The restaurant offers an assortment of signature dishes and is open seven days a week. The Group is considering opening new concept lounges at certain domestic airports in South Africa.

- The Group launched its own catering unit in 2012 under the **Foodirections** Brand. It provides on-board catering and retail services to the Group's kulula.com and British Airways flights, giving it control and flexibility in terms of cost and product offering. The Group has added all the catering

and procurement needs of the SLOW Lounge network to its production and delivery portfolio. The combined procurement volumes have allowed for improved buying and numerous cost saving benefits. In 2015, the Group acquired a 39% indirect shareholding in a company known as The Highly Nutritious Food Company Proprietary Limited, trading as Eatrite. This company focuses on producing healthy food products and currently distributes a variety of these products to various retailers in South Africa and is experiencing an increase in demand for its products. The business is additionally expanding its bakery to cater for the large volumes of patisserie being consumed in the various lounges and on-board. Foodirections, the Group's catering division, currently leases the premises from which it operates from the Group's property owning company, Alooca Properties Proprietary Limited ("Alooca"), which premises are situated in an office park known as Anchor Industrial Park. Alooca acquired Anchor Industrial Park, which allows for further expansion opportunities for the Foodirections business. Foodirections has won the tender to cater for the lounge food and beverage service requirements of BA PLC at both OR Tambo International and Cape Town International Airports.

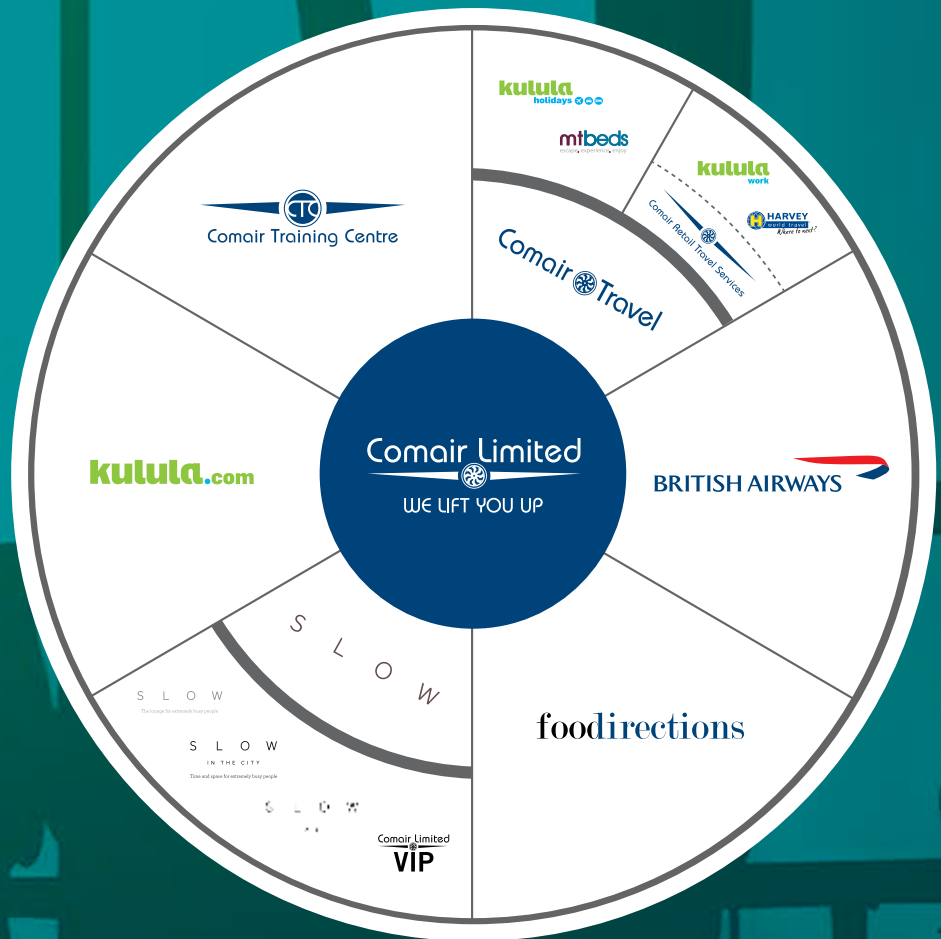
- The Group has both a purpose-built simulator and a cabin crew training facility, which are run and managed by the **Comair Training Centre** ("CTC"). In addition to training Comair's own pilots and cabin crew, the CTC offers a full range of aviation-related ground school subjects and flight simulator training for all Boeing ("B") 737 type aircraft. The CTC provides a variety of ancillary subjects, as well as cabin crew and flight dispatcher training. In December 2017 the Group acquired two (2) companies, namely EPT Aviation Training Proprietary Limited and Global Training College South Africa Proprietary Limited, which provide cabin crew training services as well as passenger handling and other travel-related travel services, to expand the ranges of training services provided by the CTC. In collaboration with Avion de Transport Regional ("ATR"), the CTC hosts the ATR Reference Training Centre, which offers simulator training for pilots of ATR turboprop aircraft. The CTC has a client base of airlines from numerous African countries, as well as the Middle East, South America, Indo-Asia and the Far East. Due to the increase in demand for third party training, the Group is currently in the process of building a third simulator building.

Managed and owned by South Africans through its listing on the JSE, the Group has been operating successfully in this country since 1946 and is the only known airline to have achieved operating profits for 72 consecutive years. It has a safety record which is internationally recognised and level 3 B-BBEE recognition. The Group has been independently certified by the Top Employers Institute, as one of the Top Employers in South Africa in 2018.

The Group's headquarters are based at 1 Marignane Drive, Bonaero Park, Kempton Park. Whilst it operates flights destined for locations outside of South Africa, the Group's operations are based in South Africa.

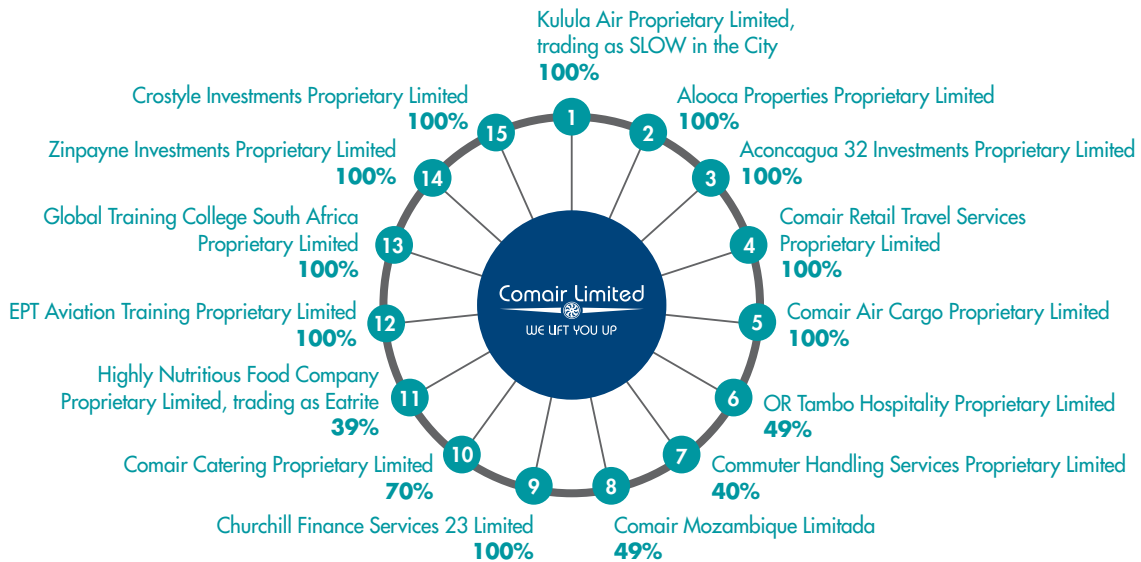
Brand Architecture

A diagram reflecting the various Group brands is set out below. kulula.com and British Airways, operated by Comair, are our airline-related brands, while the remaining brands are non-airline brands.



The Group has achieved operating profits for 72 consecutive years.

How We Are Structured



- 1 Kulula Air Proprietary Limited:** Holds the liquor licences in respect of certain of the Group's Lounges, looks after various service agreements relating to the Lounges and operates the SLOW in the City Lounge in Sandton as well as The Course Restaurant next to the SLOW in the City Lounge in Sandton.
- 2 Alooca Properties Proprietary Limited:** Property-owning company, which owns a number of properties in Rhodesfield surrounding the Company's operations building, properties in Cape Town near Cape Town International Airport, and Anchor Industrial Park in Jet Park where the Company's catering operations and stores are located.
- 3 Aconcagua 32 Investments Proprietary Limited:** Property-owning company, which owns the property on which the Group's operations building, simulator building and cabin crew facility are situated.
- 4 Comair Retail Travel Services Proprietary Limited:** Operates a Harvey World Travel Agency and offers and provides a ticketing fulfilment service to third parties.
- 5 Comair Air Cargo Proprietary Limited:** A cargo and freight company providing cargo and freight services in South Africa. The company is currently dormant.
- 6 OR Tambo Hospitality Proprietary Limited:** Property-owning company which owns the building that constitutes Protea OR Tambo Hotel. Aconcagua 32 Investments Proprietary Limited holds 49% interest in the company and the effective shareholding by Comair Limited is also 49%.
- 7 Commuter Handling Services Proprietary Limited:** Provides ramp-handling services in South Africa to various airlines.
- 8 Comair Mozambique Limitada:** A company established in Mozambique. The Company is currently dormant and is in the process of being deregistered.
- 9 Churchill Finance Services 23 Limited:** A company established in Mauritius for the purposes of financing the acquisition of aircraft. This company is dormant and is in the process of being deregistered.
- 10 Comair Catering Proprietary Limited:** This company has a 56% shareholding in the Highly Nutritious Food Company Proprietary Limited. The company is currently dormant.
- 11 Highly Nutritious Food Company Proprietary Limited:** The company provides food items to the Foodirections division and third parties. Comair Catering Proprietary Limited holds 56% interest in the company and the effective shareholding by Comair Limited is 39%. Comair Limited holds the majority voting rights.
- 12 EPT Aviation Training Proprietary Limited:** EPT Aviation Training is a cabin crew training academy, previously owner-managed and acquired by the Group on 11 December 2017. The training academy was acquired as part of the Group's ongoing diversification strategy, which should ultimately culminate in an overall Comair Training Academy, including pilot training, cabin crew training, ground school training, travel and tourism training and leadership training.
- 13 Global Training College South Africa Proprietary Limited:** Global Training College South Africa is a ground-school and travel and tourism training academy, previously owner-managed and acquired by the Group on 11 December 2017. The training academy was acquired as part of the Group's ongoing diversification strategy, which should ultimately culminate in an overall Comair Training Academy, including pilot training, cabin crew training, ground school training, travel and tourism training and leadership training.
- 14 Zinpayne Investments Proprietary Limited:** A dormant shelf company.
- 15 Crostyle Investments Proprietary Limited:** A dormant shelf company.

Apart from Comair Mozambique Limitada, which is registered in Mozambique, and Churchill Finance Services 23 Limited, which is registered in Mauritius, all the Group's subsidiaries and associates are registered in South Africa.

The Group's affiliated businesses performed well over the period under review and made a meaningful contribution to profits, although they make up a small percentage of the Group's turnover.

How We Are Governed

The Group's governance structures are founded 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 air transport service;
- Maintaining principles of good corporate governance, integrity and ethics;
- Maintaining effective risk management and internal controls;
- Engaging with our stakeholders and responding to their reasonable expectations;
- Offering employees a good working environment and competitive remuneration packages, based on the principles of fairness and affordability;
- Managing the business in a sustainable manner.

Awards

The Group attained the following external recognitions and achievements during the period under review:

The British Airways Brand

- Business Traveller Africa Awards – Best African Regional Short-haul Airline
- The *Sunday Times* Top Brand Awards – First place in the Business Category for Domestic Airlines;
- The *Sunday Times* Top Brand Awards – Second place in the Consumer Category for domestic airlines;
- Ask Africa Orange Index awards – Top Airline in the Airline Industry Category for Service Excellence.

The kulula.com Brand

- The *Sunday Times* Top Brand Awards – Second place in the Business Category for domestic airlines;
- The *Sunday Times* Top Brand Awards – Third place in the Consumer Category for domestic airlines;
- Business Traveller Africa Awards – Best African Low Cost Airline.

SLOW

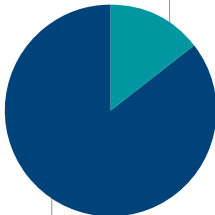
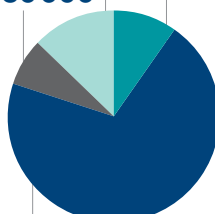







Business Traveller Africa Award – SLOW International Lounge at OR Tambo – Best Business Airport Lounge.







The Comair Brand

- The *Sunday Times* Top 100 Companies – Fifth place;
- Certification by Top Employers Institute as a Top Employer SA for 2018.

10 Awards across the four major brands for 2018.

Value We Have Created

Value	Inputs	Outputs	Outcomes
Financial	<p>Share capital R4 651 000</p>  <p>Interest bearing loans R2 918 491 000</p>	<p>Cash generated from operations R1 172 829 000</p> <p>Operating Income R670 580 000</p> <p>Capital expenditure R907 872 000</p>  <p>Revenue R6 536 540 000</p>	<p>ROI 4.9%</p> <p>Net interest-bearing debt R2 981 491 000</p> <p>Dividends paid R88 528 000</p> 
Manufactured	<p>Aircraft Fleet</p>  <p>Owned 18 Leased 8</p> <p>Property</p> <p>Alooca Properties (Pty) Ltd Aconcagua 32 Investments (Pty) Ltd</p> 	<p>We are upgrading our fleet to Boeing 737-8 MAX, which offer increased seating capacity, lower operating costs and extended potential of daily utilisation.</p> <p>All of our assets and equipment are maintained to a high standard to ensure a safe and user-friendly environment for our customers and employees.</p>	<p>We have increased the number of passengers carried by 4% since 2017 with less flights operated.</p>  <p>We have maintained 7 successive unqualified audits by IOSA.</p> <p>Development of property, plant and equipment spend was R907 872 000 during the past financial year.</p>
Intellectual		<p>The SLOW lounge at OR Tambo airport international and domestic terminal and Cape Town domestic terminal has been revamped and extended in size to allow more passengers to access SLOW. SLOW XS was opened at Lanseria airport. The Course restaurant was opened at SLOW in the City, Sandton.</p> 	<p>Access to the SLOW international lounge at OR Tambo International Airport has increased to include qualifying clients and guests of international airlines.</p> <p>An increase in RMB and FNB qualifying guests can now access the SLOW facilities.</p> 

Value	Inputs	Outputs	Outcomes
Human	<p>1 359 skilled employees</p> <p>574 semi-skilled employees</p> <p>21 unskilled employees</p> <p>Total South African employees 2 206</p> 	<p>Employee training is a key priority and by investing in training and development, we continue to work on developing a more diverse and customer centric workforce.</p> 	<p>During the past financial year, 2 197 employees received training.</p> <p>4.75% of payroll was spent on employee training.</p> <p>80% of employees participated in the Think Vision survey.</p>
Social and relationship	<p>Community projects</p> <ul style="list-style-type: none"> • The Smile Foundation • Tiny Hands • Food and Trees for Africa • Red Cross – The Children’s Hospital Trust • QuadPara Association • Breadline Africa • Kids Haven • Food Forward SA • Primestars • Protec • Knysna Initiative for Learning and Teaching <p>Employee volunteer programmes</p> <ul style="list-style-type: none"> • Casual day • Mandela day <p>Investors</p>	<p>The Group has sponsored air tickets and made cash donations to various charitable organisations and community projects during the year.</p> <p>Youth development programmes.</p> <p>Investor initiatives include road shows and investor support.</p>	<p>The Group provided the critical link between young patients and their required medical facilities and resource needs around the country.</p> <p>The Group contributed to the various community development programmes by way of free tickets and cash donations.</p> <p>Through our organisation and employee volunteer initiatives, we have improved the lives of underprivileged communities to create a positive impact on our society.</p>
Natural	 <p>Water</p>  <p>Energy</p>  <p>Fuel</p>	<p>Comair’s aviation emissions intensity remained unchanged since the previous financial year.</p> <p>Water use increased substantially by 40% from the previous financial year due to building expansion.</p> <p>Electricity emissions decreased by 14% from the previous financial year.</p> <p>Mobile fuel combustion (primarily aviation fuel) remains the largest emissions impact making up 83% of the total footprint.</p>	<p>We continue to strive towards improving the environmental impact of the footprint of our operations by focusing on operational eco-efficiency and looking for opportunities to offset the Group’s carbon emissions.</p> 

CHAIRMAN AND CEO'S REPORT

Group Performance

As Chairman and Chief Executive Officer, it is our privilege to oversee and lead an airline that has grown from its infancy in 1946 to the Group known today, operating scheduled airline services in South Africa, sub-Saharan Africa and the Indian Ocean Islands; and using 26 aircraft made up of eighteen B737-800 Next Generation ("NG") aircraft and eight B737-400s.

During the period under review, the airline operated 44 220 sectors, carrying approximately 5.8 million passengers and employing 2 206 staff members. The Group has also diversified into aviation-related businesses including airport lounges, catering, travel services and flight and cabin crew training and information technology.

We remain firmly committed to our vision of offering an exceptional travel experience in the most efficient way. Our focus in delivering on our strategic intent will enable us to continue to create long-term Shareholder value. The Group's reputation and focus on safety, customer service and efficiency has built a sustainable foundation to accommodate growth opportunities and ensure that we continue to play a major role in the Southern African aviation and travel industry.

The Airline Industry

The aviation industry worldwide is recognised for its operating challenges.

It is an industry that is capital intensive, has negligible profit margins, and is highly regulated. It is a cyclical industry where volatility, such as the fuel price, weather, terrorism and politics, is a fact of life. It is also a soft target for taxes, volatile costs and increased regulation. Worldwide the industry has recognised the need for radical change to ensure sustainability and profitability.

The domestic airline industry is characterised by low profit margins and significant price competition, which is exacerbated by a volatile fuel price and exchange rate, changes in government laws and regulations, and compliance with future environmental regulation. This requires airlines to constantly innovate and improve on operating efficiency.

Considering the above, Comair has a unique record of delivering operating profits for 72 years in succession. Comair is therefore once again delighted to honour its commitment to its shareholders by paying a dividend.

Our top priorities are to improve our customer service, control costs and increase business efficiencies continuously. In this regard, we have adopted an approach not dissimilar to that of many successful airlines worldwide, by acquiring and operating newer, bigger but more fuel-efficient aircraft and implementing new generation

**We provide
air travel at costs
that are affordable
for South Africans.**

information technology platforms that enable us to deliver greater efficiencies and new commercial opportunities.

We are firmly committed to the local aviation industry and to working with government and other relevant authorities to ensure:

- The maintenance of a safe, reliable, competitive and commercially viable air transport sector, where all operators are afforded equal treatment by government;
- The provision of an air transport infrastructure that is affordable and consistent with the requirements of the air transport sector and the travelling public;
- The provision of air travel at costs that are affordable to South African consumers and are in line with internationally accepted airline service standards and practices.

7%

**increase in Airline
Passenger Revenue**

14%

**fuel price
increase**

10%

**increase in earnings
per share**

Strategic Priorities

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

- Maintaining revenue in a depressed economic environment, combined with increased capacity and uncompetitive pricing and an extremely volatile exchange rate. Revenue has been maintained, with similar operating margins in an environment of increasing fuel prices as in the previous reporting period, to cover and manage costs without ever compromising the safety, security and reliability of the airline service;
- Delivering on our promise to customers by constantly improving customer service;
- Enhancing our new, enterprise-wide IT platform;
- Upgrading our fleet, including investment in new aircraft;
- Continually monitoring and responding to changes to our macro operating environment;
- Providing employment security to all our employees;

- Diversification of the business into other allied aviation related business such as catering, travel management, flight and cabin crew training and airline Lounges and information technology services.

We have delivered against these priorities during the period under review.

Performance against Objectives

Financial Performance

The 2018 financial year delivered a record earnings performance despite an environment of largely negative GDP growth, volatile exchange rates, elevated fuel prices and a domestic airline market that continues to be characterised by overcapacity.

Airline Business

Airline Passenger Revenue increased by 7% on the back of a combined increase of 4% in passenger volumes and a 3% increase in the average fare per passenger. Seat occupancy remained constant at 76%, notwithstanding an increase of approximately 3% in Comair's available seat capacity. This remains below the average global industry seat occupancy of approximately 80.6%.

Airline operating costs increased by 7% with the most significant cost driver being a 14.2% increase in the price of fuel as a result of the recovery in the dollar price of oil.

The translation profit of the comparative period, which arose from the effect of the exchange rate on a dollar-based aircraft loan, was partly reversed as the currency deteriorated to R13.71 against the dollar as at 30 June 2018, from R13.04 against the dollar a year earlier. This resulted in a reported loss of R12 million in the current period on the loan value of US\$17.6 million, compared to a profit of R41 million on the revaluation of the loan at 30 June 2017.

Non-airline Business

The non-airline businesses performed well, maintaining an overall contribution to net profit of 25% before taxation with sustained prospects for future growth.

Combined Business

Earnings per share ("EPS") and headline earnings per share ("HEPS") increased by 10% and 4% to 69.8 cents per share and 69.5 cents per share respectively (prior year: EPS 63.7 cents per share and HEPS 67.0 cents per share).

Cash generated from operating activities remained relatively stable at R946 million versus R973 million in the comparative year, resulting in a closing cash balance of R685 million (prior year: R934 million). During the year significant investments in the fleet were made in the form of a preowned Boeing 737-800 acquisition and predelivery payments towards the purchase of the Boeing 737-8 MAX aircraft, as well as investments in the expansion of the training and lounge businesses.

Customer Experience

We continued to focus on our customers through the application of service metrics, feedback surveys, customer journey mapping, additional product offerings on both the kulula.com and British Airways brands, and extensive investment in training programmes for our front-line staff. Operating performance was average with on-time performance being maintained at our threshold target of 85% for the British Airways brand and just below same at 84% for the kulula.com brand.

Investment

We have entered into an agreement with the Boeing company for the purchase of eight B737-8 MAX aircraft, which are currently scheduled for delivery between 2019 and 2022. One of our major investments during the year was in the pre-delivery payments towards the first two B737-8 MAX aircraft to be delivered in January and February 2019. This signals the start of our transition to the next generation of Boeing technology.

In addition, the Group:

- Acquired one second hand B737-800 from Jackson Square Aviation Ireland Limited in March 2018;
- Acquired a fixed-base B737-800 flight simulator to expand its B737-800 training capacity and also purchased a fixed base A320 simulator, which will be used to provide flight training to third party pilots operating Airbus A320 aircraft. Both simulators will be installed in the new simulator building;
- Completed the construction of a new state-of-the-art simulator building with the capacity to house two fixed-base simulators and two full motion simulators;
- Purchased an office park known as Anchor Industrial Park, which, among other tenants, houses our catering business and our stores facility;
- Acquired a data integration platform from Tibco.

During the year we made further investments in the expansion and upgrading of our SLOW Lounge in the domestic terminal at OR Tambo International Airport, opened a SLOW XS Lounge at Lanseria International Airport and opened The Course Restaurant next to our SLOW in the City Lounge in Sandton. We are also looking at opening a new lounge concept at various major airports in South Africa.

In addition, we invested in the acquisition of two training academies, namely EPT Aviation Training Proprietary Limited and Global Training College South Africa Proprietary Limited, as part of our ongoing diversification strategy. These acquisitions have enhanced an already formidable pilot and cabin crew training facility, increasing the Group's capacity for pilot, cabin crew, passenger handling and travel and tourism training.

Post financial year end:

- We invested in the acquisition of a leadership development consultancy known as Metaco Holdings Proprietary Limited ("Metaco"). We acquired 100% of the share capital in Metaco. The acquisition will further strengthen and diversify the Group's third party training offerings and highlights the emphasis the Group places on training, learning and skills development;
- Entered into a joint venture with an IT technology company called Infinea SA Holdings Proprietary Limited ("Infinea"), establishing a jointly held company

called Nacelle Proprietary Limited. This joint venture combines the aerospace knowledge of the Group with the IT experience of Infinea;

- Have committed to leasing an additional four B737-800 NG aircraft for delivery during the 2019 calendar year, with negotiations being entered into to lease a further one B737-800 NG aircraft.

IT Platform

We are focused on implementing technology solutions to enhance our operating performance, customer service experience and revenue generating opportunities. The pace of development in distribution technology is relentless, and Comair is intent on extracting the maximum benefit from its customer information data to improve its service offering and the marketing of relevant products to its various customer segments. We are also developing new software applications for use on board the aircraft and on the ground to facilitate more efficient operating procedures. As mentioned above, post the financial year end the Group entered into a joint venture with Infinea South Africa Proprietary Limited in terms of which the Group acquired a fifty percent (50%) shareholding in a company known as Nacelle Proprietary Limited which will, amongst other things, provide technology solutions to the Group and the development of software for sale and use by both the Group and third parties.

Employees

During February 2018, the Group conducted its Think Vision survey, with an 80% participation rate. Employees perceived an improvement in the top line principles associated with a great place to work, being financially sound, as well as dignity and respect. In addition, employees perceived an improvement in the bottom line principles, namely dishonesty, favouritism and, backstabbing and gossiping.

Employees are encouraged to participate actively in creating an action plan to support the improvement of those behaviours that are relevant to them. Overall, the participation rate continues to reflect that employees care enough about the Group and its culture to complete the survey and this in itself is a good indication of employee engagement with the Group.

Talent management is considered a key differentiator between the Group and its domestic competitors. The Group values its talent and continues to make a significant investment in this regard. Talent management practices support business decision-making in terms of building capacity now and into the future, with the dual benefit that employees have information that supports their careers within the Group.

The Group will continue to identify roles that are critical to its diversification strategy in order to ensure that the best talent is available to support ongoing performance.

The first year of the Take-Off Leadership Development Programme has been completed successfully. The programme is multi-faceted and supports both collective and individual leadership requirements. The programme supports individual leaders with assessments, coaching and access to Harvard ManageMentor®. Leadership teams also have the option of undergoing systemic team coaching to reinvigorate them to step up to the challenges of a volatile, uncertain, complex and sometimes ambiguous working environment.

Market Environment

Partnerships

Partnerships remain the cornerstone of our business. We continue to work closely with the travel agent community in distributing our products. Our relationship with Discovery Vitality has grown and includes local, regional and international flights, as well as car rental and hotels for Vitality members. We have an excellent relationship with First National Bank/Rand Merchant Bank in respect of

our SLOW Lounges, and have made further investments in the SLOW products. Europcar is one of our strongest partners, and together we are one of the largest online sellers of car rentals in South Africa.

Brands

Our brands continue to perform well in the market. kulula.com is the market leader in affordable, easily accessible air travel and continues to grow in the cost-conscious business and leisure markets. It has become one of South Africa's iconic consumer brands.

Our British Airways ("BA") Brand has continued to grow in the corporate and public sectors, as well as in the inbound tourist markets. The BA loyalty programme, Executive Club, the SLOW Lounges and our investment in our catering products, have all helped grow the appeal of this brand. Our relationship with British Airways PLC remains strong, with British Airways PLC and ourselves seeing great potential to grow our partnership further into Africa. Our SLOW Lounge Brand has built great equity amongst business travellers.

kulula holidays is building a strong reputation as a package wholesaler to the travel trade as well as a retailer directly to consumers, and along with the kulula works Brand is supporting the growth of our penetration into the SMME and commuter markets for flight sales.

Our catering brands, Foodirections and Eatrite, are becoming known in the retail space, although most of our third party food production is still distributed by the associated retailer.

Competition

As previously reported, the Competition Tribunal ruled in our favour in our case against South African Airways ("SAA") for its anti-competitive travel agent incentives and its abuse of dominance. We were also successful in the appeal that SAA lodged, and we issued a multi-million Rand summons against SAA for damages related to this claim. Our claim against SAA for

damages arising from this anti-competitive conduct, which is in the range of R810 to R898 million (depending on the methodology used), with a similar additional amount in accrued interest and legal costs, was heard in the Gauteng South High Court between 18 April and 24 August 2016. Judgment in this matter was handed down in February 2017. In terms of the judgment, we were awarded damages in the sum of R554 million, with a similar additional amount being awarded in respect of interest and costs, resulting in a damages award of approximately R1.16 billion. SAA lodged an appeal against this judgment. We lodged a cross-appeal to recover the full amount of the damages we sustained plus interest on same which, if successful, will increase the damages to approximately R2 billion. We anticipate that the appeal will be heard early in 2019, should the Company and SAA not be able to settle the matter before then.

Government and Regulatory Bodies

The airline industry throughout the world is subject to extensive governmental and regulatory oversight relating to, amongst other things, restriction on foreign ownership and voting rights. South Africa is no exception to this, with restrictions placed on foreign voting rights, as set out in Sections 16(4)(c) and 19(a) of the Air Services Licensing Act (No. 118 of 1990) ("the Act"), and requires that a minimum of 75% of voting rights in a licensee must be held by residents of South Africa.

As previously reported, approximately four years ago Flysafair complained to the Air Services Licensing Council ("Council"), alleging, amongst other things that, based on the so-called "look-through" principle, the Group was not compliant with the provisions of the Act. The Group has always maintained the view that it complies with the foreign shareholding requirements of the Act and that the Flysafair complaint has no merit. Notwithstanding numerous attempts by the Group to demonstrate to the Council that its foreign shareholding was compliant with the Act, the Council decided on 22 April 2016

that the Group was in breach of the foreign shareholding requirement ("the Decision") and threatened to suspend its domestic air service licence ("Licence"). Once it had received notification of this fact, the Group repeatedly requested the Council to provide reasons for the Decision as well as answer to the question as to whether the Council had complied with the procedural requirements of the Act for the suspension of a licence. The Council refused to respond to these requests and invited the Group to take the Decision on review to the High Court. The Group notified the Council that it would do so and requested an undertaking that no steps would be taken by the Council to suspend its licence pending the outcome of the review proceedings. The Council refused to provide such undertaking. In the circumstances, the Group was left with no alternative but to obtain an urgent interdict from the High Court in Pretoria preventing the Council from taking any action to suspend the Group's Licence, pending a final review application of the Decision. The review application was heard in the North Gauteng High Court on 16 March 2017. Judgment in the matter was handed down on 21 September 2017, in terms of which the Group's application was granted and the Council was ordered to pay all application costs on an Attorney and Client scale. The Council subsequently applied for leave to appeal the decision, with the matter being heard in the North Gauteng High Court on 14 December 2017. The High Court found no grounds to grant leave to appeal and dismissed its application with costs. In March 2018, the Council petitioned the Supreme Court of Appeals for leave to appeal the North Gauteng High Court Decision. On 18 June 2018, the Council's application was dismissed by the Supreme Court of Appeals with costs. The Group's External Legal Counsel holds the view that no grounds exist allowing the Council to apply for leave to appeal to the Constitutional Court and that the matter is now concluded.

While the Group has always held the view that it is not in breach of Sections 16(4)(c)

and 19(c) of the Air Services Licensing Act, in order to ensure compliance with these Sections, the Group, implemented a variable voting right structure, in terms of which foreign shareholders voting rights will be restricted to 24.99%. The JSE approved the variable voting right structure on 1 September 2017. The variable voting right structure required that certain amendments be made to the Company's Memorandum of Incorporation ("MOI").

At a general meeting of shareholders, held on 28 November 2017, a resolution was adopted to amend the Group's MOI to allow for the implementation of the variable voting right structure. The amendments to the Group MOI have since been approved by the Company and Intellectual Property Commission ("CIPC") and the variable voting rights structure has been implemented.

Although the 2018 National Treasury Budget Review anticipates that South Africa will introduce a carbon tax with effect from 1 January 2019, there is no definite confirmation that this will take place. If this tax is implemented next year, the Group could be subject to direct carbon taxation based on aviation turbine fuel use in respect of its domestic (South African) operations in the near future. In 2016 the airline industry signed the world's first truly global carbon emission offsetting scheme at the 39th International Civil Aviation Organisation ("ICAO") Assembly called the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). As air transport is essential to the world economy, the current thinking, within the ICAO and the International Air Transport Association ("IATA"), is that carbon offsetting, as opposed to taxes or other forms of levies, would be more effective for the aviation industry, and this should be applied to both domestic and international operations, which are supported by the Group. The Carbon Tax Bill excludes international aviation from payment of the Carbon Tax. The Group is of the view that the introduction and application of Carbon Tax

to domestic aviation will counteract and compromise what ICAO and IATA are trying to achieve at an international level.

The Group increased its B-BBEE score from a level 4 to a level 3.

From January 2019, all operators carrying passengers on international flights (which include regional flights) will have to report emissions generated on these flights to their National Aviation authorities. From 2021 through to 2026, the CORSIA will apply to international flights conducted by operators licensed in states that have volunteered for the first phase of CORSIA. Operators in these states will have to purchase carbon offsets. Operators in South Africa, which has not volunteered for the first phase of CORSIA, will only have to offset their carbon emissions from 2027. The Group is in the process of preparing an Environmental Management Plan ("EMP") detailing how emissions will be recorded and calculated for approval by the South African Civil Aviation Authority ("SACAA") in the latter part of 2018, so that it will be able to report on emissions generated on regional routes with effect from January 2019. The Group has complied with the requirements of the Department of Energy and has submitted its first report on aviation fuel emissions in March 2018.

Safety and Security

The safety and security of our customers is of paramount importance and the Group therefore ensures that a strong culture of safety and security exists among all employees. This 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 process is formally documented in a Safety Management Manual that has been accepted by the SACAA. In addition, the Group maintains an International Operational Safety Audit ("IOSA") Registration, and has been audited and passed all audits, with the most recent audit having been undergone and passed in February 2018. The next bi-annual IOSA audit is due in February 2020.

Corporate Governance

We aim to be a good corporate citizen and maintain the highest standards of integrity and ethics in our dealings with 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 ensuring that we identify and manage our risks effectively.

Sustainability

We are committed to managing our business in a sustainable way. This means considering not only the Group's financial performance and risk profile, but also its human, social, environmental and economic impact. This Report provides our shareholders with information regarding the significant human, social, economic, and environmental risks and opportunities that have an impact on our ability to create long-term value for our shareholders. In addition, we explain our effort to reduce the impact on the environment and the societies in which we operate.

People

We continue to attract the best talent in the business and continually invest in their wellbeing and development. We are also very fortunate to have an extremely dedicated Management team that has a wealth of experience in the industry.

Training

Training, together with skills development, is a major priority to ensure that we are

able to provide a quality service to our customers. We spent approximately 4.75% of payroll during the period under review to support this commitment to training and skills development. Further details are set out on pages 37 to 38 of this Report.

Society

We are a committed corporate citizen and, together with our staff, endeavour to improve the lives of fellow South Africans. We try to make a meaningful impact on our local communities by attempting to alleviate some of their socio-economic challenges. Further details are set out on pages 46 to 47 of this 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. We are also committed to improving our environmental performance by attempting to reduce the adverse impact that aviation has on the local and global environment. Further details are set out on pages 48 to 57 of this Report.

Transformation

The Group continued to progress with its transformation programme, as confirmed in the most recently issued B-BBEE certificate, where the Group has improved its score from a level 4 (100% recognition) in 2017 to a Level 3 (110% recognition) in 2018. Though there has been some improvement, the industry is still faced with significant challenges in attracting adequate numbers of matriculants from previously disadvantaged groups, with higher-grade mathematics and science, for training in specialised aviation skills. Further details are set out on pages 40 to 45 of this Report.

Looking Ahead

While profits for the 2018 financial year were good, we are still not achieving the

margins that will allow for the optimum pace of upgrading our fleet. The current weak economy is expected to maintain pressure on consumer spending, while the oversupply of seats in the domestic market continues to place downward pressure on pricing across most routes. The ongoing investment in new aircraft remains a key competitive differentiator for the Group, particularly in an environment of higher oil prices and a poor exchange rate.

The Group is well placed to operate in these conditions, with strong brands, committed staff, effective equipment, an efficient cost base, strong cash reserves and investment into the diversified, non-airline segment of the business, which is progressing well and will receive ongoing focus.

Appreciation

Our sincere appreciation goes to every person within the Comair Group who contributed to the ongoing success of the Group during the year under review. This includes our Directors, Management and employees, and special thanks are extended to our customers and other stakeholders who have chosen to use our services or provide services to us.

We also thank all the public sector departments and agencies that we have worked with this year for their shared commitment to our objectives.



Mr ER Venter

CEO

17 September 2018



Mr P van Hoven

Chairman

17 September 2018

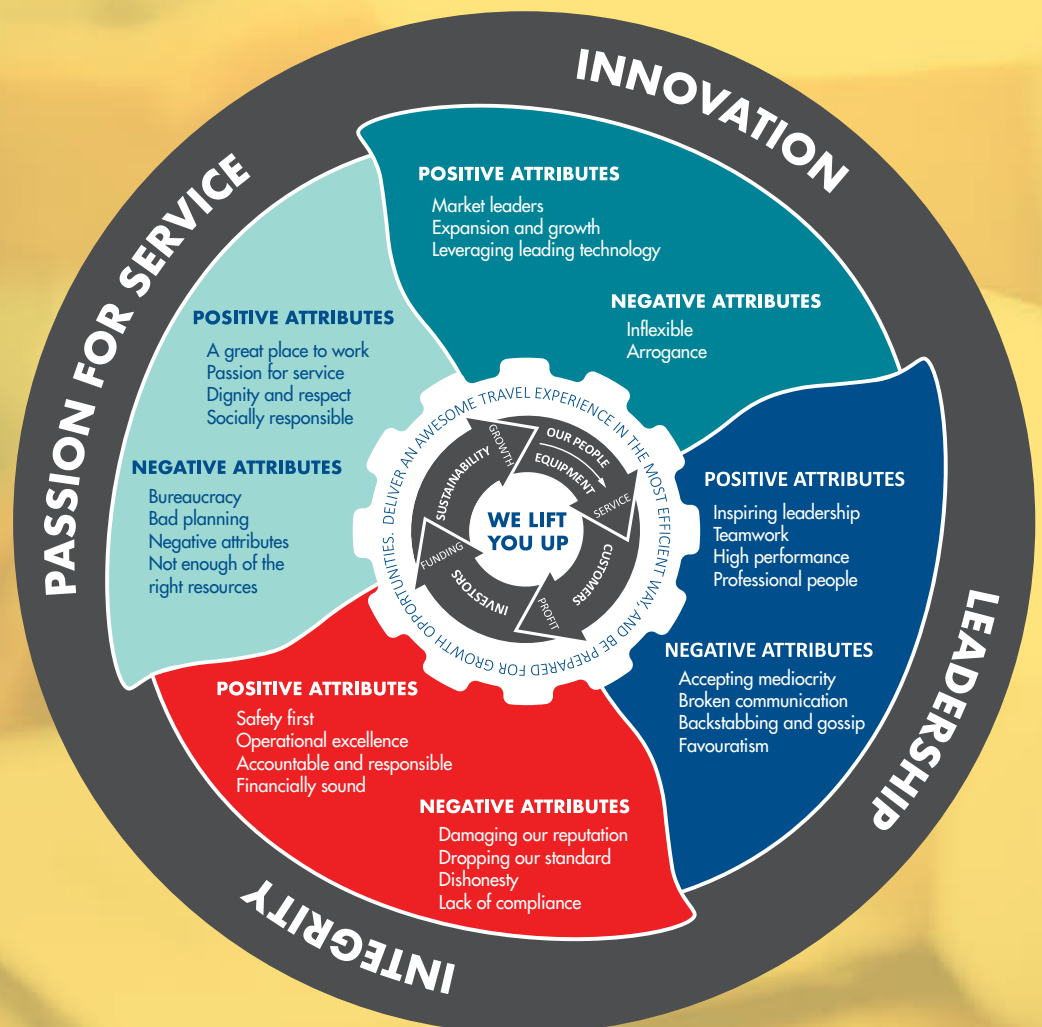
OUR PURPOSE, STRATEGIC INTENT AND STAKEHOLDERS

Our Purpose

The Group's purpose, 'We Lift You Up', drives our aspiration to lift people up in an inspiring, empowering, passionate and innovative way, to render a positive impact in the world. The Group's 'Cycle of Success' depicts how all elements of the Group's business connect, in order to realise its purpose. It also reiterates the behaviour that the Group's employees must embrace to fulfil the Cycle of Success.

The Group believes that:

- by lifting myself up,**
- I can lift my colleagues up,**
- To lift our customers up,**
- To lift investors up,**
- To lift society up,**
- To lift nations up,**
- To lift the world up,**
- To lift myself up**



Strategic Intent

The Group's Cycle of Success, set out on page 16, illustrates its strategic intent, its purpose, the business model it follows, its vision as well as the action pillars that underpin its core values.

Vision

The Group's vision is to:

Deliver an awesome travel experience in the most efficient way, and be prepared for growth opportunities.

This is an aspirational description of what the Group would like to achieve and is intended to serve as a clear guide for choosing current and future courses of action. The Group's vision does not fit the typical mantra that you would hear echoed by other organisations. As a Group we went a step further, to look at our core objectives, and tried to define the impact of these objectives on our stakeholders where the Group's business has an influence. The Group acknowledges that the aviation industry is volatile and its future is difficult to predict. The Group therefore looks to define behaviour that will allow it to succeed in every opportunity on which it decides to embark.

Business Model

The business model is not unique to the Group or the airline industry. The challenge lies in making sure the Group achieves the 'cycle' for sustainability and growth. This means that with the right equipment and people, the Group can deliver an awesome travel experience to its customers. If our customers are happy, they will keep coming back, and when they keep coming back our investors will continue to invest in the Group. This will allow us to be more resilient to change and together we can move forward in a sustainable way.

Action Pillars and Values

The four action pillars (Innovation, Integrity, Leadership and Passion for service) and the Think Vision Values guide the Group in following the business model in the right direction. The four action pillars are described as follows:

Action Pillars

Innovation

The Group has a professional approach to everything it does or presents and is

committed to a consistent high standard. It is committed to offering world-class products and services in the most efficient way. As a market leader, the Group stays up to date with current trends and can relate and communicate to the public, customers, investors, suppliers and employees.

Leadership

The Group is a well led and managed South African company. It leads by example and represents courage and humility. The Group behaves in a responsible way towards the public, customers, investors, suppliers and employees.

Integrity

Safety and security underpin everything the Group does. The Group represents poise and reassurance and is trusted by the public, customers, investors, suppliers and employees.

Passion for Service

The Group is committed to operational efficiency and value. It understands and anticipates the needs of its customers, investors, suppliers and employees.

The Group's vision is: deliver an awesome travel experience in the most efficient way, and be prepared for growth opportunities.

Core Values and Principles

The Group and its employees support the following Core Values, which underline the Think Vision formula for success, by applying only those Think Vision values and principles that are beneficial to the Group.

Core Values

Our Customers

In our dealings with our customers, we aim to:

- Reflect the image of the company;
- 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;
- Accept responsibility for customer service.

- 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;
- Maintain ethical standards;
- Exhibit respect for the individual and his/her dignity;
- Commit to sustainable transformation, addressing the inequalities of the past.

- 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;
- Continuously strive to improve our operating efficiencies;
- Eliminate activities that do not add value;
- Base appointments and promotions on competence and performance;
- Offer each employee the opportunity to develop his/her potential.

Mutual Trust and Respect

We aim to:

- Share information to the benefit of the Group;

Performance Driven

We seek to always:

- Set objectives and give regular performance feedback;

Team Approach

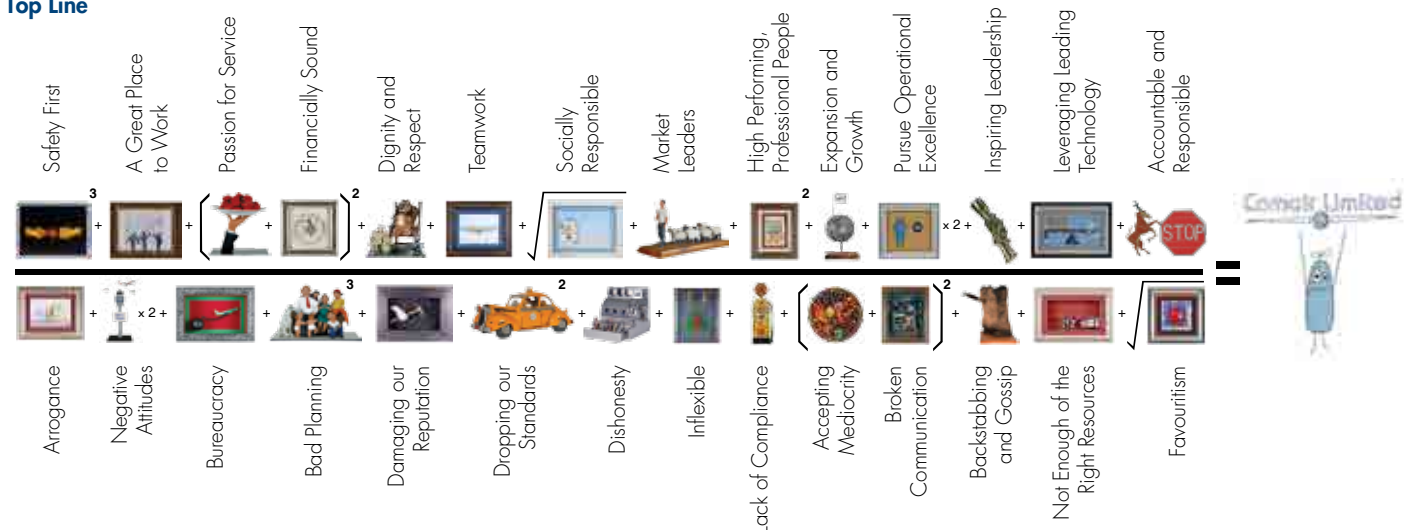
We:

- Promote positive team behaviour;
- Ensure the participation of all role players;
- Exhibit responsible, fair, honest and effective leadership.

Think Vision

The Think Vision formula for success identifies those values and principles that are beneficial to the Group (Top Line) as well as those values and principles that should be eliminated which could be detrimental to the Group (Bottom Line), as illustrated in the table below.

Top Line



Bottom Line

Group Objectives

Our strategic intent has been translated into the following actionable objectives for the Group to achieve:

Creating Shareholder Value

- We will continue to optimise operating efficiencies and grow the profitability of the business;
- We will continue to optimise our cost base, without compromising safety, reliability and customer services;
- 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 always strive to 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 working environment which is conducive to employee engagement and productivity and which assists us to attract and retain a talented workforce;
- We will provide continuous training and development opportunities to our employees, ensuring that their skills and competencies are relevant and appropriate to our business and the delivery of exceptional service to our customers;
- 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.

Stakeholders

The Group’s commitment to its stakeholders, to conduct its business in a responsible and sustainable way and to respond to their needs, is entrenched in its vision, action pillars and values. The nature of the Group’s business requires close engagement with its 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 Group’s reputation as a trusted and reliable provider of airline and related services. One of the Group’s main objectives is to deliver “an awesome travel experience in the most efficient way” and thus become the leading domestic and regional aviation Group in sub-Saharan Africa, and the airline of choice for travellers within the environment in which it operates. The Group, in addition, values the importance of its brands, namely British Airways, kulula.com and SLOW, as well as its travel, catering and

training brands, and has taken the necessary legal steps to protect them.

As part of its ongoing operations, the Group frequently engages with various stakeholder groups. The Group defines stakeholders as “anyone who affects or is affected by the Group”, and in deciding on which stakeholder Groups to concentrate its

engagement efforts, the Group considered the significance of the various stakeholder Groups in the achievement of its objectives. Those significant stakeholder Groups that fundamentally affect the ability of the Group to achieve its objectives are included in this Report.

The section that follows details how we engage with and respond to our stakeholders on issues of significance.



* Considered to be significant stakeholder Groups

Materiality

We undertook an exercise to determine the most material issues that would affect the Group’s ability to execute its strategic intent. A list of issues, drawn from both internal and external sources of information, was created. Each issue was evaluated to determine its priority, based on its importance to stakeholders and its impact on the Group’s objectives. Below are those issues considered material, together with the relevant sections where our response to them has been outlined.

Group Objective	Material Issues	Relevant Section
Creating Shareholder value	<ul style="list-style-type: none"> • Growth opportunities • Financial sustainability • Current economic climate • Capital funding 	<ul style="list-style-type: none"> • Interaction with Investors, Suppliers and Media; • Financial Statements; • Chairman and CEO’s Report; • Our Operations and Customers
Commitment to quality	<ul style="list-style-type: none"> • Customer satisfaction • Brand value/reputation 	<ul style="list-style-type: none"> • Our Operations and Customers
Managing risk	<ul style="list-style-type: none"> • Safety • Terrorism • Licensing Council • Anti-competitive behaviour by competitors • New entrants 	<ul style="list-style-type: none"> • Internal Control and Risk Management; • Interaction with Government, Regulatory and Industry Bodies; • Chairman and CEO’s Report
Leading as a responsible corporate citizen	<ul style="list-style-type: none"> • Carbon taxes • Fraud 	<ul style="list-style-type: none"> • Investing in the Community; • Environmental Report; • Corporate Governance Report
Provide growth and development opportunities for employees	<ul style="list-style-type: none"> • Transformation • Staff productivity • Talent management • Executive remuneration • Training and development 	<ul style="list-style-type: none"> • Company Employees and Broad-Based Black Economic Empowerment; • Remuneration Report; • Report of the Directors
Operating effectiveness	<ul style="list-style-type: none"> • Fuel efficiency • Fleet management • Technology solutions 	<ul style="list-style-type: none"> • Environmental Report; • Our Operations and Customers

OUR OPERATIONS AND CUSTOMERS

Our Route Network

Comair Limited (the "Group") is a South African Group operating scheduled and non-scheduled airline services as its core business under both its kulula.com and British Airways brands in South Africa, sub-Saharan Africa and the Indian Ocean Islands. In addition, amongst others, it provides aviation-related services such as travel management services, pilot and cabin crew training, catering services and operates airline lounges and soon information technology services. The British Airways and kulula.com brands operate flights into sub-Saharan Africa and the Indian Ocean Islands, with the kulula.com Brand offering such flights through codeshare arrangements and acting as the marketing carrier. Although its flights are advertised for sale through global distribution systems and the internet, the majority of revenue is earned in South African Rand. During the period under review, the Group operated 44 220 flights and carried 5 801 191 customers, as opposed to 43 083 flights

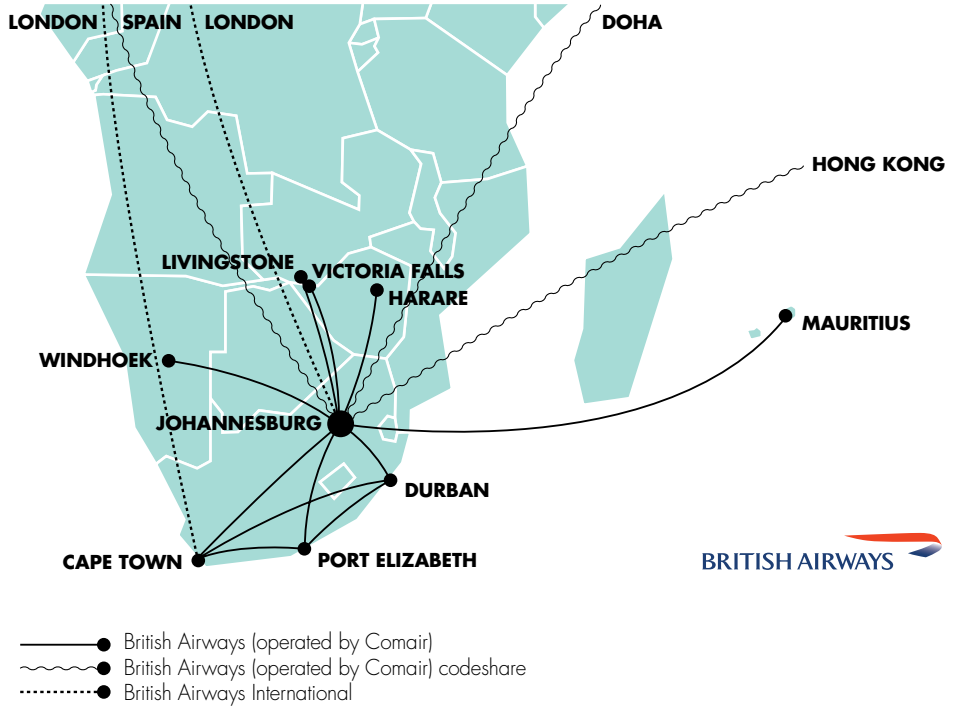
and 5 545 314 customers in the previous reporting period. Diagrams are set out below reflecting all the destinations to which the Group's two brands provided scheduled air services during the period under review.

British Airways International

The Group entered into a Licence Agreement with British Airways PLC ("BA") during 1996, in terms of which it was granted a licence to operate flights using BA intellectual property and in accordance with the BA style of business, tweaked to meet local conditions. In terms of the Licence Agreement, BA provides other services to the Group such as, but not limited to, access to the BA frequent flyer programme known as Executive Club. The Licence Agreement has now been in operation for almost 22 years and has, in the Group's view, been highly beneficial to both BA and the Group. Notwithstanding the Licence Agreement with BA, the Group itself remains actively and effectively in control of the airline services it provides.

**The Group
operated
44 220
flights
and carried
5 801 191
customers**

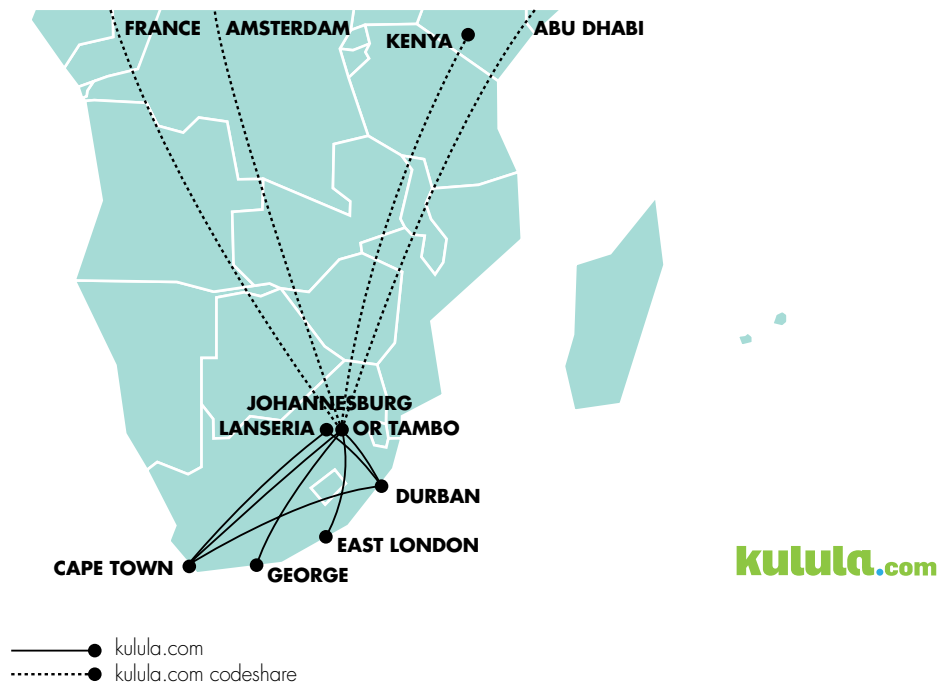
British Airways Route Network



Note: The British Airways (operated by Comair) Brand has entered into unilateral codeshare agreements with Cathay Pacific, Qatar Airways and Iberia, enabling their customers to purchase a single ticket on such carriers and connect seamlessly onto the British Airways (operated by Comair) route network

kulula.com

kulula.com Route Network



Note: The kulula.com Brand entered into a reciprocal codeshare agreement with Kenya Airways, allowing the kulula.com Brand to codeshare on the services between OR Tambo International Airport and Nairobi in Kenya, using Kenya Airways aircraft, and allowing Kenya Airways to codeshare on the kulula network, using kulula.com branded aircraft.

The Brand has also entered into unilateral codeshare agreements with Air France, KLM and Etihad Airways, enabling its customers to purchase a single ticket on such carriers and connect seamlessly onto the kulula.com route network.

SLOW Lounges

To enhance the quality of its offering, the Group provides access to its SLOW Lounges for its premium and loyal customers. These SLOW Lounges are located at OR Tambo International Airport (in both the domestic and international terminals), Cape Town International Airport (in the domestic terminal), King Shaka International Airport (in the domestic terminal) and SLOW in the City (situated opposite the Gautrain station in Sandton). SLOW Lounges are open to qualifying customers (for example, Gold and Silver Executive Club Members, business class customers, the Group's VIP guests and FNB and RMB qualifying clients). As regards the OR Tambo International Lounge the Group also provides lounge access to premium customers flying with Air France, KLM and Delta Airlines.

The SLOW Lounge concept is based on the theme that time plays a significant part in people's lives. Modern-day life places numerous demands on people's time and there is generally not enough of it. SLOW was created as a space for people to get their time back on their own terms when, during a few moments of sensibility, they have a chance to catch their breath and relax. The Group wanted to ensure that within the busy airport environment it developed a space and offering that was conducive to relaxation, comfort and convenience. This is evident in the technologies, furnishings and the freshly prepared food and beverage choices delivered through its friendly, efficient staff in the Lounges. Since the introduction of the SLOW Lounges the Group has received many accolades, awards and compliments from the industry and customers.

Demand for the Lounges has increased and the Group has completed numerous expansion projects over the past few years. The Cape Town Domestic SLOW Lounge and the SLOW International Lounge at OR Tambo International Airport have been revamped and made larger. The extension of the international Lounge has afforded

the Group the opportunity to allow other international airlines, that have contracted with the Group, the opportunity to experience the SLOW concept and has, in addition, accommodated the growth of the Group's, RMB's and FNB's customer volumes going forward. The domestic SLOW Lounge at OR Tambo International Airport has also been revamped and extended in size to accommodate the growth of the Group's, RMB's and FNB's customer volumes going forward. The Group opened a new SLOW Lounge concept at Lanseria Airport, known as SLOW XS, and intends to expand this concept to other domestic airports in South Africa. While the SLOW XS Lounge provides a lesser portfolio of services than the SLOW Lounges, it is not in any way an inferior or budget version of the SLOW Lounges, but rather a sibling brand, leveraging the growing trend of small-scale, local production and modern connoisseurship.

Our Customers

Providing a safe, secure, reliable and quality experience on both of its airline brands, as well as in its travel-related businesses, is core to the Group's business. It therefore strives to deliver "an awesome travel experience in the most efficient way" and hence to be recognised as the airline of choice for all travellers within its operating environment.

Our Travel-related Offerings

The Group actively participates in the British Airways PLC Executive Club frequent flyer programme as well as the On Business Programme for its British Airways Brand. In terms of the kulula.com Brand, the Group has partnered with the Avios Travel Rewards Programme and also offers a co-branded kulula credit card.

British Airways Executive Club and Avios

The Executive Club is British Airways PLC's global frequent flyer programme, designed to recognise and reward loyal members, with the aim of making their travel more enjoyable and rewarding. Executive Club

members earn Avios, which is the Executive Club loyalty currency, when they fly with BA, a partner airline, or on one of the oneworld® alliance partners. The number of Avios that members earn depends on the distance they fly, the cabin they travel in, the type of ticket they purchase, and their Executive Club tier status. Members can also collect Avios with BAs' worldwide hotel, car rental, financial and shopping partners, even when they are not flying. In addition to accumulating Avios, members earn Tier Points. Tier Points allow members to move through the various tier levels, starting at Blue, then Bronze, then Silver and finally Gold Executive Club status. As members progress from one tier level to the next they are able to enjoy additional benefits associated with each tier level such as, but not limited to, airline lounge access, dedicated check-in processes and priority wait lists.

On Business Programme

The On Business Programme is a global British Airways PLC loyalty programme offering aimed at companies. Unlike the Executive Club, which recognises and rewards the individual traveller, On Business rewards the organisation as a whole for corporate travel spend. Organisations have a choice between earning On Business points, which can then be accumulated and redeemed towards flights and upgrades, or a discount on selected flights.

There are three tiers within the On Business Programme, which are based on overall spend on flights. The higher the tier, the greater the number of On Business points earned.

Avios Travel Rewards Programme for kulula.com

Through a partnership with Avios, a global travel rewards programme, kulula.com customers are able to join Avios, and as an Avios member they are able to earn Avios points when travelling with kulula.com as well as at various other Avios partners, including British Airways PLC. In addition, Avios points can be earned by spending at certain retailers, fuel companies and banking partners.

On kulula.com, Avios points are earned at a rate of three Avios for every R10 spent. Avios points earned by Avios members can be redeemed for flights on kulula.com in any fare class, subject to seat availability. Avios points can be redeemed in increments of 1 000 points, which currently equate to R60.00.

The kulula Credit Card

The kulula credit card is a Visa credit card, which is issued, owned, financed and administered by First Rand Bank Limited, an Authorised Financial Services and Registered Credit Provider. Customers earn kulula moolah when using their kulula credit cards to purchase various qualifying goods and services. kulula moolah can be used to pay for or towards any kulula.com flights. kulula moolah is a virtual currency with 1 kulula moolah equating to R1.

Magazines

The Group prints two on-board magazines, namely, *High Life SA* for its British Airways Brand, and *khuluma* for its kulula.com Brand, as well as a magazine titled *SLOW* for the SLOW Lounges. These magazines cover a number of subjects, including pertinent information relating to the lifestyle interests of the Group's customers as well as information about the Group and its business. Twelve editions of each magazine title (one per month) are printed per year. The circulation for *High Life SA* is approximately 16 500 per month, *khuluma* is approximately 21 000 per month and the *SLOW* magazine approximately 5 500 per month. The magazines, other than *SLOW*, are made available on board the aircraft and *High Life SA* is also available in the SLOW Lounges. Other mediums of communication with customers and potential customers include direct e-mail communications to the Group's respective customer databases, on-board announcements and advertising campaigns (including radio, TV, outdoor, print and on-line) as well as social media channels such as Facebook, Twitter, Google+ and YouTube.

Travel Business

The Group has invested in the development of a 'next generation' distribution platform for luxury inbound tourism into Africa. Studies show that luxury travel has emerged as the fastest growing segment in global travel, with growth in tourism arrivals in sub-Saharan Africa exceeding that of the rest of the world. However, the technology used in South Africa to compete for global tourism is outdated and the Group has taken the opportunity to establish effective global distribution channels. The new platform will commence selling in mid-2019.

Improved overall satisfaction with the British Airways Brand from 77.9 to 82.8.

The existing travel businesses, including kulula work, kulula holidays and mbeds continue to deliver good margins and steady growth despite the depressed local travel market.

Technology Solutions

Continued focus on implementing technology solutions has enhanced the Group's operating performance, customer service and revenue generation. The pace of development in technology is relentless, and to this end, the Group has acquired a data integration platform from Tibco. This technology seamlessly connects all applications and data sources and will eliminate the duplication of development efforts across the Group's various distribution channels, while facilitating the extraction of the maximum benefit from its customer data in order to improve its service offering and the marketing of relevant products to its various customer segments. Furthermore, new software applications have been developed for use on board the aircraft and on the ground to facilitate more efficient operating procedures.

Customer Experience

The Group recognises that in order to be a truly customer-centric airline, it needs to listen constantly to its customers' needs. It continuously seeks the best and most reliable tools to measure customer satisfaction levels in respect of both its British Airways and kulula.com brands and has adopted the "Voice of Customer" ("VoC") feedback tool to measure customer satisfaction, as reflected below.

A number of surveys were run across the customer journey, measuring various customer touchpoints such as:

- Overall loyalty;
- Experiences;
- Shopping;
- Modify booking;
- Delay;
- Flight;
- Club (this is only applicable to customers travelling in business class ("Club") on the British Airways Brand).

Each of these touchpoints is assigned quality attributes that are measured. The following high-level metrics are used:

- Net promoter score;
- Overall satisfaction;
- Satisfaction by experience;
- Customer effort by experience.

The VoC programme currently offers:

- Reporting for all channels;
- Reports integrated into the feedback system (case management);
- Structured and unstructured feedback (free text) tied back to customer journey;
- Operational reporting for all critical business areas.

Below are snapshots of high-level metrics for both brands.

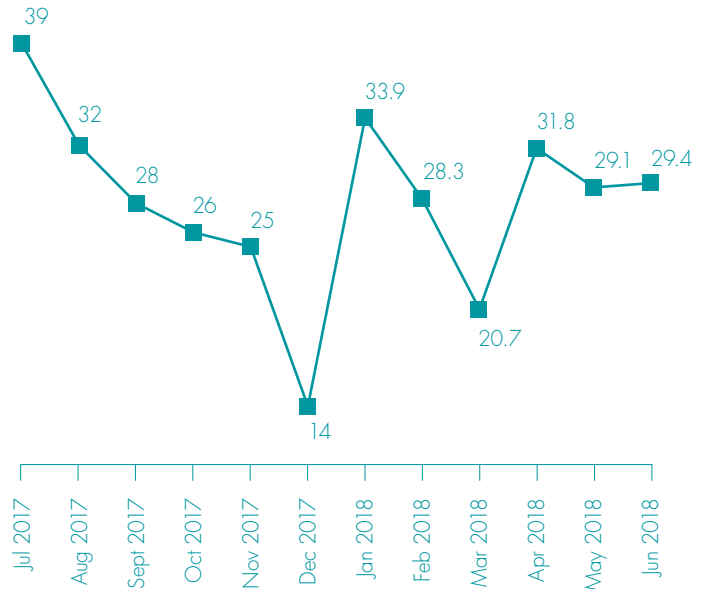
British Airways Brand



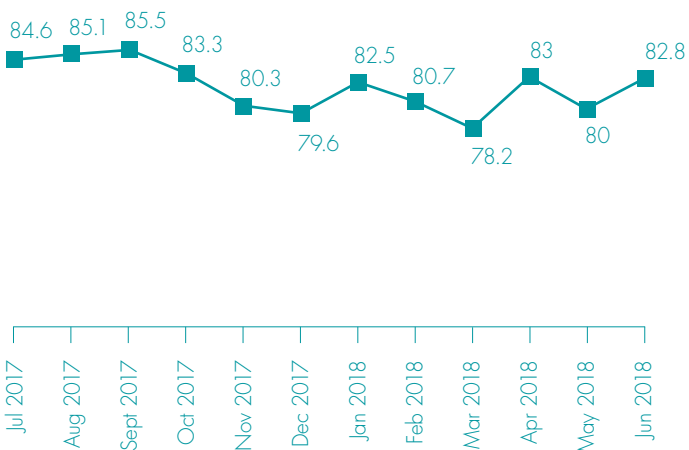
Transactional NPS



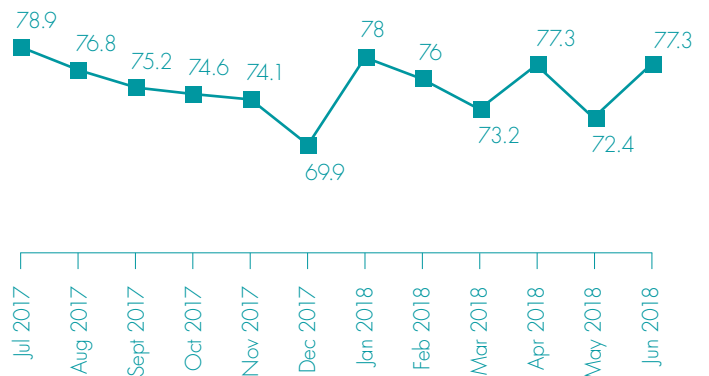
kulula.com Brand



Transactional NPS



Overall satisfaction



Overall satisfaction



Based on the feedback received from customers, the Group acknowledges that there are areas for improvement and continuously works at addressing them.

6%

**fuel saving
using
new fleet**

Operating Effectiveness, Commitment to Quality and Safety of Equipment

Operating Effectiveness and Quality of Equipment

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

The Group maintains a high daily aircraft utilisation rate. This is achieved by reducing the turnaround times of its aircraft at the airports to which they operate, so that the aircraft can fly more hours on average over a day. As far as the Group is aware, its turn-around times are the shortest in the South African domestic market. High daily aircraft utilisation allows the Group to generate more revenue from the aircraft. Delays and cancellations however, some of which are beyond the Group's control (for example adverse weather conditions, air traffic congestion and unscheduled maintenance), reduce the Group's aircraft utilisation rate. This in turn affects its on-time performance target, which is currently set at 85%. During the period under review the Group's on-time performance remained

R41 million

**invested
in the Lounge
businesses**

consistent with that reported in the previous financial year, namely 85% for the British Airways Brand and 84% for the kulula.com Brand. On-time performance means that an aircraft has departed within 15 minutes of its scheduled departure time.

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

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

- The Group continuously invests in maintaining the safety and reliability of its aircraft. It currently subcontracts the line maintenance of its aircraft and engines

R46 million

**invested in the
expansion of flight
training facilities**

to South African Airways Technical (SOC) Limited, and heavy maintenance is subcontracted as and when required to accredited companies such as Israeli Aircraft Industries Limited, Koninklijke Luchtvaart Maatschappij NV ("KLM"), Lufthansa Technik AG, GE Aviation Services and SAFRAN Aircraft Engines.

- In a further commitment to maintaining the safety and reliability of its Aircraft, the Group has entered into a maintenance agreement with Lufthansa Technik AG and Lufthansa Maintenance International GMBH to maintain its new B737-8 MAX aircraft and certain B737-800 NG aircraft from 2019 onwards.
- Following the successful implementation of a business-wide airline enterprise system from Sabre Airline Solutions in June 2012 at a cost of approximately R52 000 000 (fifty-two million Rand), the Group has continued to improve the system with new modules and updated technology as and when required during the period under review. In this regard the Group has invested in the renewal of its Sabre suite of software licences, amounting to R20 million over two years.

- This system has and will continue to deliver substantial improvements in revenue integrity, inventory management and optimised ticket pricing, as well as improved crew and airport staff productivity.
- A substantial investment has been made towards the acquisition of a new fleet of Boeing 737-800 NG aircraft. In addition to having delivered substantial fuel savings of between 6% and 7% compared to the older B737-800 fleet, the new aircraft have a greater revenue-generating potential with their increased seating capacity and also require less maintenance downtime. It is estimated that the B737-800 NG aircraft, with its greater seating capacity, burns 33% less fuel per passenger than the older and smaller B737-400s. As previously reported, the Group has over the past five years taken delivery of B737-800 NG aircraft. It has also purchased a pre-owned B737-800 NG aircraft in March 2018 as well as bringing in an additional leased B737-800 NG aircraft in August 2017. The Group has committed to lease an additional four B737-800 NG aircraft due for delivery in the 2019 and 2020 financial years, with negotiations ongoing for the lease of one further aircraft.
 - The Group finalised the refurbishment and expansion of its Domestic Airport Lounge at OR Tambo International Airport at an approximate cost of R23 million. In addition, a new SLOW Lounge concept, known as the SLOW XS Lounge, opened at Lanseria International Airport during August 2017. The Group's investment in the Lounge businesses during the reporting period amounted to R41 million.
 - Acquired a data integration platform from Tibco, at a total cost of R34 million.
 - The Group invested in the construction of a restaurant, known The Course, at its SLOW in the City premises at a cost of R7.5 million which is included in the total invested in the Lounge businesses.
 - In August 2018 the Group finalised the construction of a new a state-of-the-art simulator building at its operations facility in Rhodesfield, at a cost of approximately R46 million. This will be used to expand the Group's flight training facilities.
 - The Group has purchased an Airbus A320 fixed base Collimated Visual System Multi Pilot Simulator from Multi Pilot Simulations B.V. at a cost of €1 300 000. This was installed in the new simulator building in August 2018 and is used to provide ground training to third party pilots operating Airbus A320 aircraft.
 - The Group acquired an office park known as Anchor Industrial Park for a purchase consideration of R75 million. Anchor Industrial Park houses the Group's catering division, Foodirections, and its stores building, among a range of other tenants.
 - In December 2017, the Group invested in the acquisition of two Training Academy companies, namely EPT Aviation Training Proprietary Limited and Global Training College South Africa Proprietary Limited, as part of the ongoing diversification of its operations. While the financial impact of the acquisition was not significant, the acquisition has enhanced an already formidable flight training facility, increasing the Group's capacity for cabin crew, passenger handling and travel and tourism training.
 - Post financial year end, the Group:
 - Invested in the acquisition of a leadership development consultancy company called Metaco Holdings Proprietary Limited ("Metaco"), acquiring 100% of the share capital. The acquisition will further strengthen

and diversify the Group's third party training offering and highlights the emphasis the Group places on training, learning and skills development;

- Entered into a joint venture with an IT Technology company called Infinea SA Holdings Proprietary Limited ("Infinea"), establishing a jointly held company called Nacelle Proprietary Limited. The venture combines the aerospace knowledge of the Group with the IT experience of Infinea. The Group and Infinea recognise that the customer journey begins before the customer embarks on the flight and together, have identified areas for airport companies to improve the end-to-end digital platform solutions in airport environments.

Safety of Equipment

The airline industry has become synonymous with ensuring that, through a combination of rigorous regulation, robust self-regulation and learning, air transport becomes the undoubted leader in the safe transportation of people. Each year, more and more passengers take to the skies with incident rates for the industry continuing to improve. This remarkable achievement has been brought about through a highly regulated system of ensuring that manufacturers, airlines, regulators and maintenance service providers continually review their procedures and learn from one another through the sharing of information and practices.

The safety and security of customers is of paramount importance and the Group therefore ensures that a strong culture of safety and security exists among all employees. This 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. The process is formally documented in a Safety Management Manual that has been accepted by the SACAA.

In addition, the Group maintains an International Operational Safety Audit ("IOSA") Registration, and has been audited and passed all audits including the last audit which took place in February 2018. The next bi-annual IOSA audit is due in February 2020.

The Group received an unqualified audit rating from British Airways PLC in December 2017. The Group also underwent and passed its annual audit by the SACAA in April 2018. The Group's Flight Training Centre has been audited by external airlines interested in making use of the Centre and we accordingly have numerous airlines and other users currently making use of the Centre.

No major safety or security issues occurred during the period under review.

Terrorism is unfortunately a threat to the entire world, including the Republic of South Africa. From an aviation perspective, the National Aviation Safety Committee ("NASC") recently passed a resolution in terms of which it stated that currently there was no specific threat to civil aviation in the Republic of South Africa. The NASC however did advise that globally civil aviation remained an attractive target for terrorists and that heightened security measures at airports needed to be maintained.

From a Group perspective, and having regard to its Licence Agreement with British Airways PLC, the Group's security officers remain in contact with their security counterparts at British Airways PLC in the United Kingdom, who work closely with the United Kingdom Government,

to discuss security issues affecting the airline. In addition, the Group, together with the Airports Company of South Africa ("ACSA"), the Airlines Association of Southern Africa and other airlines, has put measures in place, such as, but not limited to, ensuring that all passengers, including the Group's airline crew, are screened together with their carry-on baggage prior to entering the secure area at the airport. All baggage and cargo being placed in the hold of the aircraft is screened and no aircraft departs, with certain exceptions, unless the customer and his/her baggage are on board the aircraft.

The key safety and quality of service priorities applied by the Group are detailed below.

The Group

The safe transportation of its passengers is the Group's number one priority. Part of its success in building a long-standing, profitable and sustainable business model has been ensuring that continual investment is made in its maintenance and fleet replacement programmes. Passenger safety includes a number of other components outside of the aircraft fleet. All these components are formally documented in a Safety Management Manual that has been accepted and signed off by the SACAA, as mentioned above. Safety also extends to detailed pilot training programmes and continual simulator performance assessments. Cabin crews go through rigorous training and continued refresher training to ensure they are equipped to handle all on-board situations pertaining to the safe and orderly transportation of passengers.

Boeing Company

The Group's fleet is entirely made up of Boeing aircraft. Aircraft manufacturers play a critical role in passenger safety. Not only do they continually update their new models in terms of safety, efficiency and reliability, they also ensure full support is provided for their aircraft types, old or new. Boeing additionally consolidates all industry information and keeps all airlines updated on any fixes, issues or changes that are required to ensure that all aircraft perform as they should. Boeing has a field office based at OR Tambo International Airport, with staff dedicated to the Group. All delays, significant defects and other information are communicated to Boeing.

Implementation of the International Air Transport Association ("IATA") International Operational Safety Audit ("IOSA")

The IOSA programme is an internationally recognised and accredited evaluation system, designed to assess the operational management and control systems of an airline. All members of IATA are IOSA registered and must remain registered to maintain IATA membership.

The Group's approach to aviation safety is one of oversight and audit, as defined within the context of the eight disciplines of the IOSA audit structure, namely organisational management, flight, dispatch, maintenance, cabin, ground ("airport"), cargo, and security. The Group has participated in the IOSA programme since 2006 and has successfully undergone seven unqualified audits. The next IOSA audit will take place in February 2020.

Implementation of Runway Safety Measures

Safety statistics show that runway excursions and incursions are the most common cause of accident or incident reported annually. In response, ACSA has established consultative forums, in the form of local Runway Safety teams at each ACSA airport. The Group actively participates in these forums.

The Group has now undergone seven IATA audits since 2006. All IOSA were unqualified.

Training on Preventing Loss of Control

The Group incorporates loss of control in-flight training, as part of its continuous pilot training curriculum. Special emphasis is placed on ensuring that the Group's pilots retain their basic flying handling skills. Various exercises are practiced during such training. In addition, the Group has:

- Introduced a Flight Crew Fatigue Risk Management System to monitor and regulate the risk of fatigue among the Group's pilots and cabin crew. This programme is run and monitored by the Group and the Comair Pilot's Union, to ensure that pilots only fly within the limits set by the SACAA;
- Introduced Evidence Based Training for pilots in line with the latest international standards for pilot training;
- At the request of the Board, and through the Risk Committee, re-evaluated its cockpit and pilot recruitment procedures. The risk mitigants implemented include, amongst others, access by pilots to peer support; the Pilot Well-being Programme; monitoring of possible stress-related issues during crew resource management sessions; and improving the empathy of Management to the personal challenges that may be experienced by pilots.

The safe transportation of its passengers is the Group's number one priority.

Implementation of Safety Management System

The Group has a safety management system to address all aspects of aviation and ground safety. The purpose of the system is to ensure that risks affecting safety are controlled and appropriately mitigated. The Director of Operations monitors the Group's performance against defined objectives and the Board reviews the Aviation Safety Goal matrix at its quarterly Board meetings.

Access to Affordable Flights

The airline industry is fraught with many challenges, involving, but not limited to the cost of equipment, oil price and currency fluctuations, airport charges and taxes and, consequently, access to affordable flights. For this reason, the Group was the first in South Africa to launch a low fares airline, making air travel affordable for a larger portion of the population who would previously not have flown.

To enable the Group to continue to offer access to affordable flights, it continuously looks at ways in which to improve its efficiency and cost effectiveness, such as, but not limited to:

- Implementing a progressive fleet replacement programme. By operating more modern and fuel-efficient aircraft, it has achieved a consistent reduction in the cost of aircraft maintenance as well as the amount of fuel used per seat;
- Introducing and continuously refining its comprehensive fuel savings programme with the co-operation of its pilots;
- Installing lightweight seats and catering equipment to reduce the weight of its aircraft. Weight impacts on fuel burn and the Group has, through this initiative, substantially reduced aircraft weight;
- Maximising the use of available technology to reduce airline distribution costs through the use of the internet and by introducing self-service check-in for customers at the airports;
- Developing the most efficient routing of aircraft between airports, and developing more efficient landing approach profiles, resulting in substantial fuel savings. This was achieved through the Group's Flight Operations Department, working with Air Traffic Control and Navigation Services;
- Setting up its own catering department, Foodirections, thereby reducing the cost of on-board catering, while at the same time ensuring a better quality of catering for customers.

INTERACTION WITH GOVERNMENT, REGULATORY AND INDUSTRY BODIES

**2 Black,
3 Coloured,
6 Indian and
19 Female
pilots
within our pool
of 219 pilots**

Government and Authorities

The Group remains committed to working with government and other relevant authorities to ensure:

- The maintenance of a safe, reliable, competitive and commercially viable air transport sector, where all operators are afforded equality of treatment by government and authorities;
- The provision of air transport infrastructure that is affordable to the travelling public, and consistent with the requirements of the air transport sector;
- The provision of air travel at a cost that is affordable to South African consumers and in line with internationally accepted airline service standards and practices;
- An increase in the number of black airline pilots as well as greater participation by black people in the aviation industry, in line with the revised Broad-Based Black Economic Empowerment ("B-BBEE") targets.

Government Financial Assistance

The Group received no financial assistance from government, nor did it make any contribution towards any political party.

Government, Regulatory and Industry Bodies

The airline industry is subject to extensive government and regulatory oversight relating to, amongst other things, safety, security, licensing, traffic rights, and consumer protection. The Group regularly communicates and interacts with government, regulatory and industry bodies. During the period under review, the Group continued to deal with the historic complaint laid by Safair Operations Proprietary Limited ("Flysafair") with the Air Services Licensing Council, directed against the level of the Group's foreign-owned shareholding. The background relating to the Flysafair complaint is set out on page 13 of this report.

Government and Regulatory Bodies

Department of Transport

The Department of Transport ("DoT") is responsible for:

- Providing secretarial support to the two licensing councils, the Regulating Committee for the Airports Company South Africa ("ACSA") and the Air Traffic and Navigation Services Company ("ATNS");
- Entity oversight of ATNS, ACSA and the South African Civil Aviation Authority ("SACAA");
- The conducting of bilateral air service negotiations with foreign governments;
- Managing aviation industry involvement in major events.

The Group interacts, co-operates with, and provides feedback to the DoT in all these areas. The Group strongly supports the concept of a de-regulated and competitive domestic airline industry where all airlines are required to comply with applicable aviation legislation and compete fairly and equally with one another for market share.

During the period under review, the Group continued to comply with the applicable requirements, as set out in the South African Air Services Licensing Legislation and to engage with the DoT and the two licensing councils mentioned below. The Group has actively participated in a DoT-led process to draft a Parliamentary Bill to repeal the Air Services Licensing Act and the International Air Services Act and to consolidate the functions of the two licensing councils into one body. The Group has contributed by suggesting improvements in wording and terminology and specific provisions governing ownership in licensees where voting rights are held by listed companies and trusts. The expectation is that it will take another year before the new Bill is placed before Parliament.

The Group continued to participate in the Airlines Association of Southern Africa

("AASA") initiative to persuade the DoT and other government departments to promulgate legislation to fully implement the Cape Town Convention on Interests in Mobile Equipment and Aircraft Equipment Protocol ("The Cape Town Convention") into South African law. The Group participated in a Cape Town Convention Workshop, held in Cape Town from 19 to 21 June 2018, which was hosted by the SACAA, the International Civil Aviation Authority ("ICAO") and the Aviation Working Group. The main purpose of the workshop was to provide guidance to representatives from governments, law firms and airlines on how states should implement the Convention to obtain entry onto the Organisation for Economic Co-operation and Development ("OECD") Cape Town List. This workshop provided the insights and impetus necessary for South Africa to amend the legislation enacting the Convention into domestic law and thereby obtain entry onto the Cape Town List. As all South African airlines will benefit from discounted aircraft financing rates once the Cape Town Convention is fully implemented, the Group will continue to help AASA to lobby government to introduce the necessary legislative amendments.

International Air Services Council

International air services operated by South African carriers between South Africa and other countries remain regulated with respect to traffic rights, 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.

Air Services Licensing Council

Domestic air services within the Republic have been deregulated 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 Group has held and maintained a Class I and Class II Air Service Licence, amongst others, for many years, it only appears infrequently before the ASLC to either answer questions on its published annual financial results or to amend certain details on its licence or respond to complaints from interested parties.

As set out above, approximately four years ago Flysafair lodged a complaint with the ASLC against the Group's domestic air service licence.

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 and security is the Group's number one priority, it interacts and co-operates on a regular basis with the SACAA to ensure that it maintains, and in some areas exceeds, the safety and security standards required by the SACAA.

During the period under review, the Group provided input and comments on a host of new Civil Aviation Regulations. The Group's staff attended a variety of SACAA Workgroups and Workshops on diverse issues such as the Carbon Offset and Reduction Scheme for International Aviation ("CORSIA") implementation and changes to Security Regulations. Regular monthly meetings take place between the Group's Operation Standards Department and the Group's assigned SACAA Principal Operations Inspector (POI), which deal with a wide range of regulatory issues. The Group has also participated in various AASA-arranged meetings with the Director of Civil Aviation to discuss airline-specific issues such as the introduction of the Aircraft Collision Avoidance System ("ACAS") Version 7.1 requirement; SACAA foreign operating base inspections; and changes to the system for renewing pilot and cabin crew licences.

Human Rights Commission of SA

As previously reported, the Group received a complaint from the Human Rights Commission ("HRC") alleging that it had violated the human rights of a particular person by refusing to allow his emotional support dog to travel with him in the cabin of the aircraft. The Group's policy only allows for the carriage of service dogs, trained by the Guide Dogs Association of South Africa or any other suitably accredited training organisation, in the cabin of the aircraft. In this case, the dog was trained by an organisation lacking the necessary accreditation. The carriage of service dogs is not currently regulated by the SACAA. As previously reported, the Group made detailed submissions to the HRC as to why dogs trained by organisations lacking the necessary accreditation were not permitted to travel in the cabin of the aircraft. In January 2016, the Group received a "Provisional Report" on the matter from the HRC, which provisionally found that the Group had discriminated against this person by refusing to carry his service dog in the cabin of the aircraft. The Group again made lengthy submissions on the matter and in December 2017 received notification from the HRC that, in producing its final report on the matter, it had failed to take into account all facts raised by the Group and that the Provincial Office needed to reconsider the matter. The Group has not received a report on the outcome of this re-consideration as yet.

ACSA Service Charge reduced by 35.5% for the 2017/18 period.

A special working Group consisting of the airlines, the SACAA and members of the special needs community has been established to develop a more user-friendly policy for the carriage of special needs passengers.

Airports Company South Africa

Most large airports in South Africa are owned and operated by the Airports Company South Africa ("ACSA"). At an operational level, the Group interacts with ACSA on a continuous basis and maintains a fulltime representative in the ACSA Airport Management Centre at OR Tambo International Airport. The Group, 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.

As regards airport user charges, the tariffs for the final two years (2015 and 2016) of the current five-year permission cycle should have been approved at the beginning of the 2015 calendar year. The tariff announcement was delayed due to ongoing disagreements between ACSA, the Regulating Committee and the Office of the Minister of Transport due, amongst other reasons, to the under-spending of budgeted capital investment in the first three (3) years of the permission period by ACSA. As a result, the Regulating Committee required a significant decrease in the tariffs charged by ACSA. An interim "increase" of 0% was gazetted for the 2015/16 year, whilst the Office of the Minister of Transport reviewed the matter. The Regulating Committee has now finalised the tariffs for ACSA for the years 2015/16 to 2019/20 confirming a 0% increase for the years 2015/16 and 2016/17. With effect from 1 April 2017 and for the period 2017/18 the ACSA Service Charge was reduced by 35.5%. Notwithstanding the foregoing, a minority shareholder in ACSA launched an application to the High Court to have the 35.5% reduction in tariff set aside, which application has been opposed by the airlines through AASA.

As indicated in the previous reporting period, the process of finalising ACSA tariffs over the last few years was disrupted by the delay in appointing a new regulating committee in 2016 and the time taken for the new committee to familiarise itself

with the permission process. The airlines, via AASA, are currently in the process of agreeing on the tariffs for the 2019 to 2023 ACSA permission cycle.

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"). During the period under review, the Group had regular interaction with ATNS on operational issues and maintained a good relationship. The airlines, via AASA, are currently in the process of agreeing the tariffs for the 2019 to 2023 ATNS permission cycle.

National Consumer Commission

The Group co-operates with the National Consumer Commission ("NCC") by providing expeditious responses to all consumer complaints referred to it by the NCC as well as by participating in NCC-initiated conciliation proceedings with consumers whose complaints have not been initially resolved. No significant complaints were received during the period under review and almost all complaints were resolved to the satisfaction of the consumer, with no complaints being referred to the Consumer Tribunal. The Group, via AASA, has further co-operated with the NCC by developing a draft Airline Industry Code, intended to provide guidance on how the airline industry will deal with specific airline-related consumer matters and compensation issues.

Industry Bodies

Airlines Association of Southern Africa

The Airlines Association of Southern Africa ("AASA") was formed to promote and protect the interests of its member airlines operating within the Southern African region. The Group actively participates in both the activities of and management of AASA. It believes that the association is vital to ensuring a healthy and commercially

successful airline sector in Southern Africa. The Group supports AASA by providing it with data and information on a variety of airline issues; giving feedback and comment on AASA's position papers and submissions; and participating in the various AASA delegations that attend important stakeholder meetings. During the period under review the Group, through AASA, liaised with the SACAA over the introduction of a new mandatory requirement for Aircraft Collision Avoidance System (ACAS Version 7.1). The Group participated in the AASA workgroup that negotiated a six-month extension on the implementation date with the SACAA in order to allow the airlines time to source and fit the new equipment. The Group has continued to support AASA, by having its Aviation Safety Manager arrange and chair the monthly AASA Safety Committee meetings at which AASA members discuss and deal with a wide range of safety related matters of mutual interest and concern.

As mentioned in the previous report the Group, together with AASA, has since 2015 participated in a consultative process regarding the development of a new Domestic Aviation B-BBEE Charter and Scorecard. In the previous report, it was mentioned that AASA was awaiting response from the Department of Transport ("DoT") on submissions made by the airlines on the increased target for the number of black pilots required to be undergoing Airline Transport Pilot ("ATP") Licence training as a percentage of ATP holders. After publication of the draft Scorecard for public comment in June 2017, these targets were increased from 10% to 40%. In light of the practical difficulties in achieving this target for black ATPs, AASA made further submissions to the Department of Transport. No response has been received from the DoT as yet.

In the previous report, it was mentioned that AASA and the Group were waiting for the promulgation of new more friendly regulations for the carriage of special needs passengers. It was reported that the Minister

The Group supports Wonders of Aviation, introducing young disadvantaged children to the wonder of flight.

of Transport was about to promulgate the new regulations. Due to objections received from various stakeholders, the Minister has held back on promulgating these new regulations whilst the DoT and SACAA decide on an appropriate way forward.

The Group supports the AASA initiative known as the Wonders of Aviation, which is a non-profit organisation that brings the wonders of flight to young children from disadvantaged backgrounds and introduces them to the aviation industry. The website www.wondersofaviation-southafrica.org.za has more information about this initiative that was spearheaded by the Group and AASA, together with other industry partners.

The International Air Transport Association

The International Air Transport Association ("IATA") represents approximately 260 airlines or approximately 83% of all air traffic around the world. It is responsible for promoting safe, reliable, secure and affordable 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, and administers the IATA Operational Safety Audit ("IOSA"). The Group maintains its membership of IATA, participates in the clearing house, and undergoes a bi-annual IOSA audit. The Group successfully underwent its seventh IATA IOSA audit in February 2018. As part of this IOSA audit, the Group was audited against 1 070 standards and in this regard the auditing organisation made only two findings, which were resolved, which is a huge compliment to the Group. The next IOSA audit is due in February 2020.

INTERACTION WITH INVESTORS, SUPPLIERS AND MEDIA

Investors

The Group's main objective is to create value for its shareholders. Reports to its shareholders are aimed at providing a clear understanding of the Group'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 Group endeavours to maintain dialogue with its shareholders and other interested parties in the investor community and meets with its institutional shareholders twice a year, after the release of its annual and interim results. The Group's website, www.comair.co.za, contains the latest, as well as historical, financial and other information about the Group, including its Integrated Annual Reports. The Board encourages shareholders to attend its Annual General Meeting, notice of which is contained in this 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.

Suppliers

The Group is dependent on a number of suppliers who form an integral part of its

ability to provide a safe, secure, reliable and quality service. The Group attempts to build long-term relations with suppliers who are of vital importance to it, based on the principle of mutual trust and respect. Regular meetings are held with suppliers to ensure continuity of service. The Group further relies on its suppliers to deliver products and services in line with its own standards. Other criteria play an important role in selecting suppliers, such as compliance with international and local quality and safety standards, price, stability of the organisation, support network and technical capacity, the BBEE status of South African suppliers, and also whether the latter are registered with the South African Revenue Service. Any form of purchase incentive is prohibited. Employees involved in the purchasing of equipment are bound by strict ethical principles, ensuring that high standards of integrity are maintained in the supplier relationship.

No material or significant issues were raised by suppliers during the period under review.

Media

The media plays an important role in the Group's engagement with its stakeholders. The Group interacts on a regular basis with the media by issuing press releases to corporate, consumer and trade media and

by granting media interviews to share news on developments related to the Group. No material or significant issues were raised by the media during the period under review.

The Group's objective is to position itself in the media as a trusted player in the airline industry – a 'champion' of the people; to position its Management as leaders on industry issues; to educate the media about its business and how the industry operates; as well as to broaden the Group's profile amongst the travel industry media.

The Group, having regard for the importance and power of social media, has adopted a social media strategy enabling two-way communication with customers via this platform. Using sophisticated software, the Group is able to monitor all social media platforms, and consolidates all direct and non-direct customer feedback in real-time, enabling it to better manage brand performance and consistency. The social media platforms used by the Group are LinkedIn, Twitter, Facebook, Instagram, YouTube and Google+.

There were no instances of material non-compliance with any applicable legislation or regulations concerning the Group's marketing communications during the period under review.

COMPANY EMPLOYEES AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Employee Composition and Turnover Rate

The success of the Group is dependent on the commitment of its 2 206 employees, who deliver a safe, secure, reliable and quality service. The composition of its employees is as follows:

Workforce composition by employment type

Employment type	2018 Financial year end	2017 Financial year end
Permanent employees	2 141	2 054
Temporary employees (PTE/Learners/LDC/Interns)	65	51

Workforce composition by gender

Gender	2018 Financial year end	2017 Financial year end
Male	804	762
Female	1 402	1 343

Workforce composition by age distribution

Age	2018 Financial year end	2017 Financial year end
Number of employees younger than 30	542	552
Number of employees between 30 and 50	1 485	1 360
Number of employees older than 50	179	193

While the Group does not maintain data on turnover rate by age group and gender, its staff attrition rate during the 2018 financial year was 4.8% as opposed to 10.19% in the prior reporting period. This turnover rate is considered to be at an acceptable level.

Our People

An integral part of the success of the Group's business is the people it employs. The Group strives to be an employer of choice and invests significantly in its relationship with its people by delivering a holistic employee value proposition, which we regard as core to our business. The Group strives to achieve this through effective communication, building sound employee relations and making the Group a great place to work. It communicates with its employees in a variety of ways including, but not limited to:

- My Comair intranet – provides a platform to inform employees of current news and events, newsletters from the CEO, classifieds, corporate information, social responsibility feedback, a library of standard templates to assist employees in the performance of their responsibilities, policies and procedures, electronic facilities for leave, personal information, payslips and tax certificates, and employee travel benefits, as well as travel and related specials made available to employees, which the Group has been able to secure from various suppliers;
- HR platforms – includes Employee Self Service, HR helpdesk, Talent Management, E-Recruitment and E-learning;
- Direct communication from the CEO – in the form of newsletters to employees known as Plane Talk and Business Talk with Erik, an annual forum for Management to address topical matters relating to the business;
- *Ad hoc* communications – from various divisions focusing on relevant information for employees;
- Face-to-face interactions with employees – through various forums, including workshops, workplace forums, committees and Management meetings;
- Regular employee engagement surveys.

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

- **We Lift You Up:** This is designed to create a business understanding amongst employees to obtain their commitment to the Group's Cycle of Success, as set out in the Group's Strategic Intent document. In the financial year under review, the focus has been on the Employee Value Proposition by empowering employees and developing career opportunities within the organisation.
- **Think Vision:** This is the Group's formula for success and was formulated in consultation with employees. The Think Vision formula constitutes the values and principles that determine the Group's success and provides a framework for how we work and conduct ourselves. The Group surveys its employees annually (with the exception of 2016, when an external engagement survey was used) to gauge how it is doing as an organisation in terms of the Think Vision principles and values.

During February 2018, the Group conducted its Think Vision survey with an 88% participation rate. Employees perceived an improvement in the top line principles associated with Inspiring Leadership, Expansion and Growth, and Teamwork. They also perceived an improvement in the bottom line principles, namely Accepting Mediocrity, Favouritism, and Broken Communication. Employees are encouraged to participate actively in creating an action plan to support the improvement of the behaviours that are relevant to them.

- **Catalyst Awards:** This reward and recognition programme encourages employees to implement the Think Vision philosophy and to inspire other employees to do the same. Employees may be nominated for Catalyst Awards by their peers, managers or customers,

by living one or more of the Think Vision values. During the period under review 44 employees were recognised for their contributions.

- **The Precious Cargo Programme:** This is an employee assistance programme that supports employee wellbeing, enabling employees to manage and balance the demands of work and family life. Details of this programme are dealt with on page 41 of this Report.
- **Tip Offs Anonymous:** This is an anonymous whistle-blowing facility to enable employees to report any unethical activities. All tip offs are monitored, investigated and actioned appropriately and reported to the Social and Ethics Committee. During the period under review 24 calls/e-mails were received. All calls and e-mails were followed up by the Group and, where necessary, appropriate action was instituted. One call/e-mail resulted in disciplinary action in the reporting period. No disciplinary action was taken with the balance of the calls/e-mails, largely due to a lack of evidence.
- **On Track:** The Group's performance management processes are designed to drive enterprise performance, ensuring that our teams are enabled and engaged to deliver on an individual and collective basis. On Track performance scores assist in incentivising employees within the Group.
- **Take Off:** This is a leadership development programme aimed at developing employees in leadership positions, as further dealt with under the Employee Training section of this Report.
- **Supervisory Development Programme:** This is a programme developed for junior to middle management for succession planning at the airports, as further detailed under the Employee Training section of this Report.

Performance Management

The Group's performance management philosophy aims to ensure that all employees are aligned to deliver against the Cycle of Success and Strategic Objectives.

The Group's diversification strategy will necessitate a more flexible and tailor-made performance process in order to support each new business ventures as well as the various divisions with achieving relevant performance outcomes.

The Group will continue to drive continuous and rigorous feedback for employees to support their development and future career progression. A renewed investment will be made in training and development to support performance expectations and review employee performance.

Through the performance management process, the Group aims to create a collaborative environment in which individuals drive not only their own performance, but contribute to the performance of their peers to create broader performance efficiencies. The practice of performance management also forms the basis for recognising the Group's talent and investing in the development of future leaders.

Talent Management

A strategic imperative of the Group is to build effective talent and leadership capacity. As part of this objective, the development of leadership capability to support effective talent management has been a key focus area. As part of the development of leaders, the Group is using talent simulations coupled with training on how to profile and develop talent in teams.

The Group also invests time in monitoring and managing talent sustainability associated with positions identified as critical to achieving the relevant strategic and operational objectives of the Group. Talent strategies have been deployed to mitigate any risks associated with mission critical roles.

The Group's objectives will be utilised as the basis of identifying talent risks and opportunities to build further capability that will strengthen the Group's leadership and talent.

In addition, the Group successfully delivered Career workshops to non-management staff to support their career planning. This has been extremely effective and demand for this offering is increasing.

Recruitment and Retention of Skilled Staff

The recruitment and retention of the right calibre of employee is vital, to enable the Group to attain its goal of becoming the airline of choice. It acknowledges that its ability to recruit and retain skilled employees is a critical factor in driving performance in the intensely competitive and dynamic business environment in which the Group operates.

The employment and retention of pilots remains a major challenge, particularly pilots from previously disadvantaged groups. As part of its commitment to transformation and skills development in the aviation industry, the Group's Cadet Pilot Programme sponsors individuals from previously disadvantaged groups to obtain their Commercial Pilot Licences. The cost to sponsor each cadet is approximately R600 000. Once the cadets graduate from the programme with the requisite number of hours, they will be considered for employment by the Group. In addition, since each cadet has been sponsored to obtain their commercial pilot licence, and, if employed by the Group, has to be trained to fly the Group's aircraft, they are required to sign training bonds to ensure that they remain in the Group's employ for a period that covers the cost of such sponsorship and training.

The Group'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 using objective and validated tools including, but not limited to, competency-based interviews and psychometric assessments to guide decision making. The recruitment and selection process entails achieving a balance between employing the best person for the position, speed of placing candidates and the achievement of the numerical goals as set out in the Group's Employment Equity ("EE") Plan to achieve an equitable representation of designated Groups in all occupational levels within the Group.

Training and Skills Development

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

Employee Training

During the period under review, the Group made a significant investment in training, investing 4.75% of payroll on training. This amount reflects an increase of 0.35% on the prior year.

The Group offers the following training programmes:

- **Take Off:** As part of its succession planning, a leadership development programme called Take Off has been running for eleven consecutive years. This is a bespoke programme, catering for individual development gaps amongst leaders and teams. One of the offerings is delivered in conjunction with Harvard Publishing. As part of this programme, the Group's potential future leaders are identified and undertake courses covering several key areas of business management. A total of 100 employees have been identified from EXCO, HOD, management and specialist levels to complete the programme over a two-year period.

- Cadet Pilot Training Programme:** The Group remains committed to its Cadet Pilot Training Programme, which is aimed at training previously disadvantaged persons to complete the hour-building component of their frozen ATPL. Since the Group initiated the programme in 2000, 13 cadets have obtained their commercial pilot's licences, four (4) of whom are currently employed by the Group, with one (1) of the cadets having risen through the ranks to be appointed as Chief Pilot, and two (2) now being Captains. Some of the others have been employed by smaller airlines to obtain sufficient flying experience to qualify for employment as a pilot with the Group. Three (3) of the cadets who were employed by the Group have subsequently left to fly larger aircraft on international routes. The Department of Transport has previously commended the Group on the programme, having regard to the challenges faced by the aviation industry in recruiting and training cadets from previously disadvantaged groups.
- Workplace Experiential Learning:** During the period under review, the Group was involved with various tertiary education providers such as Durban University of Technology, the University of Johannesburg and Nelson Mandela University, to provide students in travel-related disciplines with six (6) months' workplace experiential training.
- Graduate Development Programme:** The Group introduced the Comair Graduate Development Programme by employing nine (9) graduates with BCom qualifications and introducing Simulator Technician internships for four (4) University of Johannesburg electrical engineering students.
- Bursary Scheme:** The Group introduced the Comair Bursary scheme to Group employees and awarded 13 bursaries to certain employees to further their studies in various disciplines that will benefit both the employee and the Group, by enhancing their current knowledge base.
- Skills Development:** The Group contributed approximately R9 million in the form of the Skills Levy, which was paid to the Department of Labour towards skills development in the country, as compared to R9.3 million in the prior reporting period. The Group commenced a skills and enterprise development initiative with CDK Coaching and Recruitment Academy Proprietary Limited on the East Rand in 2013. One hundred and four (104) learners have completed the programme, 86% of whom have been employed by the Group as Customer Service Agents at OR Tambo International Airport.
- Supervisory Development Programme:** This is modelled on the GIBS Take Off Programme, and was developed for junior management (supervisors) at the airports, to develop to the next level of Management. Thirty staff members attended the programme with two more programmes scheduled for the year ahead.
- Comair Training Facility:** The Group has developed a Pilot and Cabin Crew Training facility at its Operations Centre in Rhodesfield. This facility is used to train its pilots and cabin crew as well as third party pilots and cabin crews.
- Training and Development Interventions:** In addition to the aforementioned, the Group has provided 12 926 training and development interventions to its employees in areas such as, but not limited to, passenger handling; Group orientation; passenger check-in; dangerous goods; customer service; station emergency awareness; aviation safety and security; fares and ticketing; customer experience; safety and emergency procedures; soft skills (diversity management, motivating self and others, customer service); type-rating for pilots in respect of the aircraft types operated by the Group; and crew resource management training, to ensure that the highest standards of safety, security and service are maintained throughout the Group. Together with classroom-based

traditional learning interventions and a blended learning approach, a major focus has been on courses offered as an e-learning option. This minimises classroom-based interventions and reduces the time that employees spend away from work. This methodology also caters for different learning styles and the rate and pace of individual learning. This technology-driven platform embraces the new generation of technology savvy individuals who value an alternative methodology of learning over traditional classroom-based interventions. The time saved over the past year through e-learning interventions amounted to 12 120 hours, which translates into a monetary saving of R909 000. Overall, 2 197 employees underwent training and development courses during the period under review. Safety management system training was introduced to Group employees. Ethics training has been introduced on the e-learning platform and has been rolled out to all employees, to be completed by 2019.

The total cost of training for the period translates to R50 116 137.00.

One cadet has risen through the ranks to be appointed as Chief Pilot.

Employee Remuneration

The Group offers fair remuneration and competitive benefits to its employees, based on the principles of equity and fairness. Further details of the Group's remuneration policies are set out in the Remuneration Report on pages 73 to 76.

Remuneration, recognition and reward guidelines create a platform for fair and transparent human resource practices, to

ensure consistency and non-discrimination among employees and thereby eliminate any form of subjectivity or favouritism. The Group's position on salaries is to remunerate at the median of the applicable salary band; however, salary progression for new employees will range from the lower quartile to the median and, for scarce/high risk/critical skills, from the median to the upper quartile.

The Group offers employee benefits to its permanent employees employed in South Africa. Where possible, due to legal parameters, the Group also offers employee benefits to its permanent employees employed in Zimbabwe. The Group has a defined contribution pension scheme in place for its permanent employees in South Africa, which is an umbrella scheme known as the Superfund, administered by Old Mutual. In addition, it offers its permanent employees in South Africa risk benefits in the form of death and disability benefits, which scheme is administered by Discovery Life. The Group's permanent employees in South Africa contribute 7% towards retirement funding, with the Group contributing 10% to cover both retirement funding and risk benefits. A medical aid scheme is in place for permanent employees in South Africa, which is administered by Discovery Health. The Group contributes 50% of the cost in respect of the Discovery Essential Comprehensive Plan for such permanent employees. An equal value is contributed to permanent employees in Zimbabwe. The Group also provides post-retirement medical aid funding, which equates to 50% of the Essential Saver Plan.

Labour Relations

The Group's aim is to create and maintain sound labour relations, which support its goal of being the employer of choice in the South African airline industry. The Group regularly reviews its employment conditions and policies. It tries to ensure that all employees are made aware of their benefits and this information is

12 120 hours or R909 000 was saved over the past year through the use of e-learning interventions.

furnished to employees during induction sessions and via the Group's intranet, newsletters sent directly to staff by the Group, Old Mutual and Discovery, and other communication methods referred to earlier in this Report.

Disciplinary and grievance procedures are communicated to new employees as part of their induction into the Group 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 Group's employees represented by trade unions or collective bargaining agreements is reflected below.

The minimum notice periods for employees, as set out in their letters of appointment, are as follows:

- Pilots, Executives and other scarce skill employees: 3 months;
- All other employees: 4 weeks.

All employees enter into employment contracts with the Group, which are not subject to any fixed term or form of restraint.

As at 30 June 2018 compared with 30 June 2017, union membership was as follows:

Union	2018	2017
Solidarity	176	176
United Association of South Africa ("UASA")	247	331
South African Aviation and Allied Workers Union ("SAAAWU")	0	0
Comair Pilots Association (which is affiliated to the Airline Pilots Association of South Africa)	133	141
National Union of Metalworkers of South Africa ("NUMSA")	373	225
South African Transport and Allied Workers Union ("SATAWU")	4	10
National Transport Movement ("NTM")	114	0

Trade Unions

As at 30 June 2018, 47.46% (1 047 of 2 206) of the Group's full-time, permanent employees were members of trade unions, compared with 41.85% (883 of 2 105 employees) as at 30 June 2017. The Group strives to maintain good working relationships with those trade unions where it has recognition agreements in place, and enters into substantive negotiations annually. These negotiations mainly focus on salary increases and improvements to employment conditions.

No strike action occurred during the period under review. NUMSA has, however, continued with steady growth and is now on the cusp of achieving majority status in the airport bargaining unit. The majority of NUMSA members are based at the various airports to which we operate around the country.

No material or significant issues were raised by employees or trade unions during the period under review.

Diversity and Equal Opportunities

The Group is committed to non-discriminatory treatment in all its employment practices and to providing equal opportunities to all employees. It does not accept any form of unfair discrimination based on gender, race, nationality or religion. Its employment policies, including hiring, training, working conditions, compensation and benefits, and promotion, are based on individual qualifications. It treats its employees equally, irrespective of gender, age, race, sexual orientation, disability or other status unrelated to performing the job. The Group's focus on diversity and employment equity is in line with its overall transformation objectives, as dealt with in the section relating to B-BBEE on pages 41 to 45 of this Report. During the period under review, no incidents of discrimination were observed or reported by employees.

Human Rights

The United Nations Global Compact is an international initiative that addresses human rights, labour, environmental and corruption issues through a commitment to ten principals derived from the Universal Declaration of Human Rights. The information set out below provides a brief overview of the Group's implementation of the ten principles, as further dealt with in this Report.

1. Business should support and respect the protection of international proclaimed human rights

The Group's human rights policy is part of the Guidelines to the Code of Ethics. Human rights principles are incorporated in the Group's labour relations policies and practices and corporate social responsibility initiatives.

2. Make sure that they are not complicit in human rights abuses

The Group adheres to this principle through its compliance with all applicable legislation and takes the issue of human rights into account when

deciding whether to conduct business in foreign countries.

3. Business should uphold the freedom of association and effective recognition of the right to collective bargaining

The Group recognises the rights of employees to collective bargaining and to freedom of association in accordance with all relevant South African labour legislation. It maintains constructive relationships with all representative unions who enjoy consultative and negotiating rights on issues of employee rights and mutual interests.

4. The elimination of all forms of forced and compulsory labour

All the Group's employees are sourced from the open labour market. Employees are provided with employment contracts and are free to resign at any time.

5. The effective abolition of child labour

The Group does not make use of child labour and does not support the use of child labour in any form whatsoever. It does, in certain instances, provide employment opportunities for school leavers, provided that such persons meet the International Labour Organization's employment age requirements.

6. The elimination of discrimination in respect of employment and occupation

The Group is committed to compliance with the intent and spirit of employment equity legislation in the workplace. It is further committed to meeting its targets to achieve an equitable representation of race and gender in the workplace. An analysis of the Group's employment equity status is set out later in this Report.

7. Businesses should support a precautionary approach to environmental challenges

This is the seventh time that the Group reports on its emissions in terms of the

Corporate Accounting and Reporting Standards of the Green House Gas Protocol. Its environmental performance is set out later in this Report.

8. Undertake initiatives to promote greater environmental responsibility

The Group's undertakings in this regard are set out later in this Report.

9. Encourage the development and diffusion of environmentally friendly technologies

The Group is committed to developing and implementing environmentally friendly technologies where both a clear benefit and business case can be made for the introduction of this technology, such as, but not limited to, the new fleet of aircraft introduced into service, which is more environmentally friendly, as set out in this Report.

10. Businesses should work against corruption in all its forms, including exploitation and bribery

The Group's commitment to combating corruption is embodied in its Code of Ethics, as detailed in the Corporate Governance Report. Allegations of fraud and corruption are rigorously investigated and, where sufficient evidence exists, appropriate disciplinary action is enforced, including the dismissal of offending employees.

Health and Safety at Work

- The Group pays special attention to health and safety in the workplace to ensure that there is a safe environment for its employees, customers and invitees. The health of its employees is important to ensure the sustainability of the Group. During the period under review, 27 minor incidents were reported, as opposed to 30 in 2017. These included falling and bumping, as well as other minor incidents. There were no fatalities during the period under review.

The Group’s CEO ensures that all health and safety duties are discharged as a shared responsibility throughout the organisation, from appointing occupational health and safety representatives who know their functions, to positively enforcing monthly inspections and attending health and safety committee meetings. The occupational health and safety representatives conduct monthly inspections within their departments and annual audits are conducted by the Quality Assurance Department, ensuring compliance with the Act and identifying any further risks and/or trends.

Health and Safety Committee

The Group pays due regard to the health and safety of its employees and strives to provide employees, customers and invitees with a clean and safe working environment. Occupational Safety incidents are reported in line with the Compensation for Occupational Injuries and Diseases Act. A formal structure exists to allow occupational safety issues to be addressed within each department. The Group has an open reporting culture and encourages the reporting of all incidents. Occupational health and safety representatives are appointed in each department and trained in various areas of health and safety, and the Group has a regional Health and Safety Committee Forum that meets at regular intervals to discuss pertinent issues. The Group 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 with this in mind the Group entered into a contract with Independent Counselling Advisory Services (“ICAS”) and its Precious Cargo Wellness Programme was born. ICAS provides a confidential, 24/7 personal support and information service for employees and their families to call for help in dealing with everyday situations and more serious concerns. In this regard, the Group has set up on-site clinics at its Head Office, Operations Department,

OR Tambo International Airport and Cape Town International Airport, which are manned once a month by a registered psychologist. The service provided by ICAS includes telephone consulting, face-to-face counselling, life management services and HIV counselling. In addition, employees have access to the e-Care service, which is a comprehensive, online health portal, providing valuable interactive resources on a wide range of topics approved by qualified health professionals.

During the period under review, 946 engagements took place with ICAS, which included:

- 264 Telephonic counselling sessions;
- 192 Face-to-face counselling cases;
- 26 Cases at on-site clinics;
- 120 Legal consultations;
- 8 Family care cases;
- 26 Financial consultations;
- 102 Individuals received services in Group settings.

A total of 482 individuals accessed the services:

- 347 were female;
- 135 were male;
- 438 were employees;
- 44 were family members.

Health and wellness days are held for all employees, which enable them to have health checks done at their place of work. These health checks include blood pressure, height, age, weight and HIV/AIDS tests.

The Group’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 and are provided with medical support through the Group medical aid scheme. The Group runs HIV awareness workshops that provide employees with the opportunity to learn more about HIV and AIDS.

Broad-Based Black Economic Empowerment

The Board views the Group’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 Group recognises the importance of implementing a B-BBEE Programme that addresses the inequality of the past through a dedicated and ongoing process, and regularly reviews its B-BBEE strategy with the aim of effecting improvement across all seven pillars of the B-BBEE scorecard, as detailed later in this section. The Group is required to provide both the International Air Services Council and Air Services Licensing Council with its verification certificate and B-BBEE Plan when making application for, or amendments to, air service licences.

The Group’s verification audits for the periods 1 April 2016 – 31 March 2017 and 1 April 2017 – 31 March 2018 were carried out by Grant Thornton. The comparisons of the results of both audits are contained in the following table.

Elements	Weighting	Score 2017	Score 2018	Comparison
Ownership	20	19.51	19.36	-0.15
Management control	10	2.82	3.43	+0.61
Employment equity	15	2.74	4.52	+1.78
Skills development	15	10.73	11.23	+0.50
Preferential procurement	20	17.26	17.29	+0.03
Enterprise development	15	10.84	15.00	+4.16
Socio-economic development	5	3.41	4.35	+0.94
Total points	100	67.31	75.18	+7.87

The assessment indicates that the Group achieved a total score of 75.18 in 2018 compared to a total score of 67.31 in 2017.

The B-BBEE recognition level for the Group improved by a total of 7.87 points year-on-year, which allowed the Group to progress to a Level 3 B-BBEE rating. A copy of the Group's verification certificate for the period 1 April 2017 – 31 March 2018 is available for inspection on the Group's website www.comair.co.za.

Equity Ownership

The Group concluded a B-BBEE transaction during the 2007 financial year pursuant to which shares equivalent to 15% of its post-transaction issued share capital were issued to a black empowerment consortium known as the Thelo Aviation Consortium Proprietary Limited ("Thelo Aviation Consortium") led by Thelo Aviation Investments Proprietary Limited ("Thelo Aviation Investments"). This B-BBEE transaction ended during the 2015 financial period. The Group was still able to claim recognition for the 29 067 766 ordinary shares that were sold in 2015 by the Thelo Aviation Consortium members.

In the period under review, there was a decrease in the number of Group shares held by black people, which resulted in a slight decrease in ownership points to 19.36, as opposed to 19.51 in the previous reporting period.

The following B-BBEE Shareholding (as at 26 January 2018) was used in the current reporting period:

Black Ownership Economic Interest	24.48%
Black Women Ownership Economic Interest	7.85%
Black Designated BEE Groups Economic Interest:	2.53%
Black New Entrants Economic Interest	2.38%
Black Ownership Voting Rights	26.38%
Black Woman Ownership Voting Rights	7.76%

The Group, at the time of its listing in 1998, implemented a share incentive scheme for all permanent employees, including previously disadvantaged employees, to enable them to purchase shares in the Group. This scheme has to a large extent become dormant as a result of certain tax changes. The Group Shareholder Analysis is set out on pages 160 to 162 of this Report.

Management Control

Although the Thelo Aviation Consortium sold its shares in the Group during March 2015, Mr Ronald Sibongiseni Ntuli remained on the Board as an Independent Non-Executive Director and Deputy Chairman of the Group. Unfortunately Mr Kutso Mampeule resigned from the Comair Board on 31 March 2017, for personal reasons.

The number of Black Directors on the Board, as a percentage, increased from 23.00% to 26.68%, of whom 13.34% are Black females.

A full list of Board Directors can be viewed on pages 86 to 87.

Employment Equity

The Group's focus on Employment Equity ("EE") is in line with its overall transformation strategy.

The B-BBEE Employment Equity score increased by 1.78 points compared to the previous reporting period. The workforce profile, as at 30 June 2018, is reflected in the table below:

	Male				Male Total	Female				Female Total	Foreign National		Foreign National Total	Grand Total
	African	Coloured	Indian	White		African	Coloured	Indian	White		Male	Female		
Top Management				2	2				1	1				3
Senior Management	1			8	9									9
Mid Management	13	3	4	143	163	9	4	8	47	68	4	5	9	240
Skilled	152	65	53	172	442	394	167	104	238	903	2	12	14	1 359
Semi-Skilled	123	26	12	17	178	270	57	32	35	394	1	1	2	574
Unskilled	1				1	18				18	2		2	21
Grand Total	290	94	69	342	795	691	228	144	321	1 384	9	18	27	2 206

The overall race distribution of the Group's employees in South Africa as at 30 June 2018 compared to 30 June 2017 is set out below:

Race Distribution (South African Employees)	At 30 June 2018	At 30 June 2017
White (females and males), including Foreign Nationals	690 Employees (constituting 31% of the total number of employees)	679 Employees (constituting 32% of the total number of employees)
African, Coloured, Indian (designated females and males)	1 516 Employees (constituting 69% of the total number of employees)	1 426 Employees (constituting 68% of the total number of employees)

Reflected below is the summarised Employment Equity Report ("EEA2") submitted online to the Department of Labour on 14 December 2017, as required in terms of Section 22 of the Employment Equity Act, 2003. The reporting period of the EEA2 ran from 1 August 2016 to 31 July 2017.

Summarised Employment Equity EEA2 Report

Workforce Profile as at 31 July 2017:

The EEA2 Report includes all employees (including those with disabilities) in each occupational level.

Occupational Level	Male				Female				Foreign Nationals		Total Head Count
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	0	0	0	2	0	0	0	1	0	0	3
Senior Management	0	0	0	6	0	0	0	1	0	0	7
Middle Management	12	3	4	150	12	4	7	49	2	4	247
Junior Management	157	75	55	200	397	174	108	269	2	11	1 448
Semi-Skilled	127	31	13	15	292	65	31	38	1	0	613
Unskilled	2	0	0	0	25	0	0	0	1	0	28
Total Permanent	298	109	72	373	726	243	146	358	6	15	2 346
Temporary Employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	298	109	72	373	726	243	146	358	6	15	2 346

Workforce Profile of Employees with Disabilities only:

Occupational Level	Male				Female				Foreign Nationals		Total Head Count
	African	Coloured	Indian	White	African	Coloured	Indian	White	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
Middle Management	0	0	0	0	0	0	0	2	0	0	2
Junior Management	2	1	0	2	2	0	1	1	1	0	10
Semi-Skilled	0	0	0	1	1	0	0	0	0	0	2
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	2	1	0	3	3	0	1	3	1	0	14
Temporary Employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	2	1	0	3	3	0	1	3	1	0	14

- The Black pilot percentage decreased from 6.8% in the previous reporting period to 5.1% (as a percentage of total pilots). The employment and retention of pilots from previously disadvantaged groups remains a major challenge. However, the Group will endeavour to increase the number of pilots from designated groups through its Cadet Pilot Programme. There are currently nine cadets in the Group's Cadet Programme of whom 100% are Black and 33% are Black females.
- Job profiling, job evaluation and grading – All positions in the Group have been profiled, evaluated and assigned job grades, which are consistently reviewed and updated where applicable. This enables the provision of a logical graded hierarchy and pay structure, as well as valid benchmarking of positions and remuneration, both internally and externally. These measures have significantly improved transparency with respect to recruitment and the filling of vacancies, as well as the Remuneration Policy which is consistently applied to all

positions in the Group. Further, through the job profiling process, the critical competencies for each job have been identified and mapped, which has facilitated the establishment of personal development plans for employees.

- An electronic, web-based recruitment tool was implemented, which resulted in various enhancements to the Group's recruitment initiatives and processes. Currently there are approximately 21 500 people who have registered their curricula vitae on the system.
- The Group has a process in place that tracks the EE profile and the Group's progress towards achieving its EE targets. Reports generated are provided to the Group's Employment Equity Forum and Steering Committee to assist them in their monitoring functions.

Progress on the Employment Equity Plan for the period 2016–2021

During the period 2016–2017, the Group made reasonable progress towards achieving its 2017 EE targets in line with its EE Plan. This progress included:

- Development and implementation of new policies and practices such as a Disability Management Policy and Retention Policy;
- Implementation of Learnership Programmes that assisted with the employment of staff on the Junior Management level and below;
- Implementation of Leadership Development Programmes that assisted with the appointment of professional staff on the Middle Management level.

Employment Equity Plan

In terms of the current EE Plan (2016–2021), the Group is committed to increasing representation of designated groups by focusing on diversity training, increased recruitment of and leadership development for persons from designated groups, and greater accommodation of women and people with disabilities. Active steps will also be taken to retain persons from the designated groups.

The Group's EE Plan for the period 2016–2021, reflecting the numerical targets and goals that it has set, are specified below:

Level	EE Goal	% SA Black Target	Budget Head Count	Male				Female				Foreign Nationals		Total	
				African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Male	Female
Top Management	2016	33%	3	0	0	0	2	0	0	0	1	0	0	2	1
	2021		3	1	0	0	1	0	0	0	1	0	0	2	1
Senior Management	2016	14.3%	7	0	0	0	6	0	0	0	1	0	0	6	1
	2021		7	1	0	0	5	0	0	0	1	0	0	6	1
Middle Management	2016	20.5%	224	10	3	4	142	6	4	6	47	1	1	160	64
	2021		229	15	4	5	138	10	6	7	41	2	1	164	65
Junior Management	2016	72.7%	1 337	127	75	52	191	339	173	110	265	3	2	448	889
	2021		1 431	195	81	53	166	426	177	109	219	3	2	498	933
Semi-Skilled	2016	94.7%	490	83	21	14	12	235	53	33	39	0	0	130	360
	2021		514	90	21	14	4	274	55	33	23	0	0	129	385
Unskilled	2016	96.2%	27	2	0	0	0	24	0	0	0	1	0	3	24
	2021		27	2	0	0	0	24	0	0	0	1	0	3	24
Persons with Disabilities	2016	61%	15	2	2	0	5	3	0	1	1	1	0	10	5
	2021		18	3	2	0	5	5	0	1	1	1	0	11	7

Skills Development

The Group’s commitment to providing a quality air service means that skills development is a priority. In the period under review, the score received for the Skills Development element increased from 10.73 points in the previous reporting period to 11.23 points. The Group invested over R19 million on Black employees, of which 64% was targeted towards Black females.

Preferential Procurement

As proof of its commitment to preferential procurement, the Group procured from over 156 Exempted Micro Enterprises (“EMEs”) and over 103 Qualifying Small Enterprises (“QSEs”) in the period under review. The products and services procured from these EMEs and QSEs (including Black-owned entities) included sourcing of personnel and premises, aircraft cleaning and hotel services. In the period under review, the Group increased its B-BBEE Preferential Procurement score from 17.26 in the previous reporting period to 17.29 points. The Group spent over R200 million on EME and QSE suppliers, over R990 million on approximately 50% Black owned suppliers and over R100 million on suppliers that were at least 30% Black woman owned.

While the Group attempts to source products and services from South African suppliers, this is not always possible given the nature of its business. Aviation equipment or specialised airline branded products need to be procured and sourced from foreign companies, which are 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, aircraft engines and aircraft spares.

Enterprise Development

During the period under review, the Group invested over R12 million to support Black Owned QSE and EME entities. The Group’s points increased from 10.84 in the previous reporting period to 15.00 in the current reporting period. The table below outlines the Group’s Enterprise Development spend initiatives.

Entity name	Type of contribution	Contribution amount
CDK Coaching Academy An academy that prepares unemployed school leavers for entry into the workplace	Loan – outstanding amount from previous years	R3 902 175
Garnica Media Black Woman Owned media company specialising in communication with EME and QSE entities in partnership with SEED Academy	Sponsorship	R105 253
La Bonne Dining Owned by the renowned “Chef Wandile” who is developing young Black female chefs to be trained in France in French Cuisine	Flight Tickets	R16 260
RaizCorp Incubation Fund that provides support for Black owned EME and QSE entities, offering them platforms that foster learning and guidance, which can be translated into practical business success	Direct Cost	R4 123 210

Socio-Economic Development

During the period under review, the Group was aiming to score full points for this element. Due to the increase in the projected net profit after tax at the end of the third quarter, the Group was unable to achieve this goal; however the Group increased its points from 3.41 in the previous reporting period to 4.35 points.

The Group invested over R3 million in the socio-economic development beneficiaries outlined below:

- The Smile Foundation;
- Tiny Hands;
- Food and Trees for Africa;
- Red Cross – The Children’s Hospital Trust;
- QuadPara Association;
- Breadline Africa;
- Kids Haven;
- Food Forward SA;
- Primestars;
- Protec;
- Knysna Initiative for Learning and Teaching.

Further details on the Group’s corporate social investment strategies and initiatives are dealt with on pages 46 to 47 of this Report.

Electricity consumption decreased by 8% and our Aviation Fuel Footprint per Passenger reduced by 5%

INVESTING IN THE COMMUNITY

The Group is a committed corporate citizen and, together with its staff, endeavours, wherever possible, to improve the lives of fellow South Africans. It 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 Group has formed partnerships with the following charitable institutions:

The Red Cross War Memorial Children's Hospital Trust

During the previous reporting period, the Group made donations to the Red Cross War Memorial Children's Hospital Trust, to assist sick children needing medical assistance at the Red Cross War Memorial Children's Hospital. The Group's contribution comprised R500 000 worth of flight tickets to be used to transport children and their parents/family members to and from the hospital to receive medical treatment. The flight ticket contribution is also available to medical staff members from the hospital who need to travel to other hospitals across the country for the purposes of conducting surgery or related professional activities. The contribution is currently still being used by the Red Cross War Memorial Children's Hospital Trust. In addition to the flight ticket contribution, the Group made a cash donation of R300 000 to the Red Cross War Memorial Children's Hospital.

Food and Trees for Africa

This project was launched in 2007 to raise money to care for the environment through the sustainable greening of townships in South Africa. The Group continued with its investment in Food and Trees for Africa and donated R200 000 worth of air tickets to this worthy cause during the period under review.

Smile Foundation

The Group has continued to put smiles on children's faces by donating an amount of R200 000 (in the form of air tickets) and a cash donation of R200 000 to the Smile Foundation, which is dedicated to transforming the lives of children requiring facial reconstruction. In addition, during September 2017, a number of Comair employees were sponsored to participate in the Smile Foundation Cycleathon. A cash amount of R60 000 was raised.

Wings and Wishes

The Group continued its partnership with Wings and Wishes by providing air tickets to this organisation to the value of R500 000. Wings and Wishes flies critically ill children from all over the country, including the Southern African Development Community ("SADC") region, to various hospitals for life-saving surgery and medical care.

Primestars Marketing

The Group recognises the need to contribute to uplifting youth and preparing them adequately for entry into the workplace. Once again Comair partnered with Primestars Marketing, a company specialising in youth development programmes for high school learners from underprivileged communities. Air tickets to the value of R300 000 were sponsored for the purposes of transporting learners and staff to various centres at which the educational upliftment programmes were hosted.

QuadPara Association of South Africa

The Group recognises the need for inclusion of disabled members of our community and continued to sponsor air tickets to the value of R250 000 for the QuadPara Association of South Africa ("QASA").

Breadline

The Group partnered with a new organisation – Breadline – a non-profit organisation that supplies converted shipping containers for poverty relief in Southern Africa. The first kulula library was delivered to Ekukhanyisweni Primary School in Alexandria in November 2017 and a second library was delivered in May 2018 to Welwitschia Primary School in Delft. The libraries are fully supplied with books and the school is then partnered with a literacy partner to provide quality learning opportunities for the children at these schools.

R300 000

cash donated to the Red Cross War Memorial Children's Hospital

300 kgs

of medical supplies transported for Garden Route Disaster Relief

Disaster Relief for the Garden Route

The Group was involved in helping the Knysna and Plettenberg Bay communities affected by the raging and devastating wild fires, which spread through the area in June 2017.

The Group transported 300 kgs of medical supplies as well as two volunteers from Gift of the Givers to assist at the disaster area.

Supplies provided by Gift of the Givers, were transported on the Group's flights and more than one hundred ex SA Fire Fighter Volunteers were offered complimentary flights on any empty seat to George or Port Elizabeth to assist in the firefighting operations.

BidAir Cargo freed its resources to assist in arranging the logistics for volunteer groups with cargo on its flights.

The Group's employees collected donations, which were sent to the reported 10 000 people who had to be evacuated.

Mandela Day

Every year on Mandela Day, the Group encourages staff to dedicate 67 minutes of their time to enhancing and uplifting the needy in our communities. These efforts are facilitated and co-ordinated under the auspices of the Group's Human Resources Department, which approves each division's initiative of choice. Some of the initiatives in the reporting period included Head Office and Operations staff joining in a blanket-making initiative. The staff made 128 blankets which were donated to a children's home in Benoni.

Drought Relief

In October 2017, the Group donated R500 000 to assist in funding fuel to transport fodder for farm animals that were starving as a result of the drought in the northern, eastern and southern Cape regions and the Karoo.

The Mandela Day blanket making initiative donated 128 blankets to a children's home in Benoni.

ENVIRONMENTAL REPORT

Environmental Impact

Although customer choices are not materially affected by environmental performance, changes in behaviour are being driven by increasing awareness of social, ethical and moral responsibilities. The Group takes this responsibility very seriously, understanding that while air transport plays a central role in global social and economic development, it has an increasing impact on the environment.

Customer growth is being delivered in an environmentally sustainable way by investing in new aircraft and technology while adopting the most efficient operations and commercial procedures to minimise impact on the environment. The Group is continuously working to improve its environmental performance, and believes that to achieve its growth objectives while reducing its environmental impact it must continue to invest, and develop its business with a passion for sustainability.

In order to protect our world for future generations, while meeting our commitments to our customers, employees and stakeholders, the Group's vision is one where a balance is achieved in its business model between employees and the community, the environment and financial viability. The Group will strive to lead the industry in innovative efficiency

that conserves natural resources, sustain a creative and innovative workforce and to give back to the communities in which it lives and works.

The Group has reported its carbon footprint based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition) ("GHG Protocol") using UK factors to measure its emissions. In South Africa the National Greenhouse Gas Emission Reporting Regulations ("Final Regulations") took effect on 3 April 2017, introducing a single national reporting system for the transparent reporting of greenhouse gas emissions. The Final Regulations require entities conducting emission source activities above a certain threshold to register and report those emissions. In its operations, the Group emits a significant amount of greenhouse gases from fossil fuel combustion and, to a lesser degree, other activities. The Group has accordingly registered with the National Atmospheric Emission Inventory System ("NAEIS") and submitted data on its greenhouse gas emissions, for the first time, prior to 31 March 2018.

This section of the Report deals with the environmental performance of the Group and reflects its carbon footprint based on the GHG Protocol. The organisational boundary of the Report is reflected in the following table.

Organisational entity	Comair Limited
Operational control	100%
Operational boundary	Operational control
Reporting period	1 July 2017 to 30 June 2018
Base year	2011
Methodology	GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition)
Number of employees	2 206
Number of sites	19
Square meterage of facilities	27 154 m ² (17 363 m ² of total area is metered)
KPI: Passengers carried	5 801 191

This Report only deals with the Group and its operations in South Africa and does not deal with its associated companies. The Report includes the compulsory reporting requirements of the GHG Protocol by quantifying the Group’s emissions that are categorised as Scope 1 and Scope 2, and includes selected Scope 3 emissions and fugitive emissions as optional information.

The activities listed in the table below have been reported on:

Scope 1	Scope 2	Scope 3
(a) Mobile fuel combustion in Group owned/ leased aircraft and Group owned/leased vehicles	Purchased electricity (electricity usage)	Water use Material use Waste disposal Well to tank emission (fuel- and energy-related activity)
(b) Stationary fuel combustion in Group-owned assets (generators and catering facility)		

Environmental Objectives

The Group’s environmental objectives focus on assessing and minimising its impact on the environment. They are currently aimed at:

- Identifying and complying with environmental legislation and regulations;
- Identifying and managing all risks relating to the Group’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;
- Linking fuel saving initiatives to an environmental saving objective.

These objectives enable the Group to identify aspects of its business that could have an effect on the environment with a view to reducing such impact, and it works closely with aviation policymakers in South Africa to influence the development and implementation of effective environmental regulations. In addition, the Airlines Association of Southern Africa has established an Environmental Committee to co-ordinate and drive initiatives that have to be undertaken by the Group, other member airlines, and aviation service providers to achieve

the international and domestic goals of reducing GHG emissions.

The Group’s Chief Executive Officer is responsible for ensuring compliance with these goals and delegates this responsibility to Senior Managers within the Group.

Environmental Management Risk Assessment

The Group 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 has a direct effect on the Group’s carbon emissions.

The Group assesses the risks it faces associated with climate change, which include:

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

Important Facts on Aviation and Climate Change

Climate change is the most urgent and significant sustainability issue. The vast majority of our climate impact (approximately 99%) results from GHG emissions, released through the burning of fossil-based fuel.

The international community aims to limit GHG concentrations in the atmosphere so that global temperatures do not increase by more than 2°C by 2050. The Group wishes to ensure that it makes a fair contribution towards achieving this aim. It is important, however, to note the following facts on climate change:

- Air transport accounts for 2% of global manmade CO₂ emissions, which is a relatively small component of the total amount of CO₂ produced;
- Air transport’s contribution to GHG emissions has remained almost constant over the past 20 years;
- New aircraft are almost 80% more fuel-efficient than the first jet aircraft produced;
- Since the year 2000, the aviation industry’s fuel efficiency has improved by 32.8% and CO₂ tonnes per thousand kilometres flown have improved from 1.35 to 0.91.

The Group considers environmental responsibility to be one of its top priorities alongside safety and security. It therefore participates in the International Air Transport Association (“IATA”) led initiative to achieve carbon neutral growth for the global airline industry by 2020 and a halving of CO₂ emissions produced by the world’s airlines by 2050.

IATA has a four-pillar strategy to reduce the global industry's carbon footprint. The strategy comprises firstly investing in technological progress, secondly flying aircraft more efficiently, thirdly building and using efficient ground and air infrastructure, and finally using economic instruments such as emission trading or carbon offsetting. With respect to the fourth pillar, IATA has been working closely with the International Civil Aviation Organization ("ICAO") to put in place market-based measures ("MBM") in the form of a global carbon offsetting scheme, which IATA believes will be the swiftest and most effective approach to addressing aviation-related emissions. In 2016, the airline industry signed the world's first truly global carbon emission offsetting scheme at the 39th ICAO Assembly.

As air transport is essential to the world economy, the current thinking within ICAO and IATA is that carbon offsetting, which is the concept of reducing emissions in another sector rather than reducing an emitter's own emissions, will be the most cost-effective solution for the aviation industry. IATA believes that an international carbon reduction scheme should be used by airlines involved in both domestic and international operations. The rationale for introducing a global MBM system is to prevent incompatible regional and national measures that will be less effective and a lot more costly to the airlines. The Group

supports the framework for reducing carbon emissions based on carbon offsetting or carbon trading that is applied equally to all airlines and industries as a whole.

British Airways PLC, the Group licensor in respect of its BA Brand and a 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 CO₂ 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 Group 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.

Carbon Taxes

According to the Draft Carbon Tax Bill, issued by National Treasury in December 2017, the Group could be subject to direct carbon taxation, based on aviation turbine fuel use. While its implementation date is still unknown, National Treasury has indicated that it intends to implement the tax in 2019. The design of the taxation is largely determined by thresholds, with a basic threshold of 60% being in place from the implementation date until 2022.

Based on the proposed tax rate of R120 per tonne of carbon dioxide equivalent ("CO₂e") emissions and the 60% threshold, the effective

tax rate would amount to R48.00 per tonne of CO₂. There are additional tax free incentives based on carbon offsets and performance against emissions intensity benchmarks, which will be developed in due course. The basic threshold of 60% can move 5 points up or down depending on the application of the tax free incentive allowances.

The potential carbon tax exposure to the Group, without taking into consideration the possible tax free allowances, would amount to approximately R25.7 million or R4.65 per passenger carried, calculated according to the number of passengers carried on domestic flights during the 2018 financial year.

As air transport is essential to the world economy, the current thinking within ICAO and IATA, as mentioned above, is that carbon offsetting, as opposed to taxes or other forms of levies, would be more effective for the aviation industry, and this should be applied to both domestic and international operations. This thinking is supported by the Group. The Carbon Tax Bill, however, excludes international aviation from payment of the Carbon Tax, and applies Carbon Tax only to domestic aviation. The Group is of the view that the introduction and application of Carbon Tax to domestic aviation will counteract and compromise what ICAO and IATA are trying to achieve at the international level referred to above.

On 3 April 2017, the Department of Environmental Affairs published the National Greenhouse Gas Emission Reporting Regulations ("Final Regulations") under the National Environmental Management: Air Quality Act (No. 39 of 2004). This requires the Group to report its aviation fuel GHG emissions by 31 March annually. The Group reported its emissions for the first time in March 2018.

In 2016, the airline industry signed the world's first truly global carbon emission offsetting scheme at the 39th ICAO Assembly.

Group Emissions

Insofar as Group emissions are concerned, the Group’s GHG inventory, by scope and expressed in metric tonnes of CO₂e is detailed in the tables and graphs below, with comparatives between the financial year in review and the base year, where applicable. The Group also reflects GHG Inventory for the 2017 financial year.

Inventory 2018

GHG Emission Source by Scope

Emission source by Scope	Metric tonne CO ₂ e	% Change from 2011	
Scope 1 direct emissions	576 826.10	▲	8%
Stationary fuel combustion	75.40	▲	16%
Mobile fuel consumption	576 750.70	▲	8%
Scope 2 indirect emissions	4 765.51	▼	34%
Purchased electricity	4 765.51	▼	34%
Total Scope 1 and 2 emissions	581 591.61	▲	7%
Scope 3 indirect emissions	111 796.48	Comparison not appropriate as Scope 3 emission sources were not measured in base year 2011	
Fuel- and energy-related activities	111 717.26		
Material use	24.81		
Water use	15.87		
Waste disposal	38.55		
Total Scope 1, 2 and 3 emissions	693 388.10		

Out of Scope Emissions

While it is optional to report Out of Scope Emissions, the Group replaced 45 air conditioner units during the year under review. The units emitted R22 refrigerant gas, which is no longer permitted, and 8 kg of gas was collected and safely destroyed or recycled.

Emission Intensities

GHG Emission Intensities

Emission intensities	t CO ₂ e	% Change from 2011	
Aviation fuel footprint per passenger	0.10	▼	14%
Scope 1 and 2 footprint per passenger	0.10	▼	15%
All scopes footprint per passenger	0.12	n/a ⁽¹⁾	
All scopes footprint per employee	314.32	n/a ⁽²⁾	
Scope 1 and 2 footprint per employee	263.64	▼	5%
Site-specific emissions per m ²	0.28	▲	3% ⁽³⁾

Notes:

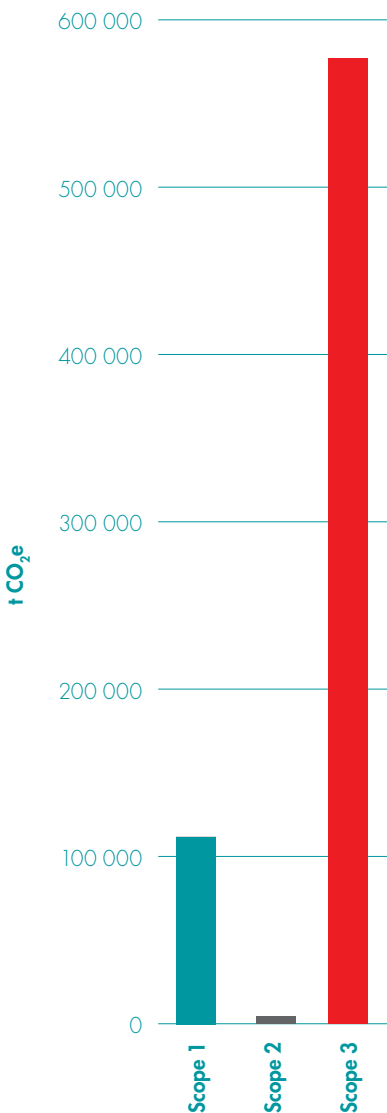
- (1) Comparison not appropriate due to the addition of Scope 3 emission source since 2011
- (2) Comparison not appropriate due to the addition of Scope 3 emission source since 2011
- (3) Site-specific emissions include stationary fuel combustion and electricity

16%
reduction in stationary fuel consumption

45
air conditioners replaced in 2018

Emissions by Emission Source

2017/18 GHG Inventory by Emission Source Tonnes of CO₂e



Mobile fuel combustion (primarily aviation fuel) remains the largest source of emissions, with the greatest impact, making up 83% of the total footprint and 99% of Scope 1 and Scope 2 emissions. While aviation emissions remained constant (less than 0.5% change) compared to the previous year, the aviation fuel footprint per passenger carried reduced by 5% year-on-year.

Stationary fuel combustion emissions increased by 5% in the reporting period due to an increase in the use of LPG gas.

Electricity emissions decreased by 8% from the prior financial year, although this year's electricity emissions are possibly underestimated because no electricity usage data was available for the Cape Town catering site.

Paper usage increased by 2% from the prior financial year.

Water use emissions increased significantly by 40% from the previous period – largely due to the construction work on a new simulator buildings in Rhodesfield.

Waste disposal emissions increased significantly, however a comparison to the previous year is not relevant as additional waste collection data at the catering facilities was not previously gathered and is now included. These changes had an immaterial impact on the Group's total emissions.

The total GHG Inventory of the Group for the 2018 financial year was 693 388.10 metric tonnes of CO₂e made up as follows:

Direct Emissions (Scope 1)

Scope 1 Emissions

Emissions source	Unit of measure	Emission factor	Consumption	Tonnes of CO ₂ e
Mobile fuel consumption: Aircraft	kg	Various	169 344 989	576 149.76
Mobile fuel consumption: Vehicles	ℓ	Various	204 833	600.95
Stationary combustion: Generator fuel use and LPG fuel use	ℓ	Various	1 059	3.00
	kg		12 149	35.36
LPG fuel use	ℓ	Various	22 916	37.03
Total Scope				576 826.10

The direct emissions reflected above are broken down as follows:

Detailed Breakdown of Mobile Fuel Combustion in Company Owned/Leased Vehicles

Emissions source	Unit of measure	Cycles	Consumption	Kg CO ₂ e per unit	t CO ₂ e
Mobile fuel combustion					
Company owned and controlled assets					
Landing and take-off cycles					
B737-400	LTO cycle	10 560		2 511.44	26 520.81
B737-800W	LTO cycle	33 491		2 811.21	94 150.23
LTO Jet Fuel	ℓ		37 708 880		
Aviation turbine fuel	ℓ		133 078 398	3.42263	455 478.72
Diesel (100% mineral diesel)	ℓ		143 418	3.14939	451.68
Petrol (100% mineral petrol)	ℓ		61 415	2.43052	149.27
Total					576 750.71

Detailed Breakdown of Stationary Fuel Combustion

Emissions source	Unit of measure	Consumption	Kg CO ₂ e per MJ	t CO ₂ e
Stationary fuel combustion				
Company owned and controlled assets				
Diesel (100% mineral diesel)	ℓ	1 059	2.83261	3.00
LPG	kg	12 147	2.91133	35.36
LPG	ℓ	22 916	1.61579	37.03
Total				75.39

Scope 2 Emissions

Detailed Breakdown of Purchased Electricity

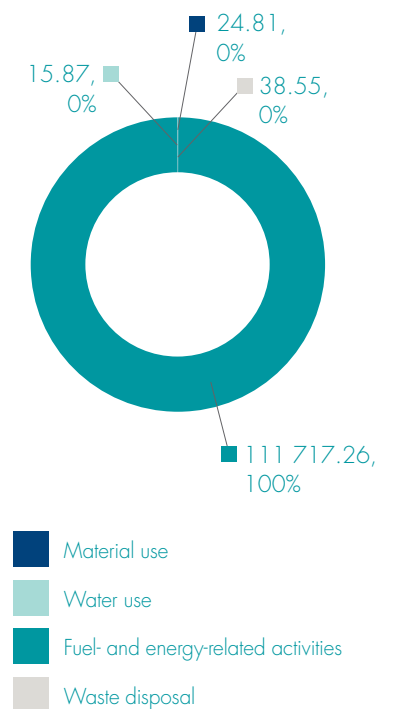
Emissions source	Unit of measure	Consumption	Kg CO ₂ e per unit	t CO ₂ e
Purchased electricity	kWh	5 016 329	0.95	4 765.51
Total				4 765.51

Scope 3 Emissions

Detailed Breakdown of Scope 3 Emissions

Emissions source	Unit of measure	Consumption	Kg CO ₂ e per unit	t CO ₂ e
Fuel-related well-to-tank activities				
Stationary fuel combustion				
Diesel (100% mineral diesel)	ℓ	1 059	0.62564	0.66
LPG	kg	12 149	0.36940	4.49
LPG	ℓ	22 916	0.19102	4.38
Mobile fuel combustion				
Aviation turbine fuel	kg	169 344 989	0.65890	111 581.41
Diesel (100% mineral diesel)	ℓ	143 418	0.62564	89.73
Petrol (100% mineral petrol)	ℓ	61 415	0.59585	36.59
Material use				
Paper: Primary material production	tonnes	25.96	955.6535	24.81
Water use				
Water supply	kℓ	46 124	0.34400	15.87
Waste disposal				
To landfill				
Mixed domestic waste	tonnes	63.00	586.5313	36.95
To recycling				
Paper	tonnes	58.58	21.38420	1.25
Scrap metal	tonnes	2.41	21.38420	0.05
Glass	tonnes	6.34	21.38420	0.14
Plastics	tonnes	6.28	21.38420	0.13
Tetrapak	tonnes	0.93	21.38420	0.02
Total				111 796.48

Scope 3 Emission Sources



GHG Inventory 2017

The total GHG Inventory of the Group for the 2017 financial year was 579 469.56 metric tonnes of CO₂e made up as follows:

GHG Inventory	Scope 1	Scope 2	Scope 3	Total
Metric tonnes of CO ₂ e	579 469.56	5 178.12	1113 189.03	697 836.70

Direct Emissions (Scope 1)

Scope 1 Emissions

Emission source	Unit of measure	Consumption	Tonnes of CO ₂ e
Mobile fuel consumption	ℓ/kg	171 703 235	579 397.53
Stationary fuel combustion	ℓ/kg	24 795	72.03
Total			579 469.56

The direct emissions reflected above are broken down as follows:

Detailed Breakdown of Mobile Fuel Combustion in Group Owned/Leased Aircraft and Owned/Leased Vehicles

Emission source	Unit of measure	Emission factor	Consumption	Tonnes of CO ₂ e
Aviation fuel	ℓ	Various	171 496 217	578 794.02
Diesel	ℓ	Various	139 054	438.28
Petrol	ℓ	Various	67 964	165.23
Total				579 397.53

Detailed Breakdown of Stationary Fuel Combustion (Generator, Gas)

Emission source	Unit of measure	Emission factor	Consumption	Tonnes of CO ₂ e
Diesel	ℓ	Various	2 057	5.83
LPG	kg	Various	22 738	66.20
Total				72.03

Indirect Emissions (Scope 2)

Detailed Breakdown of Electricity

Emission source	Unit of measure	Emission factor	Consumption	Tonnes of CO ₂ e
Purchased electricity	kWh	1.00	5 283 795	5 178.12

Scope 3 Emissions

Detailed Breakdown of Scope 3 Emissions

Emission source	Unit of measure	Emission factor kgCO ₂ e per unit	Consumption	Tonnes of CO ₂ e
Fuel-related well-to-tank activities				
Mobile fuel combustion				
Aviation fuel	kg	0.65900	171 496 217	113 016.01
Petrol	ℓ	0.59549	67 964	40.47
Diesel	ℓ	0.62566	139 054	87.00
Stationary fuel combustion				
Diesel	ℓ	0.62566	2 057	1.29
LPG	kg	0.36970	22 738	8.41
Material use				
Paper	tonnes	928.5997	26.25	24.36
Water use				
Water supply	kℓ	0.34400	33 044	11.37
Waste disposal				
Paper	tonnes	21.7600	5.288	0.12
Total				113 189.03

In comparing our GHG Inventory for 2018 with 2017, it must be noted that:

- Overall, there were no significant movements in emissions;
- Although there was an insignificant change in aviation fuel emissions, the aviation footprint per passenger carried during the financial period reduced by 5%;
- While stationary combustion emissions are immaterial, they did increase by 5% year-on-year. However, when compared to the 2017 financial year, where there was a 47% decrease in emissions, the current 5% increase is quite insignificant compared to the savings that have been achieved to date by the Group;
- The decrease in Scope 2 emissions can be attributed to greater efficiencies implemented at the Group's head office and operations buildings. Electricity emissions however, may be underestimated as no electricity usage data has been made available for the Cape Town catering facilities.

- Scope 3 emissions decreased when compared to the previous financial year but paper use increased by 2%. Waste disposal emissions increased significantly due to additional waste collection and recycling facilities implemented at the Johannesburg catering facility and therefore cannot be compared to the previous financial year's data collection. Water use increased significantly when compared to the previous financial year, due to construction at the Group's Rhodesfield property to increase the size of the Comair Training Centre by adding an additional simulator building.

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

- Made a substantial investment in the acquisition of a new fleet of Boeing 737-800 Next Generation ("NG") aircraft. The B737-800 NG aircraft are not only quieter than the older generation aircraft, but also offer better performance and fuel efficiency,

reduced noise on take-off and landing, and lower engine emissions. Since the introduction of the B737-800 NG aircraft, the average fuel burn per passenger is now approximately 30 kg per passenger. The newer B737-800 NG aircraft use approximately 6% less fuel per seat than the older B737-800 NG aircraft and 33% less fuel per passenger relative to the B737-400 aircraft. The Group has also placed "Scimitar" split winglets on all the B737-800 NG aircraft it owns, which has resulted in a further 2% reduction in fuel consumption. In addition to having delivered substantial fuel savings, the NG aircraft have greater revenue generating potential due to their increased seating capacity and require less maintenance downtime. As previously reported, the Group took delivery of four B737-800 NG aircraft during the 2013 reporting period, a further three during the 2016 reporting period, as well as one in November 2016 and a leased B737-800 NG aircraft in December 2016.

In addition, the Group has entered into an agreement with Boeing for the purchase of eight Boeing 737-8 MAX aircraft for delivery between 2019 and 2022;

- Approximately seven (7) 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;
- In conjunction with Air Traffic Control, where possible, continued to implement a Continuous Descent Approach to achieve fuel efficiency and reduce the impact of noise;
- Where such stands are assigned to it by the Airports Company South Africa, used fixed ground power units as opposed to auxiliary power units to reduce fuel consumption and noise;
- Attempted to reduce the impact of noise, as annoyance and sleep disturbance are the most commonly reported adverse effects of aircraft noise. The Group'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 Group, such as phasing out its older aircraft, ensuring that all its engines are stage 3/4 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;
- Implemented various energy saving initiatives with regard to electricity consumption such as, but not limited to, changing light fittings and globes to more energy efficient ones;
- Continued with initiatives to reduce water consumption, including the use of borehole water at its Head Office and Operations buildings. Other initiatives to reduce water consumption include employee awareness, monitoring of uncontrolled leakages and monitoring of garden irrigation cycles;
- In conjunction with its pilots, continued to implement a comprehensive fuel savings programme according to world best practice, while also considering local operating conditions. This has resulted in a 1.4% reduction in fuel consumption across its fleet. The B737-800 NG aircraft have also reduced the Group's fuel burn per passenger as they have the capacity to carry 21 more passengers and burn 200 ℓ per hour less fuel than the B737-400 aircraft;
- In accordance with section 12.L of the South African Income Tax Act, the Group is in the process of compiling a report to reflect the energy it has saved from burning less fuel, which could have a positive effect on the Group's income tax exposure.

The Group, in conjunction with its pilots, reduced fuel consumption by 1.4%.

Waste Management and Recycling

This is the seventh year in which the Group has been able to measure the tonnage of the paper recycled, which measurement has been included in its carbon footprint measurement. The Group has extended its recycling initiatives and this is the second year in which it has collected data regarding extended waste management and recycling, to include glass, tetrapak, plastics and scrap metal.

The Group 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 waste management and recycling.

Refuse removal in the Group complies with South African laws and regulations.

Compliance

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

Glossary of Terms Used in this Environmental 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 ₂ e	Carbon dioxide equivalent – standardisation of all greenhouse gases to reflect their 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 Group, 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, seven gases are accounted for, namely carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride.
GHG Inventory	A list of the GHG emissions and sources that are attributable to the Group.
GHG Protocol	GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition).
Indirect emissions	Emissions that are a consequence of the operations of the Group, 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, which the report covers.
Scope 1 emission	Direct emission from Group-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 Group, e.g. commuter travel, business air travel and paper or water consumption.
Well-to-tank	Well-to-tank accounts for upstream Scope 3 emissions associated with the extraction, refining and transportation of the raw fuel services to the Group's site or asset, prior to their combustion.

This Report has been compiled with the assistance of The Carbon Report (a division of SustainableIT).

CORPORATE GOVERNANCE REPORT

Introduction

Governance is integral to the Group's approach of running a sustainable long-term business. In this regard, it attempts to:

- Enforce good corporate governance standards;
- Act as a responsible corporate citizen;
- Build constructive relationships with its stakeholders; and
- Act as a valued member of the community in which it operates.

The Group 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 ("Companies Act"). The Group supports the governance principles contained in the King IV Report on Governance for South Africa 2016 ("King IV") and is comfortable that effective controls have been put in place and that the Group has complied with the governance principles as contained in the Companies Act, the JSE Listings Requirements and King IV.

Compliance with the JSE Listings Requirements, King IV and the Companies Act is monitored by the Group Company Secretary and the Group's Chief Compliance Officer and reported to the Board.

The Group 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. The Board supports the governance principles and guidelines contained in the Companies Act, the JSE Listings Requirements and King IV

This section of the Integrated Annual Report focuses on reporting on material matters relating to the Board of Directors, governance and related matters, and the Group's corporate governance framework (*inter alia* delegation of powers and responsibilities, Board Committees, executive management and the Company Secretary).

Statement of Compliance

The JSE Listings Requirements require all JSE-listed companies to report in respect of King IV for the financial year ending 30 June 2018; and to report on the application of the King IV principles in accordance with the "apply and explain" approach. A King IV checklist is included at the end of this Corporate Governance Report and appears on the Group website at www.comair.co.za.

Code of Ethics

The Group has a strong culture of entrenched values, which forms the cornerstone of the behaviour expected of it towards its Stakeholders. These values are embodied in the Group Code of Ethics. Conducting business in an honest, fair and legal

manner is a fundamental principle of the Group. Ethical behaviour has always been a fundamental guiding principal and Management continually focuses on establishing a culture of responsibility, fairness, honesty, accountability and transparency.

The Group has implemented a Guide to the Code of Ethics to further explain to employees what constitutes ethical conduct and how to make ethically correct decisions. The Code of Ethics and Guide to the Code of Ethics provide a framework of the standards of conduct that are required by Directors and employees within the Group to promote and enforce ethical business practices throughout the Group. The Group's Code of Ethics and Guide to the Code of Ethics, approved by the Social and Ethics Committee, sets out amongst other things, intolerance for child labour and discrimination; respect for human rights and related matters; and the importance of business integrity and ethics. The Group's governance of ethics goes beyond legislated requirements and supports the establishment of an ethical culture. Management is tasked with the implementation thereof and the internal control department has measures in place to monitor these aspects, so that Management can take appropriate action in the event of related incidents. The Code of Ethics and Guide to the Code of Ethics are made available to all employees and communicated to new employees as part of their induction training process.

Confidential Reporting Process

The Group recognises the need for its employees to have a confidential reporting process ("Whistle Blowing") covering fraud and other risks. In line with its commitment to transparency and accountability, it takes action against persons who are guilty of fraud, corruption and other misconduct. Any employee or external stakeholder is able to report wrongdoing, on a confidential and anonymous basis, to an independent 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 reporting period was 24. All calls and e-mails were followed up by the Group and, where necessary, appropriate action was instituted.

Corruption

The Group 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 and Management to declare same.

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

The Risk Committee, and where appropriate the Audit Committee, considers any material incidents of fraud and corruption. No incidents of corruption or fraud were brought to the attention of the Risk or Audit Committees during the financial period under review.

To prevent credit card fraud, the Group implemented a "card-not-present" fraud detection and prevention system in 2010, known as Cybersource. A number of enhancements have since been made to the system, which have resulted in the Group being able to maintain significantly reduced

credit card chargebacks. These reductions were achieved by a combination of systems and controls including:

- The Cybersource fraud detection system, which verifies the relevant card information, including transmission of the card verification value ("CVV") to the relevant issuing bank prior to confirmation of the flight booking and enables the bank to conduct additional verification checks on the credit card;
- Constant monitoring and regular amendment of the parameters and rules within Cybersource, based on fraudulent behaviours, patterns and trends;
- Co-operation across the various airline fraud departments, the South African Banking Risk Identification Centre and other online retailer fraud divisions in an effort to identify fraud syndicates and close them down.

The Payments Association of South Africa ("PASA") continues to drive its enforcement of 3D Secure on all "card-not-present" transactions. Online retailers (excluding airlines), went live with 3D Secure in February 2014. The results and feedback from this activation were not very positive and the Group was concerned about the readiness of the inter-banking systems, and the ability of communication networks, to cope with the additional volumes of electronic messaging that would be experienced across the airline industry, which accounts for approximately 80% of all online sales in South Africa. The Group, however, remains committed to the 3D Secure initiative in its bid to reduce exposure to fraud, and approved a three-phase roll-out plan for implementation across its multiple e-commerce distribution channels. The first and second phases have been completed, and the third phase is in progress.

Competition

The Group supports and adheres to the relevant competition laws applicable to it.

No legal action for anti-competitive conduct, anti-trust or monopoly practices was instituted against the Group during the period under review.

Broad-Based Black Economic Empowerment ("B-BBEE")

The Group forms 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 Group therefore ensures that appropriate focus is placed on its commitment to the development and implementation of sustainable B-BBEE initiatives.

The Group is audited annually by an accredited verification agency against the general score card criteria set by the Department of Trade and Industry. Further details of this verification audit are set out on pages 41 to 45 of this Report.

Compliance

Compliance with all relevant laws, regulations or codes is integral to the Group's risk management approach. Regular audits are conducted on the legislation and standards forming part of the Regulatory universe, using the Advanced Safety and Quality Solutions automated management tool. Reports on these audits are provided to the Compliance Forum. The Group incurred no fines, non-monetary sanctions or prosecutions during the period under review.

Customer Privacy and Information Security

Information security policies are in place throughout the Group, regulating *inter alia* the processing and protection of own and third party information.

Legitimate requests for information can be made in terms of the Promotion of Access to Information Act (No. 2 of 2000). No requests for information were made in terms of the Act.

The Protection of Personal Information Act (No. 4 of 2013), has been passed in South Africa, but the date of implementation, apart from a few enabling sections, has yet to be determined. The Act will require further actions on the part of the Group to ensure privacy of personal information, and measures will be put in place to ensure compliance with the requirements of the Act, as set out in the Internal Control and Risk Management Report.

There have been no complaints against the Group regarding breach of customer privacy or loss of customer data during the year.

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 Group. The Directors are responsible for adopting sound accounting practices, maintaining adequate accounting records, ensuring an effective system of internal controls and for safeguarding of assets. The Financial Statements of the Group have been prepared on the going-concern basis and the Board is of the view that the Group has adequate resources to continue operating for the foreseeable future.

Board of Directors

Composition of the Board and Diversity

The Group has a unitary Board structure. The composition of the Board is set out on pages 86 to 87. The roles of the Chairman and the Chief Executive Officer, ("CEO") 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 2018, the Board comprised nine (9) Independent Non-Executive Directors, three (3) Non-Executive Directors and four (4) Executive Directors (including

the Alternate Director) as required in the Listings Requirements of the JSE. More than half the Board consists of Independent Non-Executive Directors.

The Group recognises the importance of having a diverse Board and believes that diversity is essential to maintaining a competitive advantage. The Board is of the view that diversity is not limited to gender and that a diverse board should include different skills, experience, race, gender and other characteristics. The Nominations Committee is responsible for the nomination of Board appointments, as detailed in the Nomination Committee section of this Report. While the Board recognises that the existing skills of the current Directors are extensive, the Nominations Committee continues to consider the appointment of additional Independent Non-Executive Directors to further strengthen the Board and its Committees and to increase female and black representation on the Board. The appointment of members to the Board remains a matter for the Board to decide collectively. The Board of Directors' Policy requires that both gender and race diversity be taken into account when appointing Board members. No quotas regarding gender and race diversity have been set. However, the Board and Nominations Committees remain committed to ensuring that the Group benefits from a diverse Board.

The Group has a fully functional Board that leads and controls the Group. The Board members collectively represent diverse skills and demographics; have great depth of qualification and knowledge; and the experience necessary to ensure that effective leadership is provided to the Group. The independence of the nine (9) Independent Non-Executive Directors, and the guidance they provide, are invaluable to the Group, despite the fact that some of the Independent Directors have served on the Board for a period in excess of nine (9) years.

The Board is considered appropriately skilled with regard to its responsibilities and the activities of the Group and is involved in all material business decisions, enabling it to contribute to the strategic and general guidance of Management and the business. Newly-appointed Directors are informed of their fiduciary duties and in this regard are provided with a Director's Manual, which contains guidelines regarding their duties and responsibilities.

The Board is of the view that it has fulfilled its responsibilities during the 2018 financial year and continues to endeavour to lead the Group ethically and effectively.

Dealing in Securities

The Group has a formal policy in place to ensure that Directors and Senior Management do not trade in the Group's shares during price-sensitive or closed periods. In terms of the 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 day after the publication of the annual or interim results. Directors are required to obtain approval from the Chairman or a designated Director before dealing in any securities.

Conflict of Interest

The Board has a process in place to manage conflicts of interests. In terms of the process, each Director is obliged to disclose any conflicts of interest they may have with regard to discussions to be held at Board meetings and must do so prior to recusing themselves and leaving the meeting so that non-conflicted Board members can decide the issue at hand. All Board members and the Group Company Secretary are required to disclose their shareholding in the Group, other directorships they hold and potential conflicts of interest. This is disclosed annually and is updated as and when Directors submit changes thereto. These written notices are available for inspection at every Board meeting and are also a standing item on the agenda.

Role and Function of the Board

The Board retains full and effective control of the Group and is accountable and responsible for the performance and affairs of the Group. All material resolutions have to be approved by the Board. The Board is accountable to the Group's stakeholders for exercising leadership, integrity and judgment in pursuit of the strategic goals and objectives of the Group. Formal requirements specifying the responsibilities and types of conduct expected from the Directors, the Group Company Secretary, the Chairman and the CEO are set out in the Group's Board Charter, which is reviewed annually.

The Board ensures that the Group has risk management procedures in place.

The Board's primary functions include, amongst others:

- Determining the Group's vision;
- Determining and providing strategic direction to the Group;
- Adopting strategic plans and ensuring that same, through the Executive Directors, are communicated to the applicable Management levels and further ensuring that the objectives as set out in the strategic plan are met;
- Approving and evaluating the annual business plan and budget compiled by Management and monitoring implementation following approval;
- Approving the Group's Financial Statements and interim reports;
- Appointing the CEO, who reports to the Board, and ensuring that succession is planned;
- Determining Director selection, which includes gender and race diversity and evaluation;

- Evaluating the viability of the Group on a going-concern basis;
- Ensuring that the Group 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 Group;
- Monitoring compliance with laws, regulations and the Group's Code of Ethics;
- Ensuring that the remuneration of Directors, Executive Managers and all other employees occurs in accordance with the Group's remuneration policy;
- Identifying and managing potential conflicts of interest;
- Settling principles for recommending the use of external auditors for non-audit services;
- Establishing Board Committees with clear terms of reference and responsibility;
- Defining levels of authority and delegating required authority to the Committees and Management;
- Considering and, if appropriate, declaring payment of dividends to shareholders;
- Evaluating the effectiveness of the Board and its Committees;
- Conducting an evaluation of the Group Company Secretary; and
- Ensuring the creation of sustainable shareholder value.

To fulfil their responsibilities adequately, Board members and members of the sub-committees receive Board and sub-committee agendas ahead of any meeting. In addition,

Directors have unrestricted access to timely financial and other information relating to the Group as well as free access to Senior Management and the Group Company Secretary. During the financial year under review, the Board received presentations from various Senior Executive Managers, enabling it to explore specific issues and developments in greater depth.

The composition of the Board and Board Committees ensures that no individual has unfettered powers of decision making and there is a clear division of responsibility at Board and Board Committee level to ensure a balance of powers and authority, while at the same time leveraging synergies among Committees of the Board.

The Group provides its Directors with Directors' and Officers' Legal Liability Insurance in connection with their duties and responsibilities.

Induction of New Directors and Independent Advice

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

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

Board Evaluations

The Board conducts informal evaluations of its performance. Evaluation in the review period focused on areas of Board composition, the Board's role in setting strategy, oversight of the strategic plan, risk management and internal controls and succession planning. The Board has taken a decision and will, during the 2019 financial year, implement a

formal board evaluation process to evaluate the performance of the Board and Board Committees.

Board Meetings and Attendance

The Board meets at least four (4) times a year with the proviso that additional meetings could be called should certain important matters arise and measures exist to accommodate resolutions that have to be approved between meetings. Details of attendance at Board meetings are provided on pages 86 to 87 of this Report.

Retirement and Re-election of Directors

Under the Group's Memorandum of Incorporation, 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 as well as a brief CV of each such Director. The appointment of Directors is a function of the entire Board, based on recommendations made by the Nominations Committee.

Chairman

The Group's Chairman, Mr Pieter van Hoven, is an Independent Non-Executive Director and is responsible for, *inter alia* ensuring the integrity and effectiveness of the Board's governance process. In addition to playing a key role within the Group, he provides guidance to the Board as a whole and ensures that the Board is efficient, focussed and operates as a unit. He acts as a facilitator at Board meetings to ensure a flow of opinions, and attempts to lead discussions to optimal outcomes in the interests of good governance.

The CEO and Executive Committee

The CEO, Mr Erik Venter, who reports to the Board, is responsible for the running of the day-to-day business of the Group and for the implementation of policies and strategies adopted by the Board. Furthermore the Board has empowered the Executive Directors and Executive Managers of the various business units

and subsidiaries to perform the functions required to implement the strategic direction and plans set by the Board. To assist the CEO to fulfil his functions, an Executive Committee was formed. The Executive team meets bi-monthly. Among other duties, the Executive Committee monitors the success of the business, budgets, strategic plans, capital management, corporate finance and material developments affecting the business, and ensures that appropriate action is taken to manage same.

Directors

The Chairman meets with each Non-Executive Director, where possible, to discuss his/her contribution to the Board. The Board is of the view that the Directors have fulfilled their duties and provide a valuable contribution to the effective functioning of the Board.

The Group Company Secretary

The Group Company Secretary plays a pivotal role in the continuing effectiveness of the Board, ensuring that all Directors have full and timely access to the information that helps them to perform their duties and obligations properly, and enables the Board to function effectively.

The Group Company Secretary is responsible for providing guidance to the Board collectively, and to the Directors individually, with regard to their duties, responsibilities and powers.

The Group Company Secretary's key duties with regard to the Directors include, but are not limited to, the following:

- Collating and distributing relevant information, such as corporate announcements, investor communications and any other developments affecting the Group or its operations;
- Inducting new Directors, which includes a briefing on their fiduciary and statutory duties and responsibilities (including those arising from the JSE Listings Requirements, King III and King IV;

- Providing regular updates on effective and proposed changes to laws and regulations affecting the Group and/or its businesses;
- Monitoring of Directors' dealings in securities and ensuring that prior approval to deal in securities is obtained from the Chairman or another designated Director.

The Group Company Secretary reports to the CEO and has a direct channel of communication to the Chairman. He meets with the Chairman before each Board and general meeting to prepare for and discuss important issues.

He is responsible for the functions specified in Section 88 of the Companies Act (as amended). All meetings of shareholders, Directors and Board sub-committees are properly recorded as per the requirements of the Act. The removal of the Group Company Secretary would be a matter for the Board as a whole.

The Group Company Secretary is an alternate Director of the Company, and a Director of some of the Group's subsidiaries.

The Board is of the opinion that, in view of the fact that the Group Company Secretary is an alternate Director of the Group, an arm's length relationship is not feasible. However, the Board annually evaluates the competency and effectiveness of the Company Secretary, as required in terms of the JSE Listings Requirements. The Board carried out a formal review of the competence, qualification and experience of the Company Secretary during the period under review. The Board is satisfied that no conflict of interest exists since, during the period under review, notwithstanding the fact that the Company Secretary is an alternate Director, he served the Board purely in his capacity as Company Secretary and is not considered for voting on Board resolutions. The Board is further satisfied that the Company Secretary is competent, has the requisite qualifications and experience to execute his duties effectively, and has done so during the period under review.

Board Committees

The Group's governance structures have been developed on the basis of the regulatory requirement (JSE Listings Requirements, Companies Act and King IV) and by taking into account the size and complexity of the business, with a focus on how they add value to the business. The Board has created an Audit Committee, Risk Committee, Nominations Committee, Remuneration Committee and a Social and Ethics 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 Group, it does delegate certain functions to the Committees and Management to assist it in carrying out its functions, duties and responsibilities. The Chairman of each Committee reports to the Board at each Board meeting.

The Chairman of each Committee, other than the Social and Ethics Committee, which has a Non-Executive Director as its Chairman, is an Independent Non-Executive Director and is requested to attend the Group's Annual General Meeting to answer any questions posed by shareholders. In addition, all members of the Committees, other than the Risk Committee, Social and Ethics Committee and Nominations Committee, are Independent Non-Executive Directors.

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 Group'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. 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. All members are financially

literate and all possess substantial business and financial expertise and comply with Section 94 and Regulation 42 of the Companies Act. 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, CEO, Financial Director, Chief Audit Executive and external auditors attend the Audit Committee meetings by invitation. The Committee held four (4) meetings during the reporting period.

Composition of Committee and Attendance

Members	Appointed/ Resigned	Attendance
Mr N Maharajh (Chairman)		4/4
Dr PJ Welgemoed	Resigned 17 September 2018	4/4
Ms P Mahanyele	Appointed 1 October 2017	2/3
Mr RS Ntuli	Appointed 5 June 2017	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 responsibilities of the Audit Committee are contained in a formal mandate from the Board ("Terms of Reference") which is reviewed annually, with the main responsibilities being, amongst others, to:

- Perform the statutory functions of an Audit Committee in terms of the Companies Act and other functions delegated by the Board;
- Review and recommend to the Board for approval the Group's Integrated Annual Report, interim reports and results announcement;
- Nominate and approve the terms of engagement and remuneration of registered auditors who, in the opinion of the Committee, are independent of the Group, and ensure that their appointment and the appointment of the registered individual auditor complies with the provisions of the Companies Act, King IV 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 and report thereon to the Board and to the shareholders;

- 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 Group's accounting practices and internal audits, 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 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 and regulatory compliance to the extent that it may impact on the Financial Statements;
- Recommend principles for the use of external auditors for non-audit services;
- Consider any changes to the Group's finance function.

The Committee's report, describing how it discharges its statutory duties and the additional duties assigned to it by the Board, is included in this Integrated Annual Report on pages 70 to 72.

Risk Committee

The role of the Risk Committee is to review the risks facing the Group's business and to ensure compliance with all required legislation, regulations and codes affecting the business. The members of this Committee consist of both Non-Executive Directors and Executive Directors, who act independently. The Committee meets at least three (3) times per year. The Chairman of the Board, CEO, Financial Director, Chief Audit Executive and external auditors (where appropriate) attend Risk Management meetings by invitation. The Committee held four (4) meetings during the reporting period.

Composition of Committee and Attendance

Members	Appointed/ Resigned	Attendance
Dr PJ Welgemoed (Chairman)	Resigned 17 September 2018	4/4
Mr N Maharajh		4/4
Mr MN Louw		4/4

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

- Oversee the development and annual review of a Risk Management Policy and Plan for recommendation to the Board for approval;
- Monitor implementation of the Risk Management Policy and the Plan;
- Make recommendations to the Board concerning the levels of tolerance and appetite and ensure that risks are managed within the levels of tolerance and appetite as approved by the Board;
- Ensure that the Risk Management Plan is widely disseminated throughout the Group and integrated into the day-to-day activities of the Group;
- Ensure that risk management assessments are performed on a continuous basis;
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Liaise closely with the Audit Committee to exchange information relevant to risks;
- Review reports concerning risk management that are to be included in the Integrated Annual Report to ensure that such reporting is timely, comprehensive and relevant;
- Evaluate procedures and systems introduced including, without limitation, the Company's information technology systems.

For further information regarding risk management and the material issues facing the Group that have been identified as a result of its risk management procedures, refer to the Internal Control and Risk Management Report.

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 issue of succession planning at Board and Executive Management level. The CEO, in consultation with the Board Chairperson, Remuneration Committee and Nominations Committee, is responsible for ensuring that adequate succession plans are 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 Committee and Attendance

Members	Appointed/ Resigned	Attendance
Mr P van Hoven (Chairman)		1/1
Mr JM Kahn	Resigned 17 September 2018	1/1
Mr MD Moritz		1/1

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

- Make recommendations on the appointment of new Executive and Non-Executive Directors, taking into account the need and requirements for gender and race diversity at Board level;
- Make recommendations on the composition of the Board generally and the balance between Executive, Independent Non-Executive and Non-Executive Directors;
- Review plans for succession and ensure their adequacy, for the Chairperson, the CEO and Executive Directors;
- Review the Board structure, size and composition and make recommendations with regard to any adjustments deemed necessary, taking into account the need and requirements for race and gender diversity at Board level; 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 Independent Non-Executive Directors. The CEO attends meetings by invitation only and is not entitled to vote. The CEO does not participate in discussions regarding his own remuneration. The Committee met three (3) during the period under review. The composition of the Committee and attendance at meetings is set out below.

Composition of Committee and Attendance

Members	Appointed/ Resigned	Attendance
Mr JM Kahn (Chairman)	Resigned 17 September 2018	3/3
Mr RC Sacks		1/3
Mr P van Hoven		3/3

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

The fees for Non-Executive Directors are disclosed in the Remuneration Report on pages 73 to 76 and the remuneration packages of Executive Directors and Non-Executive Directors for the financial year under review are disclosed in the Report of the Directors on pages 84 to 90 of this Report. As recommended by King IV, the Group's remuneration policy was approved by shareholders of the Group by way of a non-binding advisory vote, at its last Annual General Meeting, held on 28 November 2017, with 99.65% of the shareholders present or entitled to vote at the Annual General Meeting voting in favour of the resolution, 0.33% voting against the resolution and 0.02% abstaining.

Both the Group's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at the Group's forth coming Annual General Meeting to be held on 16 November 2018. In the event that 25% or more of the shareholders vote against either the remuneration policy or implementation report at the meeting, the Group will engage with shareholders through dialogue, requesting written submissions or otherwise, in order to address shareholders' concerns, always with due regard to the meeting the Group's stated business objectives, while being fair and responsible towards both employee and shareholder.

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

- Determine the Group'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 CEO;
- 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; and
- Annually review the general salary increase for all other employees.

Social and Ethics Committee

The role and responsibilities of the Committee are codified in a mandate from the Board ("Terms of Reference"), which is reviewed annually. The members of this Committee consist of Independent Non-Executive Directors, Non-Executive Directors, Executive Directors and Senior Executives of the Group who are suitably experienced. The Chairman of the Board, Financial Director, Chief Audit Executive, representatives from other assurance providers, professional advisors and Board Members are entitled to attend Committee meetings. The Committee met four (4) times during the period under review. The composition of the Committee and attendance at meetings is set out below:

Composition of the Committee and Attendance

Members	Appointed/ Resigned	Attendance
MD Moritz (Chairman)		3/4
ER Venter		3/4
DH Borer		4/4
KV Gorringe		4/4
EA Liebetrau	Resigned 31 March 2018	3/3
N Maharajh		4/4

The main responsibilities of the Social and Ethics Committee are, amongst others, to:

- Assist the Board in ensuring that the Group is compliant with all legislation and other requirements relating to social and economic development and remains a good corporate citizen, by monitoring the sustainable development performance of the Group;
- Perform the statutory functions of a Social and Ethics Committee in terms of the Companies Act and other functions delegated to it by the Board.

The Committee's report, describing how it discharged its statutory duties, is included in this Report on page 77.

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.

Internal Control

The Group has a system of internal controls in place designed to ensure that risks are mitigated and that its objectives are attained. The Board is accountable for reviewing and approving the effectiveness of the controls implemented by the Group, including financial, operational, compliance and risk management controls. The Board recognises its responsibility in respect of the Group's risk management process and systems of internal controls, and oversees the activities of the Group's external auditors and the risk management function, which has been delegated to the Audit Committee or the Risk Committee, as appropriate.

Internal Control Systems

The Board is responsible for ensuring that the Group implements and monitors the effectiveness of its systems of internal control. The identification of risk and the monitoring of adequate systems of internal control to manage financial risks are delegated to the Chief Audit Executive, 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 Group's internal control system is designed to provide reasonable assurance 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 Group's external auditors consider the internal control systems of the Group as part of their audit, and advise of deficiencies when identified.

The Group continues to review its internal control processes to ensure it maintains a robust and effective internal control environment. During the period under review, the effectiveness of the process was regularly reviewed by the Group's Risk Management Forum and Audit Committee.

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 control to bring material deficiencies, instances of non-compliance and development needs to the attention of the Audit Committee, external auditors and operational management for resolution. The Chief Audit Executive is responsible for co-ordinating with the external auditors to ensure proper coverage and minimise duplication of effort. Internal audit plans are tabled at Audit Committee meetings and follow-up audits are conducted in areas where weakness is identified. The Internal Audit Plan is based on risk assessments, which are of a continuous nature, 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 of the external audit, and any other audit matters that may arise. The external auditors attend meetings of the Audit and Risk Committees (where appropriate) and have unrestricted access to the Chairmen of the Committees. The Audit Committee is responsible for nominating the Company's external auditors and determining their independence and terms of engagement.

Investor Relations

The Board is committed to keeping shareholders and the investor community informed of developments in its business.

King IV Application Register

Principle		Application/Explanation
1.	The governing body should lead ethically and effectively.	The Board of Directors of Comair Limited holds one another accountable for decision-making and ethical behaviour. The Chairman of the Board oversees this on an ongoing basis. This responsibility is contained in the Board terms of reference.
2.	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board, through its Social and Ethics Committee, is responsible for monitoring and governance of the ethics of the Group. This is contained in the Social and Ethics Committee's terms of reference. The Group's code of ethics guides the interaction between employees, clients, stakeholders, suppliers and the communities within which it operates.
3.	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board, together with the Social and Ethics Committee, is responsible for monitoring the overall corporate citizenship performance of the Group. Comair supports various initiatives within the broader area, particularly in relation to education and social well-being.
4.	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Group's ability to create value in a sustainable manner is illustrated throughout its business model. The Audit and Risk Committees assist the Board with the governance of risk and continuously monitor risks and ensure the implementation of various mitigating controls. This responsibility is contained in the Board terms of reference and those of the Audit and Risk Committees.
5.	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	The Group's Integrated Annual Report provides an assessment of its performance, measured against its objectives.
6.	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	The Board is the focal point and custodian of corporate governance within the Group. Its role and responsibilities and the way that it executes its duties and decision making are documented and are set out in the Board terms of reference. Further aspects of governance are addressed with greater impetus through the established Board sub-committees i.e. the Audit, Risk, Nomination, Remuneration and Social and Ethics Committees.

Principle	Application/Explanation
7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board and its sub-committees consider, on an annual basis, its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. The Board is satisfied that there is sufficient balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.
8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	<p>The Board and its sub-committees comply with the requirements in terms of King IV. There is a clear balance of power to ensure that no individual/s have undue decision making powers.</p> <p>The Audit Committee is satisfied that the auditor is independent and non-audit services are not performed and the audit firm has been appointed with the designated audit partner having oversight of the audit.</p> <p>The Financial Director oversees the finance function and is assisted by suitably qualified staff. An effective internal audit function is in place.</p> <p>An assessment of the effectiveness of the Financial Director's performance is conducted annually by the Audit Committee, and confirmed in the Integrated Report.</p>
9. The governing body should ensure that the evaluation of its own performance and that of its Committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	<p>The Board and its Committees' terms of reference include the onus of annual assessments.</p> <p>Assessments of the performance of the Board, its Committees and the Company Secretary are conducted annually by way of an informal internal evaluation process.</p>
10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	A detailed Delegation of Authority Policy and Framework indicate matters reserved for the Board and Senior Management. The Board is satisfied that the Group is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.
11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	<p>The Audit and Risk Committees assist the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the Group. The Audit and Risk Committees implement processes by which the risks to the sustainability of the business are identified and managed within acceptable parameters.</p> <p>The Audit and Risk Committee's delegate to management to continuously identify, assess, mitigate and manage risks within the existing operating environment. Mitigation controls are in place to address risks, which are monitored on a continuous basis.</p>
12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board, together with the Audit Committee, oversees the governance of information technology. The Board is aware of the importance of technology and information in relation to the Group's strategy.
13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	<p>The Board, through the Social and Ethics Committee, and assisted by the Company Secretary, compliance officer and in-house legal resources, monitors compliance with the various regulations the Group is subject to.</p> <p>No material penalties, sanctions or fines have been imposed for contravention of, or non-compliance with, regulatory obligations.</p>
14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	<p>The Board, assisted by the Nominations and Remuneration Committees, ensures that staff are remunerated fairly, responsibly, transparently and in line with industry standards, so as to promote the creation of value in a sustainable manner.</p> <p>This responsibility is contained in the terms of reference of the Nominations and Remuneration Committees.</p>

Principle	Application/Explanation
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision-making. This responsibility is contained in the terms of reference of the Board and the Audit Committee.
16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Various stakeholder groups have been identified and the Board balances their legitimate and reasonable needs, interests and expectations.
17. The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	N/A – Comair Limited is not an institutional investor.

AUDIT COMMITTEE REPORT



Introduction

This report is presented by the Group's Audit Committee (the "Committee") and approved by the Board in respect of the financial year ended 30 June 2018. It is prepared in accordance with the recommendations of King IV, the requirements of the Companies Act (No. 71 of 2008) as amended, and the JSE Listings Requirements. The report describes how the Committee has discharged its statutory duties in terms of the Companies Act, and the additional duties assigned to it by the Board, in respect of the financial year ended 30 June 2018.

Audit Committee Mandate

The Committee has adopted a formal mandate, setting out its responsibilities and functioning, which has been approved by the Board of Directors ("Board") and is reviewed annually. The Committee has conducted its affairs in compliance with this mandate and is satisfied that it has fulfilled and complied with all statutory, regulatory and legal duties and responsibilities assigned to it by the Board during the financial year under review, as further detailed below.

In addition, the Audit Committee has considered the JSE's most recent report on proactive monitoring of financial statements dated 20 February 2018 and has taken appropriate action where necessary to respond to findings as highlighted in the JSE Proactive Monitoring letter dated 20 February 2018 in preparing the Annual Financial Statements for the year ended 30 June 2018.

Composition and Meetings

The Committee consists of four (4) Independent Non-Executive Directors and meets at least three (3) times during each financial year.

The Chairman of the Board, CEO, Financial Director, Chief Audit Executive and external auditor attend Committee meetings by invitation.

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

The members who were in office during the financial year and details of Audit Committee meetings attended by each member are set out below.

Members	Date of appointment	Qualifications	Number of meetings held	Attendance
Mr N Maharajh	02/11/2015	BAcc, Post-Graduate Diploma in Accounting	4	4/4
Dr PJ Welgemoed	28/03/1996	BCom (Hons), MCom, DCom	4	4/4
Mr RS Ntuli	05/06/2017	LLB	4	3/4
Ms P Mahanyele	01/10/2017	BA Economics, Executive Development Programme Harvard University	3	2/3

Abridged curricula vitae of the Committee members appear on pages 155 to 158 of this Report.

The Board re-appointed the Committee members, which appointments are subject to shareholders re-electing the Committee members at its Annual General Meeting.

Role and Functions of the Committee

A summary of the roles and functions of the Committee, including its statutory duties, are set out in the Corporate Governance Report on pages 58 to 69 of this Report.

The Committee is satisfied that it has fulfilled all its statutory duties, including those prescribed by the Companies Act, and those assigned to it by the Board during the financial year under review. The Committee did not receive or deal with any concerns related to matters listed in Section 94(7)(g)(i)-(iv) of the Companies Act.

External Audit

The Committee, during the period under review, nominated external auditors, Grant Thornton Johannesburg Partnership ("Grant Thornton"); approved its fee having considered factors such as the scope and extent of the work required and the timing of the audit; and determined its terms of engagement. The Committee satisfied itself through enquiry that the external auditor is independent as defined by the Company's Act and as per the standards stipulated by the auditing profession. Requisite assurance was sought from the audit partner, that the internal governance process within the firm supports and demonstrates the claim to independence. Details of the external auditor's fees are set out in note 20 to the Financial Statements.

A formal policy 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 services to the Group, specifically in the form of tax advice, and assurance on selected information in this Integrated Annual Report. In addition

they conducted the Group's verification audit on its Broad-Based Black Economic Empowerment scorecard. The use of the external auditors for such services was pre-approved by the Committee.

The appointment of Grant Thornton will be presented to shareholders of the Group at the Annual General Meeting for approval. The Committee has further satisfied itself that Grant Thornton is accredited and appears on the JSE list of Accredited Auditors, and that the designated auditor is not disqualified from acting as such.

Internal Audit

Details of the Group's internal audit function are contained in the Corporate Governance Report. Internal audit forms an integral part of the Group's governance structure. The internal audit function is an independent, objective assurance and consulting activity that is responsible for providing assurance over the Group's risk management, governance and internal control processes. Mr Ashley Ragunanan holds the position of Chief Audit Executive ("CAE") at the Group. The Audit Committee is satisfied that the CAE possesses the appropriate expertise and experience to meet the responsibilities of his position and that the internal audit function is adequately resourced. The CAE reports functionally to the chair of the Audit Committee and administratively to the Chief Risk and Compliance Officer. The Audit Committee oversees co-operation between internal and external auditors, and serves as a link between the Board of Directors and these functions.

Internal Financial Controls

The Committee is responsible for assessing the Group's systems of internal financial controls.

The Committee has:

- Considered reports from the external auditors and management;

- Reviewed significant issues raised by the external audit process, including the manner in which they were resolved;
- Reviewed the report from the Institute of Internal Auditors and made certain changes as a result of same.

Based on these processes and the assurances obtained, the Committee is satisfied with the adequacy and effectiveness of the Group's 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 is satisfied with the:

- Expertise and experience of the Financial Director;
- Resources within the finance function and their experience and expertise;
- Continuous professional development of senior members of the finance function.

In performing the review, the Committee obtained feedback from both the internal and external auditors.

Risk Management

The Board has assigned oversight of the Group's risk management function to the Risk Committee. Two of the members of the Audit Committee are also members of the Risk 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 and the Internal Control and Risk Management Report.

The Committee is satisfied that the system, as well as the process of risk management, is effective.

Financial Statements

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

The Committee is responsible for reviewing any major breach of relevant legal or regulatory requirements and other responsibilities. The Committee is satisfied that there has been no material non-compliance with laws and regulations during the period under review.

The Committee has received no complaints relating to the accounting practices and internal audit function of the Group, the content or auditing of its Financial Statements, internal financial controls or other related matters.

Going Concern

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

Duties Assigned by the Board

The Committee fulfils an oversight role regarding the Group'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 discharge its duties effectively. 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.

The Committee recommended to the Board the appointment of Grant Thornton

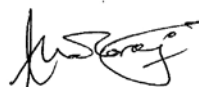
Sustainability Reporting

The Committee recommended to the Board the appointment of Grant Thornton, an external independent assurance provider, to perform an assurance engagement with the purpose of expressing a limited assurance opinion in terms of ISAE 3000 (Revised) on whether selected key performance indicators and specific disclosures, as contained in the Integrated Annual Report, have been fairly stated and meet reasonable reporting expectations. The assurance statement can be accessed via the Company's website, www.comair.co.za.

The Committee has considered the Group's sustainability information as disclosed in this 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 this Integrated Annual Report for Approval by the Board

The Committee has recommended this Integrated Annual Report for approval by the Board.



Mr N Maharajh

Chairman: Audit Committee, Comair Limited
17 September 2018

REMUNERATION REPORT

Statement from Chairman of the Remuneration Committee

This report highlights the material matters dealt with by the Remuneration Committee and summarises the Group's approach to fair, responsible and transparent remuneration and the manner in which this promotes the achievement of the Group's overall strategic outcomes.

During the year we took steps to align our remuneration reporting with the King IV Report on Corporate Governance. The King IV principle of remuneration governance requires that the Group should ensure that remuneration is fair, responsible and transparent, in order to achieve its strategic objectives and positive outcomes in the short, medium, and long term.

The remuneration report sets out remuneration arrangements for Non-Executive Directors, Executive Directors, Senior Management and general staff, as recommended by King IV.

As a listed entity, with the vision of growing the Group into a more diversified business where employees will become more critical to the Board's mission for business results, focus will be on the governance around the people-associated costs of the Company. The Committee is confident that the Group's remuneration philosophy and policy are designed to effect delivery on short- to medium-term strategic direction. I am therefore pleased to present the remuneration report on behalf of the Remuneration Committee.

Remuneration Philosophy, Policy and Framework

The Group 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 remuneration of Non-Executive Directors, which is ultimately approved by the shareholders.

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

Remuneration philosophy

The aim of our remuneration philosophy is to ensure that all employees are rewarded for their contributions towards the achievement of the strategic objectives of the Group. It also enables the Group's ability to attract, retain and incentivise high calibre employees at every level. The Group's remuneration philosophy is based on the principles of affordability, internal and external equity.

Remuneration policy

The approach that guides the level of remuneration of all Directors, Senior Management and all other employees is aimed at:

- Attracting, motivating, rewarding and retaining human capital;
- Promoting positive outcomes;

- Ensuring that no discrimination occurs;
- Promoting cost effectiveness and efficiency;
- Recognising exceptional and value-adding performance;
- Encouraging team performance and participation;
- Promoting the achievement of strategic objectives within the Group's risk appetite;
- Promoting an ethical culture and responsible citizenship;
- Aligning with the interests of shareholders.

Benchmarking

All elements of remuneration, including benefits, are subject to periodic review to ensure remuneration levels remain competitive. When considering the appropriateness and competitiveness of the benefits offered by the Group, factors such as the Group's financial position and market benchmarks and trends are taken into account. The guaranteed remuneration packages of Executive Directors, Senior Executives and prescribed officers are benchmarked against the market. To balance external equity with affordability and to ensure that market-related remuneration is offered to employees, the Group participates in salary surveys and uses that information for benchmarking purposes.

Remuneration Mix

Executive Directors and Senior Managers' remuneration structures comprise fixed and variable components:

- Fixed pay: Base salary and benefits;
- Variable pay: Short-term annual merit bonus and a long-term executive incentive scheme, based on Group profits before tax and the Group's share price performance (payable every three years).

Fixed Pay

The Group's intention in setting the base salary for Executive Directors and Senior Managers is aimed at attracting, retaining and motivating key individuals who are important to its success. In setting the base salary, market data is used to benchmark individual salary levels for Directors and Senior Managers. This information, combined with the individual's performance assessment and the level of increases applied throughout the organisation, is a key consideration for the annual salary reviews. Base salaries are reviewed annually by the Committee or in the event of a change in the Executive Director's or Senior Manager's position or responsibilities.

Retirement Fund, Risk and Healthcare Benefits

The Group offers membership to a defined contribution pension fund to all permanent employees in South Africa. This fund is part of an umbrella arrangement known as the Superfund and is administered by Old Mutual. In addition, it offers its permanent employees in South Africa risk benefits, in the form of death and disability benefits, which scheme is administered by Discovery Life. The Group's permanent employees in South Africa contribute 7% towards retirement funding, with the Group contributing 10% to cover both retirement funding and risk benefits. A medical aid scheme is also

in place for permanent employees in South Africa, which is administered by Discovery Health. The Group contributes 50% of the cost in respect of the Discovery Essential Comprehensive Plan for such permanent employees. The Group provides post-retirement medical aid funding, which equates to 50% of the Essential Saver Plan. An equal value is contributed to permanent employees in Zimbabwe.

Pilots

Pilots are currently guaranteed a 13th cheque.

Variable Pay

A core element of Executive remuneration is variable remuneration, which aims to maximise delivery of strategic priorities, promote a culture of excellence and provide rewards that attract and retain executives.

Short-Term Incentive ("STI") Scheme

Executive Directors and Senior Managers participate in a short-term, cash-based management incentive scheme. Payment in terms of the STI Scheme is dependent upon achievement against three (3) components as follows:

- Achievement by the qualifying employee of personal key performance indicators (40%). Their personal key performance indicators are reviewed annually and are linked to the strategic objectives of the Group;
- Group profit performance against budget (40%);
- A portion payable at the discretion of the Board (20%).

The payment of any STI to Executive Directors and Senior Managers is subject to Board approval.

Employees who do not participate in the STI Scheme would be entitled to a 13th cheque or a proportion thereof, based on personal performance and Company

affordability, and a discretionary amount on the Group's performance. This does not apply to pilots, who are guaranteed a 13th cheque.

Long-Term Incentive ("LTI") Scheme

The purpose of the LTI Scheme is to retain talent, as well as to reward participants, based on the Group's performance.

Executive Directors and designated Senior Managers who were in the employ of the Group on or prior to 1 July 2015 and who are still in the employ of the Group as at 30 September 2018, participate in the LTI Scheme. Payment of the LTI for this three-year period will be made at the end of September 2018, if the targets, which comprise a profitlinked component and a share price-linked component, as set out below, are met.

Profit-linked Component (50%)

In terms of this component of the LTI Scheme, 4% of the aggregated headline profits before tax (excluding profits from damages awards and profits from new business ventures that are not managed by the participants), made by the Group during the 2016, 2017 and 2018 financial years in excess of R1 billion (being the rounded aggregate for the previous three (3) years), but capped to a maximum of R40 million, will be allocated to participants in the scheme in proportion to their basic salary versus the combined basic salary of the participants in the scheme.

Share Price-linked Component (50%)

This component is based on the average share price of the Group weighted at 10% for 2016, 20% for 2017 and 70% for the 2018 financial year, with the bonus payable to participants being the difference between the Group's average share price as determined above, and a share price of R4.50, but capped to a maximum of R40 million.

Executive Directors' Remuneration

Remuneration of Executive Directors is compared to the market, with comparable roles in companies of similar size.

The annual bonus payable to Executive Directors, other than the CEO, in terms of the short-term management incentive scheme is limited to 100% of annual salary.

Executive Directors have standard service contracts with no fixed duration, no restraint and with a three (3) month notice period.

The Board reviewed the executive structure within the Group and concluded that the prescribed officer roles are held by Executive Directors.

Details of the remuneration of individual Executives and Prescribed Officers are set out in the table below:

	Guaranteed pay			Short-term incentives	Long-term incentives	Remuneration
	Base salary	Benefits ⁽¹⁾	Total guaranteed pay	Performance bonus ⁽²⁾	⁽³⁾	Total remuneration
	R'000	R'000	R'000	R'000	R'000	R'000
2018						
Executive Directors						
ER Venter	3 310	711	4 021	4 587	2 861	11 469
MN Louw	2 395	488	2 883	2 454	2 066	7 403
KE King	1 939	324	2 263	1 990	1 628	5 881
DH Borer	1 854	377	2 231	1 888	1 589	5 708
Prescribed Officers						
G Moritz	2 041	418	2 459	2 076	1 748	6 283
S Cochrane	1 883	350	2 233	1 888	1 589	5 710
I Meaker	2 153	420	2 573	2 202	1 854	6 629
2017						
Executive Directors						
ER Venter	3 126	633	3 759	3 840	-	7 599
MN Louw	2 300	439	2 739	2 293	-	5 032
KE King	1 771	254	2 025	1 764	-	3 789
DH Borer	1 763	336	2 099	1 764	-	3 863
Prescribed Officers						
G Moritz	1 866	374	2 240	1 614	-	3 854
S Cochrane	1 696	314	2 010	1 549	-	3 559
I Meaker	1 979	375	2 354	1 846	-	4 200

Notes

1 Benefits include company contributions towards retirement fund, group risk benefits, medical aid and allowances

2 STI Scheme payments relate to performance in the previous financial year

3 LTI Scheme payments relate to the 3-year executive incentive plan (profit and share linked components)

Non-Executive Directors' Remuneration

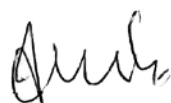
Non-Executive Directors' fees are determined by the Remuneration Committee in consultation with the CEO, and are reviewed annually or when there is a change of position or responsibility of a Non-Executive Director. In determining Non-Executive Directors' fees, account is taken of the general increase provided to the Group's employees. Non-Executive Directors do not receive any benefits or share options from the Group apart from Directors' fees, which fees were approved by the shareholders at the Group's Annual General Meeting on 28 November 2017. The Non-Executive Directors' fees for the year ended 30 June 2018 are included in the joint remuneration payable to the Groups' Non-Executive Directors', as indicated in Special Resolution number 1 in the Notice of Annual General Meeting.

The Non-Executive Directors' fees per meeting, for the financial years ended 30 June 2017 and 30 June 2018, as well as the proposed fee per meeting for the financial year ending 30 June 2019, are set out in the following table. Members of the Committee are also remunerated for their participation as members of the various committees.

	Proposed annual fee for the year ending 30 June 2019	Annual fee for the year ended 30 June 2018	Annual fee for the year ended 30 June 2017
	R	R	R
Board meetings			
Main Board			
Chairperson: Board	1 592 830	1 516 981	1 429 092
Vice Chairperson: Board	464 576	442 453	416 819
Member: Board	199 104	189 623	178 637
	Proposed fee per meeting for the year ending 30 June 2019	Fee per meeting for the year ended 30 June 2018	Fee per meeting for the year ended 30 June 2017
	R	R	R
Committees			
Audit Committee			
Chairperson	17 256	16 434	15 481
Member	8 628	8 217	7 741
Risk Committee			
Chairperson	17 256	16 434	15 481
Member	8 628	8 217	7 741
Nominations Committee			
Chairperson	17 256	16 434	15 481
Member	8 628	8 217	7 741
Social and Ethics Committee			
Chairperson	17 256	16 434	15 481
Member	8 628	8 217	7 741
Remuneration Committee			
Chairperson	17 256	16 434	15 481
Member	8 628	8 217	7 741
Pension Fund			
Chairperson	17 256	16 434	15 481

The above increases are effective from 1 July 2018, subject to Shareholder approval at the Annual General Meeting on 16 November 2018.

For the composition and information relating to the Remuneration Committee see page 65 of the Corporate Governance Report.



Mr JM Khan

Chairperson: Remuneration Committee, Comair Limited
17 September 2018

SOCIAL AND ETHICS REPORT

The Social and Ethics Committee ("the Committee") assists the Board in ensuring that the Group is and remains a good and responsible corporate citizen by monitoring the Group's sustainable development performance, performing the statutory functions required of a Social and Ethics Committee in terms of the Companies Act, and executing any additional functions assigned to it by the Board. The responsibilities and functioning of the Committee are governed by a formal mandate, approved by, and subject to annual review by the Board. The Committee is satisfied that it has fulfilled all its statutory duties and the duties assigned to it by the Board during the financial year under review.

The composition and number of meetings held by the Committee is set out in the Group's Corporate Governance Report on page 66.

The Committee is responsible for developing and reviewing the Group policies with regard to social and economic development; good corporate citizenship; reporting on the Group's sustainable development performance; and making recommendations to the Board and/or Management on matters within its mandate.

The Committee performs a monitoring role in respect of the sustainable development performance of the Group relating, amongst others, to:

- Environmental health and public safety, which includes Occupational Health and Safety;
- Broad-Based Black Economic Empowerment and Employment Equity;
- Labour relations and working conditions;
- Consumer relationships (advertising, public relations and compliance with consumer protection laws);

- Training and skills development of the Group's employees;
- Management of the Group's environmental impacts;
- Ethics and compliance;
- Corporate social investment.

The Committee is satisfied with the Group's performance in each of the areas listed.

The Committee's monitoring role also includes the monitoring of relevant legislation, other legal requirements or prevailing codes of good practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety as well as labour and employment.

The Committee is further responsible for annually reviewing, in conjunction with Executive Management, the Group's material sustainability issues. The Committee must also review and approve the sustainability content included in this Report.

During the period under review, the following constituted the key activities of the Social and Ethics Committee:

- Reviewed the Group's Code of Ethics to ensure alignment with King IV recommendations, especially the principle of Ethical Leadership. A new Code of Ethics eLearning module was approved to train staff on the revised Code of Ethics;
- Reviewed proposals and reports on a special investment solution for developing Black suppliers;
- Reviewed the Group's annual B-BBEE Verification Audit Report;

- Reviewed the Group's practices relating to non-discrimination and equality of treatment and monitored the handling of alleged incidents involving discrimination;
- Reviewed the progress made with respect to implementing Leadership Development, Talent Management and Succession Planning programmes;
- Reviewed the Staff Wellness Strategy, the highest health risks facing staff and measures to address these risks;
- Reviewed the health and safety accident trends for 2018 and measures implemented to reduce workplace injuries.

All the reports were subsequently approved by the Board upon recommendation by the Committee. The Committee is satisfied with the Group's standing in the areas reviewed and that the current level of combined assurance provides the necessary independent assurance over the quality and reliability of the information presented.

The Committee is required to report, through one of its members, to the Group's shareholders, on the matters within its mandate at the Group's Annual General Meeting. Shareholders will be referred to this Report, read with the Sustainable Development Report, at the Company's Annual General Meeting.



Mr MD Moritz

Chairman: Social and Ethics Committee
17 September 2018

INTERNAL CONTROL AND RISK MANAGEMENT

Corporate Governance

The Group is committed to maintaining principles of good corporate governance to ensure that the business is managed in a responsible manner with integrity, fairness, transparency and accountability. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risks across the Group. While operating risks cannot be fully eliminated, the Group endeavours to minimise these by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The Board is ultimately accountable for the Group's risk management process and systems of internal controls. In terms of a mandate from the Board, the Risk Committee and the Audit Committee in respect of internal controls and certain financial risks, monitor the risk management process as further detailed in this Report.

The Board is of the opinion that the risk management system, together with the internal control environment is effective and

commensurate with the size and nature of the Group's business.

Internal Controls over Financial Reporting

Internal controls and risk management systems in relation to the Group's financial reporting process are in place. During the period under review, there were no material changes in risk management or internal control systems.

Internal Control Framework

The Group continues to review its internal control processes to ensure it maintains a strong and effective internal control environment. During the period under review, the effectiveness of the process was regularly reviewed by the Group's Risk Management Forum and Audit Committee. For further information on the Group's internal controls, please refer to pages 66 to 67 of this Report.

Risk Management

As part of a continuous effort to refine and expand risk management within the

Group, at the end of this reporting period the decision was taken to purchase the BarnOwl Risk Management System. It is expected that the implementation of this new system will further embed risk management within the Group and improve the assessment of risk control adequacy and effectiveness. The system should be functional by September 2018.

The highly regulated and commercially competitive operating environment, together with operational complexity, exposes the Group to a number of risks. The Group remains focused on mitigating these risks where possible, although many remain outside the Group's control such as adverse weather; the political and economic environment; fuel prices; and foreign exchange.

The Group carries out regular reviews on all risks and prioritises those that could have a significant impact on the business. The risks and uncertainties covered in more detail below, although not intended to be exhaustive, are those that are expected to have the most significant impact on the Group.

Financial – The Funding Available for Purchases such as Aircraft

Debt Funding

The Group is exposed to a variety of financial risks, including market risks, credit risks, capital risks and liquidity risks. The Board approves prudent financial policies and delegates certain responsibilities to Executive Management who directly control day-to-day financial operations and who operate within clearly defined parameters.

The Group carries substantial debt that needs to be repaid. The ability to finance ongoing operations, committed aircraft orders and future fleet growth plans is vulnerable to various factors, including the appetite of financial institutions for secured aircraft financing. While the country's recent credit downgrade has created some uncertainty, which is never welcome, we do not believe that in the longer term this will undermine the fundamentals of the Group's business.

The Group attempts to maintain substantial cash reserves and committed financing facilities to mitigate the risk of short-term interruptions to the aircraft financing markets. In addition, the Group continually monitors its cash position and further undertakes long-term planning of its capital requirements by comparing its business development strategy with current capital resources. The Audit Committee reviews the Group's debt covenants on a quarterly basis.

For more information regarding the Group's response to this risk, see the Annual Financial Statements in this Report.

Currency Fluctuations

The Group's financial performance is dependent on the fluctuating value of the South African Rand against foreign currencies. A significant portion of the Group's costs is incurred in foreign currencies, mainly the US Dollar. The movement of these

currencies could have a positive or negative impact on the Group's income, expenses and profitability. The Group does, however, have a natural hedge in place by virtue of its foreign currency revenue, thereby decreasing its net foreign currency exposure. When financing aircraft, the loan repayment profile is assessed against the expected fluctuations in the Rand to determine whether to finance the transaction in South African Rand or US Dollars.

For more information regarding the Group's response to this risk, see the Annual Financial Statements in this Report.

Oil Price Fluctuations

As with foreign currencies, the Group incurs substantial costs with regard to the purchase of jet fuel. Volatility in the price of fuel and lubricants can have a material impact on the Group's operating results. Although the risk of fuel price increases also applies to the Group's competitors, and would to a degree be offset by all airlines having to increase ticket prices, the Group does regularly review its hedging opportunities and revenue recovery structures.

For more information regarding the Group's response to this risk, see the Annual Financial Statements in this Report.

Landing Fees and Security Charges

Airport taxes, landing fees and security charges represent a significant operating cost to the Group and have an impact on operations. Whilst certain of these charges are passed on to passengers by way of surcharges and taxes, others are not. The Group regularly engages with various industry bodies and government in an attempt to keep these costs under control.

For more information regarding the Group's response to this risk, see the Interaction with Government, Regulatory and Industry Bodies Report and Annual Financial Statements in this Report.

Manufactured – Manufactured Objects Used by the Business, such as Aircraft, Buildings and Equipment

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 Group and its operating environment. All operational decision-making is based on safety first. During the period under review the Group successfully underwent an IATA Operational Safety Audit ("IOSA") to maintain its IOSA registration, thereby ensuring the implementation of global best practice in managing its operational safety, and is audited by British Airways PLC, as well as the South African Civil Aviation Authority ("SACAA").

For more information regarding the Group's response to this risk, see the section Our Operations and Customers in this Report.

Aircraft Safety

Maintenance of the Group's fleet of aircraft is regulated by the SACAA and, in certain instances, the Federal Aviation Authority ("FAA") of the United States, and the European Aviation Safety Authority ("EASA"). While the Group outsources the maintenance of its fleet of aircraft and engines to the likes of South African Airways Technical (SOC) Limited, Israeli Aircraft Industries Limited, Koninklijke Luchtvaart Maatschappij NV, and, on an *ad hoc* basis to the likes of Lufthansa Technik, GE Aviation Services, and Safran Aircraft Engines, it maintains an oversight function over all these entities and ensures that it maintains a good relationship with the SACAA.

The Group, in addition, runs a safety reporting and quality assurance management system to address all aspects of aviation and ground safety and quality assurance.

For more information regarding the Group's response to this risk, see the Our Operations and Customers section in this Report.

Societal and Relationship – The Relationship and Interaction between the Group, its Customers, Society and Government for Mutual Benefit

Brand Reputation

The Group's brands have significant commercial value. Erosion of the brands through either a single event or series of events may adversely influence the Group's position with its customers and could ultimately affect future revenue and profitability. The Group's Executive team regularly monitors customer satisfaction through surveys, customer reports and media monitoring, including social media. Furthermore, continuous improvements are made to the Group's product offering to mitigate this risk. The Group allocates substantial resources to safety, security, on board products and new aircraft.

For more information regarding the Group's response to this risk, see the section Our Operations and Customers in this Report.

Price Rises due to Increases in Government Tariffs

There is an extremely high correlation between the volume of air travel and the average price of airline tickets in the domestic market. In the past, various state-owned suppliers to the aviation industry implemented tariff increases for users that have been significantly higher than the rate of inflation and which threatened to constrict the size of the market for air travel.

Due to delays in the permission process, the Regulator extended the dates for the submission of applications from the end of June to the end of October 2017. Since this time, the Regulator has been assessing the permission applications received from ACSA

and ATNS. Due to extensive consultations between the Regulating Committee and ACSA and ATNS, the permission process was not finalised by 1 April 2018, when the new permissions cycle for ACSA and ATNS tariffs was due to commence. For this reason the permission for the period 2015/16 to 2019/20 remains in place, pending finalisation of the new permission, which will be effective retrospectively from 1 April 2018. Therefore the approved tariff increases from the fourth year of the previous permission (effectively the first year of the current permission) of 5.8% and 7.5% were implemented on 1 April 2018 by ACSA and ATNS respectively.

The Regulating Committee published its Draft Permission for the new period effective 1 April 2018 on 26 April 2018. In respect of the first year, the Regulating Committee proposed the same increases as per the existing Permission for ACSA and ATNS, namely 5.8% and 7.5% respectively. Various queries that the airline industry raised with the Regulating Committee have been clarified. It is expected that the new Permission will be implemented shortly, following signature by the Minister of Transport. It is anticipated that the increases for the year commencing 1 April 2018 will remain as implemented and therefore no adjustment of charges will be necessary during this year with the next increase due on 1 April 2019.

Following consultations held between the airline industry and the SA Weather Service, the Regulating Committee for Meteorological Services determined a 1% decrease in the Weather Service Tariffs. In respect of the SA Civil Aviation Authority, an increase of 5.9% in the Passenger Safety Charge was implemented, effective from 1 April 2018.

Although the 2018 National Treasury Budget Review anticipates that South Africa will introduce a carbon tax with effect from 1 January 2019, there is no definite confirmation that this will take place. If this tax is implemented in 2019, domestic airlines will pay a carbon tax in the form of a fuel levy. Based on the Group's current direct emission figures, and taking into account the 60% thresholds, Comair can expect to pay approximately R28 million. The resulting increases in ticket prices will not benefit the airline; however the consequent constraint on demand will negatively impact industry revenue.

For more information regarding the Group's response to this risk, see the Interaction with Government, Regulatory Bodies and Industry Associations section as set out under Our Operations and Customers in this Report, as well as the Environmental Report.

Terrorism

Terrorism is unfortunately a threat to the entire world today, including the Republic of South Africa. From an aviation perspective, the South African National Aviation Safety Committee ("NASC") has decided that there is no specific threat to civil aviation in South Africa. The NASC did advise, however, that globally, civil aviation remained an attractive target for terrorists and that heightened security measures at airports needed to be maintained.

From a Group perspective, and having regard to its Licence Agreement with British Airways PLC ("BA"), the Group's security officers remain in contact with their security counterparts at BA in the United Kingdom, who work closely with the United Kingdom Government, to discuss security issues affecting the airline. In addition, the Group, together with ACSA, AASA and other airlines, has put in place enhanced screening measures for all passengers and crew members entering the secure area of the airport, as well as additional measures to ensure that no aircraft departs without the customer

The Group's brands have significant commercial value.

and his/her baggage being on board. In terms of its own security risk mitigants, the Group strenuously implements and audits the security requirements contained in its Operator Security Programme, which is aligned with the National Aviation Security Programme ("NASP"). The Group's Risk Management Forum and Risk Committee regularly assess and monitor this risk. With the airport bombings in Istanbul and Brussels in 2016 and the recent 2017 landside shooting at Cape Town International Airport, security requirements for South African Airports are being upgraded in terms of proposed amendments to both Part 111 of the Civil Aviation Regulations and the NASP. It is expected that the enhanced security requirements will be promulgated before November 2018.

For more information regarding the Group's response to this risk, see the Operations and Customers section in this Report.

Competition

The South African domestic market within which the Group operates is highly competitive. Competitor capacity growth, in excess of demand, could materially influence Group margins. Some competitors have cost structures that are lower than those of the Group or, as in the case of South African Airways ("SAA"), have the advantage of being supported by government intervention. Fare discounting by some competitors has historically had a negative effect on the Group's results because a response to competitor's fares is generally required to maintain passenger traffic. Although the Group's legal challenge against the State funding of SAA was unsuccessful, it will continue to monitor the State's funding of the national carrier. The Group's strong branding, effective marketing channels and strategic code share arrangements continue to address this risk.

The Group's claim against SAA for damages, arising from anti-competitive conduct, which is in the range of R810 to R898 million, with a similar additional

amount in accrued interest and legal costs, was heard in the Gauteng South High Court between 18 April and 24 August 2016. Judgment in the matter was handed down in February 2017 in terms of which the Company was awarded damages in an amount of approximately R554 million, with a similar additional amount being awarded in respect of interest and costs amounting to a total damages amount of approximately R1.1 billion. SAA has lodged an appeal in respect of the judgment. The Group has lodged a cross-appeal to recover the full amount of its damages and interest, which amounts to approximately R1.9 billion. No date has yet been allocated for the hearing of this matter.

For more information regarding the Group's response to this risk, see the Chairman and CEO's Report and the Corporate Governance section in this Report.

Legislation and Regulation

Regulation of the airline industry is increasing and covers many of the Group's activities, such as safety, security, traffic rights, slot control access and environment controls. To mitigate these risks, the Group attempts, amongst other things, to maintain a good working relationship with the government departments it interacts with, ACSA and other regulatory and industry bodies.

Air service licensing legislation restricts the percentage of voting rights that may be held in the Group by non-South African residents to not more than 24.99%. If the stipulated foreign ownership requirements are exceeded, the Group could face having its operating licence/s suspended or cancelled. As a result, a general meeting of shareholders was held on 28 November 2017, at which resolution was adopted to amend the Group's MOI to allow for the implementation of the variable voting rights structure. The amendments have since been approved by the Company and Intellectual Property Commission ("CIPC") and the variable voting rights

structure has been implemented. In addition, on 17 May 2018, the HNA Group (International) (Netherlands) disposed of its 6.2% stake in the Group.

Based on reports received from Computershare, the Group's percentage of foreign shareholder voting rights is approximately, 18% which is well within the 24.99% limit.

For more information regarding the Group's response to this risk, see the Interaction with Government, Regulatory Bodies and Industry Associations section in this Report.

Intellectual – Organisational Knowledge Including Intellectual Property such as Patents, Copyrights and Brands

Technical Innovation

Technology forms an integral part of the Group's business. While the Group's British Airways Brand is, to a large extent, dependent on developments implemented by British Airways International, its kulula.com Brand is not, and it devotes significant resources to information technology in respect of this brand, including the development of new products and services and the analysis of emerging trends in information technology and consumer behaviour. In 2012, the Group procured an integrated business and reservation system from Sabre Airlines Solutions. Since then, the Group has continually managed the risk presented by new technology, as well as the need to develop and upgrade the system in response to new market developments. The Group continued to improve the system with new modules and updated technology as and when required during the period under review. This system has and will continue to deliver substantial improvements in revenue integrity, inventory management and optimised ticket pricing, as well as improved crew and airport staff productivity.

For more information regarding the Group's response to this risk, see the Operations and Customers section in this Report.

Cyber Attack, Data Protection and Information Systems Availability Risk

The Group is dependent on Information Technology ("IT") systems for most of its principal business processes. The Group could face financial loss, disruption or damage to brand reputation arising from an attack on its systems by criminals, terrorists or foreign governments. If we do not adequately protect our customer and employee data, we could breach regulation and face penalties and loss of customer trust. The Group therefore continuously enhances defences and response plans and ensures that it is up to date with industry standards.

The European Union's (EU) General Data Protection Regulation ("GDPR") came into operation in May 2018 and applies to all EU subjects. As the Group processes information belonging to European subjects, a GDPR Gap Audit was done to confirm compliance with these EU regulations. The requisite policies and processes have been put in place to ensure compliance.

The implementation of GDPR compliance measures has assisted the Group in respect of the imminent implementation of the Protection of Personal Information Act, 2013 ("POPI") due to the similarities that exist between the GDPR and POPI. A new Privacy and Cookie Policy has been developed as well as a Data Protection Policy for the Group.

The failure of key systems may cause significant disruption and/or result in lost revenue. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure. The Group has launched several initiatives to cover not only information system security and availability risk, but also IT governance risk, in accordance with the requirements of King III and IV. The Group continually updates antivirus and IT security systems.

In addition, access to all IT systems is controlled, and penetration audits are

performed on an ongoing basis. No security breaches occurred during the period under review. As regards systems and network availability, for the fifth year in a row, the Group's IT Department ensured network and customer-facing system "uptime" in excess of 99%.

For more information regarding the Group's response to this risk, see the Corporate Governance section in this Report.

Human – Includes all Interactions that the Group has with the Human Element such as Relationships with Staff, Suppliers and Criminal Elements

Employee Relations

A large number of the Group's employees in South Africa are members of trade unions. The Group strives to maintain a good working relationship with these unions where it has recognition agreements in place, and enters into substantive negotiations annually.

For more information regarding the Group's response to this risk, see the Company's Employees and B-BBEE section in this Report.

Key Supplier Risk

The Group is dependent on suppliers for some principal business processes. The failure of a key supplier to deliver contractual obligations may cause significant disruption to operations. A close relationship is maintained with key suppliers to ensure awareness of any potential supply chain disruption. The Group further continually monitors its key suppliers and has service disruption plans in place for the most important services rendered.

The maintenance of aircraft by South African Airways Technical ("SAAT") is one of the most important services contracted out by the Group. During the period under review, SAAT experienced difficulty in completing maintenance tasks on time, resulting in delays in aircraft returning to the operation. This situation has very negatively affected the Group's on time performance.

To address this risk, the Group has put in place arrangements to lease in additional aircraft as well as place certain maintenance work with maintenance, repair and overhaul facilities outside of South Africa to alleviate the pressure on SAAT.

For more information regarding the Group's response to this risk, see the Investors, Suppliers and Media, and the Company Employee and B-BBEE sections in this Report.

Material Fraud (Credit Card, Cash, System)

The Group is continuing to pursue a number of risk mitigants to cover credit card, cash and systems fraud. The latest version of Cybersource software was implemented in May 2018. The software solution 3D Secure, which is a system that will authenticate user information by delivering a One Time Pin ("OTP"), has been extended beyond the Vitality booking channel to other transactions. In the period under review, a product called Emailage has been implemented, which validates the authenticity of specific e-mail addresses and domains. This has dramatically reduced the ability of fraudsters to use bogus information to purchase Group inventory, thereby saving the Group lost revenue as well as charge backs on fraudulent transactions.

The latest version of Cybersource software was implemented in May 2018.

The Risk Committee and, where appropriate the Audit Committee, continue to consider any incidents of fraud and corruption. In the period under review, other than credit card fraud, no material incidents of fraud took place.

For more information regarding the Group's response to this risk, see the Corporate Governance section and Annual Financial Statements in this Report.

Broad-Based Black Economic Empowerment

The Company recognises the importance of implementing a Broad-Based Black Economic Empowerment ("B-BBEE") programme that addresses the inequality of the past, and contributes in a meaningful way to the transformation of the South African economy. It regularly reviews its B-BBEE strategy to ensure that the Group incrementally improves on its level B-BBEE compliance. The Group also ensures that its B-BBEE compliance is such that it qualifies for those licences, certificates and approvals necessary for the business to operate.

For more information regarding the Group's response to this risk, see the Company's Employees and B-BBEE section in this Report.

Natural – Environmental Requirements Impacting on the Group

South Africa is enacting an increasing number of laws and requirements relating to protection of the environment, some of which apply to the activities of the Group. The Group is required to, and does, report its annual fuel utilisation figures to the Department of Environmental Affairs. In the near future, the Group may be subject to a carbon tax in the form of a fuel levy on all jet fuel purchased for domestic operations. The resultant fare price increase may have an adverse impact on demand for air travel and/or reduce the profit margin per ticket.

From January 2019, the Group will have to report emissions generated on regional routes to the South African Civil Aviation Authority in terms of the ICAO Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). The requirement for the Group to actually offset emissions on international flights in terms of CORSIA will only come into effect in 2026. In the meantime the Group is required to prepare an Environmental Management Plan ("EMP") detailing how emissions will be recorded and calculated for approval by the SACAA in the latter part of 2018.

For more information regarding the Group's environmental protection activities, see the Environment section in this Report.

Effectiveness of the Risk Management Process and Systems of Internal Control

The Board, via the Audit and Risk Committees, regularly receives reports on and considers the activities of the internal and external auditors of the Group. The Board, via the Audit and Risk Committees, is satisfied that there is an effective risk management process in place and that there is an adequate and effective system of internal controls to mitigate the significant risks faced by the Group to an appropriate level for the Group.

REPORT OF THE DIRECTORS

The Directors take pleasure in presenting their report, which forms part of the Annual Financial Statements of the Group for the year ended 30 June 2018.

Nature of Business

The main business of the Group is the provision of domestic and regional air services in the Southern African market, trading under the names British Airways and kulula.com. In addition to the foregoing, the Group provides other travel-related services, undertakes third party flight simulator and crew training, operates airline lounges and currently provides airline catering for its own services, as well as limited third party catering.

General Review of Main Activities

The Group currently operates a fleet of 26 aircraft flying to the destinations as set out on page 22 of this Report. The Directors have performed the solvency and liquidity test required by the Companies Act, the outcome of which is that the Group is a going concern, with adequate resources to continue operating for the foreseeable future.

Financial Results

Full details of the financial results are set out on pages 96 to 145 of this Report for the year ended 30 June 2018.

Dividend

Notice is hereby given that a final gross cash dividend of 17.00000 cents per ordinary share has been approved and declared by the Board, which is payable to shareholders for the financial year ended 30 June 2018. The dividend has been declared out of income reserves.

The dividend will be subject to a local dividend tax rate of 20% or 3.40000 cents per ordinary share,

resulting in a net dividend of 13.60000 cents per ordinary share, unless the Shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of the applicable double taxation agreement. The Company's tax reference number is 9281/874/1/0 and the number of ordinary shares in issue at the date of this declaration is 469 330 865.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade (cum dividend)	Tuesday, 23 October 2018
Shares commence trading (ex-dividend)	Wednesday, 24 October 2018
Record date (date shareholders recorded in books)	Friday, 26 October 2018
Payment date	Monday, 29 October 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 October 2018, and Friday, 26 October 2018, both days inclusive.

Share Capital

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

Issued Share Capital

The Group's issued share capital is 469 330 865 ordinary shares of 1 cent each.

Subsidiaries and Associates

Details of the Group's subsidiaries and associates are recorded in notes 6 and 7 of this Integrated Annual Report on pages 114 to 119.

Subsequent Events

The Group:

- a) Invested in the acquisition of a leadership development consultancy firm, Metaco Holdings Proprietary Limited ("Metaco"). The Group acquired 100% of the share capital in Metaco. The acquisition will further strengthen and diversify the

Group's third party training offering and highlights the emphasis the Group places on training, learning and skills development.

- b) Entered into a joint venture with an IT Technology company called Infinea SA Holdings Proprietary Limited ("Infinea"), establishing a jointly held company called Nacelle Proprietary Limited. The venture combines the aerospace knowledge of the Group with the IT experience of Infinea. The Group and Infinea recognise that the customer journey begins before the customer embarks on the flight and together, have

identified areas for airport companies to improve the end to end digital platform solutions in airport environments.

The Directors are not aware of any other matters 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.

Directors' Interest in Share Capital

The following Directors of the Group held direct and indirect interests in the issued share capital of the Group at 30 June 2018, as set out below.

Director	2018					2017				
	Direct beneficial	Indirect beneficial	Held by associates	Total shares	%	Direct beneficial	Indirect beneficial	Held by associates	Total shares	%
MD Moritz	-	50 000 000	9 462	50 009 462	10.66	-	50 000 000	9 462	50 009 462	10.66
P van Hoven	204 647	-	-	204 647	0.04	204 647	-	-	204 647	0.04
ER Venter	2 500 154	-	-	2 550 154	0.54	2 550 154	-	-	2 550 154	0.54
MN Louw	201 000	-	-	201 000	0.04	201 000	-	-	201 000	0.04
P Welgemoed	118 788	-	-	118 788	0.03	118 788	-	-	118 788	0.03
N Maharajh	200	-	-	200	0.00	200	-	-	200	0.00
DH Borer*	88 000	-	-	88 000	0.02	88 000	-	-	88 000	0.02
Total	3 612 789	50 000 000	9 462	53 172 251	11.33	3 162 789	50 000 000	9 462	53 172 251	11.33

* Alternate Director

There has been no change in the Directors' interests in share capital between 30 June 2018 and the date of posting of this Integrated Annual Report.

Special Resolutions

Since its last Integrated Annual Report, the Group has passed five (5) special resolutions at its Annual General Meeting and General Meeting held on 28 November 2017, namely:

1. A special resolution for approval of Non-Executive Directors' remuneration for 2016/17;
2. A special resolution for the approval of Non-Executive Directors' remuneration for 2017/18;
3. A special resolution giving the Group a general authority to re-purchase its shares;
4. A special resolution as contemplated in Section 45(3)(a)(ii) of the Companies Act, i.e. a general authority to provide financial assistance to related and interrelated companies or corporations; and
5. A special resolution to amend the Company's MOI to provide for a variable voting right structure in respect on non-resident/foreign shareholders.

Other than the foregoing, no other special resolutions were passed.

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 the Group Company Secretary who served during the period under review, are set out below.

Name, age, qualification, gender and race M = Male F = Female W = White B = Black, Coloured or Indian	Nationality	Business address	Board meeting attendance (four (4) meetings held)	Occupation
Pieter Van Hoven Age: 74 (M) (W)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Independent Non-Executive Chairman
Martin Darryl Moritz Age: 73 (M) (W) BCom; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 4	Non-Executive Joint Deputy Chairman
Rodney Cyril Sacks Age: 68 (M) (W) HDip. Law, HDip. Tax	South African	550 Monica Circle, Suite 201, Corona, CA 92880 USA	1 of 4	Independent Non-Executive Director
Dr Peter Johannes Welgemoed Age: 75 (M) (W) BCom (Honours); MCom; DCom	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Independent Non Executive Director
Jacob Meyer Kahn Age: 79 (M) (W) BCom Law; MBA (UP); DCom (hc); SOE	South African	Retired Chairman of SABMiller PLC, 4 East Road, Morningside, 2057	3 of 4	Independent Non-Executive Director
Martin Nicolaas Louw Age: 63 (M) (W) BMil	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Director Operations Executive Director
Erik Rudolf Venter Age: 48 (M) (W) BCom; CA(SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 4	CEO Executive Director
Ronald Sibongiseni Ntuli Age: 48 (M) (B) LLB (Edinburgh University)	South African	Thelo Group (Pty) Ltd, Ground Floor, Block 9, St. Andrews, Inanda Greens Business Park, 54 Wierda Road West, Wierda Valley, 2196	3 of 4	Independent Non-Executive Director Joint Deputy Chairman
Njabulo Bongekile Sithole Age: 45 (F) (B) B Pedagogics (KwaZulu-Natal); M Educational Psychology (KwaZulu-Natal); MSc: Executive Global Masters (LSE)	South African	1 Montgomery Drive, Illovo Sugar Park, Mount Edgecombe, 4302	3 of 3	Independent Non-Executive Director
Sean Liam Doyle Age: 47 (M) (W) BCom University College, Cork; Associated Chartered Management Accountant (CIMA)	British	British Airways PLC, Waterside (HAA2), Harmondsworth, Middlesex, UB7 OGB, UK	1 of 2	Independent Non-Executive Director

Name, age, qualification, gender and race M = Male F = Female W = White B = Black, Coloured or Indian	Nationality	Business address	Board meeting attendance (four (4) meetings held)	Occupation
Kirsten Emily King Age: 40 (F) (W) BCom (Hons), Accounting (CTA Equivalent); CA(SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Financial Director
Neng Li Age: 37 (M) (W) Bachelor Degree of Business Administration in Finance, Macau	Chinese	26/f Three Pacific Place, 1 Queens Road East, Hong Kong	0 of 4	Non-Executive Director
Cheng Luo Age: 49 (M) (W) Bachelor Degree, Aeronautical Industry Academy, Nanchang City	Chinese	2a Sencht Street, Off Liberation Road, Kotoka International Airport, Accra, Ghana	0 of 4	Non-Executive Director
Phuti Mahanyele Age: 47 (F) (B) BA Economics; Executive Development Programme (Harvard University)	South African	18 Acacia Road, cnr Protea, Chislehurst, Sandton	3 of 4	Independent Non-Executive Director
Naran Maharajh Age: 52 (M) (B) BAcc; Postgraduate Diploma in Accountancy	South African	83 Ramsay Avenue, Berea, Durban, 4000	4	Independent Non-Executive Director
Derek Henry Borer Age: 56 (M) (W) BCom; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	4	Alternate Director to Martin Nicolaas Louw and Rodney Cyril Sacks and Group Company Secretary

Directors' Appointments and Resignations

Appointments

- Ms NB Sithole, was appointed as an Independent Non-Executive Director on 1 October 2017 and as a member of the Group's Audit Committee on 17 September 2018;
- Mr SL Doyle was appointed as an Independent Non Executive Director on 1 December 2017 and as a member of the Group's Audit Committee on 17 September 2018;
- Ms P Mahanyele, an Independent Non-Executive Director was appointed as a member of the Audit Committee on 1 October 2017.

Resignations

- Mr N Li resigned as a Non-Executive Director on 31 August 2018;
- Mr C Luo resigned as a Non-Executive Director on 31 August 2018;
- Mr JM Kahn retired as an Independent Non-Executive Director (and his associated positions on the Remunerations Committee and Nominations Committee) on 17 September 2018 with immediate effect;
- Dr PJ Welgemoed, an Independent Non-Executive Director, retired as a member of the Audit Committee on 17 September 2018, with immediate effect.

Share Incentive Scheme

No share options were issued to employees through the share incentive scheme during the year and 4 244 464 options remain available for issue at year-end.

Directors' Remuneration 2018 (Audited)

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	Long-term profit linked incentive R'000	Share-based payments as per IFRS R'000	Total 2018 R'000
Executives										
Mr ER Venter	-	-	3 310	4 587	553	102	56	1 279	1 582	11 469
Mr MN Louw	-	-	2 395	2 454	370	68	51	923	1 143	7 404
Mr DH Borer	-	-	1 854	1 888	276	51	51	710	879	5 709
Ms KE King	-	-	1 939	1 990	249	46	28	749	879	5 880
Sub-total	-	-	9 498	10 919	1 448	267	186	3 661	4 483	30 462
Non-Executives										
Mr MD Moritz	442	58	-	-	-	-	-	-	-	500
Mr RS Ntuli	442	25	-	-	-	-	-	-	-	467
Dr PJ Welgemoed	190	98	-	-	-	-	-	-	-	288
Mr JM Kahn	190	57	-	-	-	-	-	-	-	247
Mr P van Hoven	1 517	74	-	-	-	-	-	-	-	1 591
Ms N Sithole	142	-	-	-	-	-	-	-	-	142
Ms P Mahanyele	190	16	-	-	-	-	-	-	-	206
Mr N Maharajh	190	131	-	-	-	-	-	-	-	321
Sub-total	3 303	459	-	-	-	-	-	-	-	3 762
Share-based payment	-	-	-	-	-	-	-	-	-	-
Total	3 303	459	9 498	10 919	1 448	267	186	3 661	4 483	34 224

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 2018
- ³ Remuneration receivable by the Directors will not vary as a result of any proposed issue for cash or repurchase of shares

Directors' Remuneration 2017 (Audited)

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 2018 R'000
Executives									
Mr ER Venter	-	-	3 126	3 840	492	90	51	-	7 599
Mr MN Louw	-	-	2 300	2 293	332	61	46	-	5 032
Mr DH Borer	-	-	1 763	1 764	245	45	46	-	3 863
Ms K King	-	-	1 771	1 764	193	35	26	-	3 789
Sub-total	-	-	8 960	9 661	1 262	231	169	-	20 283
Non-Executives									
Mr MD Moritz	417	62	-	-	-	-	-	-	479
Mr RS Ntuli	417	-	-	-	-	-	-	-	417
Dr PJ Welgemoed	179	93	-	-	-	-	-	-	272
Mr JM Kahn	179	31	-	-	-	-	-	-	210
Mr KI Mampeule	134	23	-	-	-	-	-	-	157
Mr P van Hoven	1 429	70	-	-	-	-	-	-	1 499
Ms P Mahanyele	179	-	-	-	-	-	-	-	179
Mr N Maharajh	179	70	-	-	-	-	-	-	249
Sub-total	3 113	349	-	-	-	-	-	-	3 462
Share-based payment	-	-	-	-	-	-	-	4 031	4 031
Total	3 113	349	8 960	9 661	1 262	231	169	4 031	27 776

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 2017

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 on pages 73 to 76 of this Integrated Annual Report.

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 96 to 145, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act (No. 71 of 2008), and include amounts based on judgments 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, Grant Thornton Johannesburg Partnership, 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 96 to 145, were approved by the Board of Directors on 17 September 2018 and signed on its behalf.



Mr ER Venter

CEO

17 September 2018



Mr P van Hoven

Chairman

17 September 2018

CERTIFICATE OF COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act (No. 71 of 2008), as amended ("Companies 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.



Mr DH Borer
Company Secretary
17 September 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Comair Limited

Report on the Financial Statements

Opinion

We have audited the Consolidated and Separate Financial Statements of Comair Limited (the Group and Company) which comprise the Consolidated and Separate Statements of Financial Position as at 30 June 2018, and the Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income, the Consolidated and Separate Statements of Changes in Equity and the Consolidated and Separate Statements of Cash Flows for the year then ended, and notes to the Consolidated and Separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated and Separate Financial Statements present fairly, in all material respects, the Consolidated and Separate Financial Position of the Group as at 30 June 2018, and its Consolidated and Separate Financial Performance and Consolidated and Separate Cash Flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of Financial Statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated and Separate Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated and Separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matters relate to the Consolidated and Separate Financial Statements.

Key audit matter	How our audit addressed the key audit matter
<p>Aircraft – componentisation, useful lives, residual values and impairment</p> <p>As set out in note 1.2 aircraft are componentised into their major parts, and useful lives and residual values are assigned by the Directors to each identified part. Major inspections (referred to as C and D Checks) are capitalised to the cost of aircraft and depreciated over the Directors' best estimate of their useful life.</p> <p>The fleet is tested annually for impairment with reference to market values.</p> <p>We identified this area as a key audit matter as significant judgment is required by the Directors in making these determinations which has a significant impact on the financial results.</p> <p>The carrying value of aircraft is R4.5 billion as set out in note 3 of the Financial Statements.</p>	<p>We performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • We reviewed the processes adopted by the Directors to componentise the various parts of an aircraft and assign useful lives. This includes an assessment of the depreciation period applied to C and D Checks; • For C and D Checks we tested that new inspections were capitalised in line with the approved maintenance plan and that previously capitalised inspection checks were derecognised accordingly. For maintenance that does not meet the capitalisation criteria we inspected that these costs have been appropriately expensed; • We have reviewed the Directors' assessment of asset residual values and performed reasonability checks by comparing this to historic profits and losses made on retirement or sale of aircraft at the end of their useful lives and current market conditions; • We recalculated the depreciation charge per component of aircraft and compared this to the amount recorded in the accounting records; • We reviewed the impairment test performed by management. This has been done with reference to externally obtained market values for the fleet.
<p>Airline revenue</p> <p>As set out in note 1.11 airline revenue is recognised on the accrual basis in the period in which the services are rendered and the passenger has flown. Unutilised ticket revenue is recognised as a liability until such time as the passenger has flown.</p> <p>Airline revenue comprises the major stream of income for the Group and Company, comprising approximately 94% of total revenue. The main components of an individual transaction are: booking, receipt of cash, and the recognition of revenue at the date of the flight.</p> <p>We identified this area as a key audit matter due to the significant volume of transactions in revenue recognition.</p>	<p>We performed the following procedures among others:</p> <ul style="list-style-type: none"> • Re-performed the reconciliation of the unutilised ticket liability pertaining to the kulula.com ticket stock. During this re-performance we tested key movements on a total basis such as bookings, total cash received and total tickets flown during the year under review; • For British Airways (operated by Comair Limited) revenue, we reconciled the various amounts recorded as both earned and unearned revenue to statements obtained from British Airways PLC.

Other Information

The Directors are responsible for the other information. The other information comprises information included in the Integrated Annual Report, which includes the unaudited information in the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the Consolidated and Separate Financial Statements and our auditor's report thereon.

Our opinion on the Consolidated and Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated and Separate Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated and Separate Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the Consolidated and Separate 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 Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Separate Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and Separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated and Separate Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated and Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated and Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated and Separate Financial Statements, including the disclosures, and whether the Consolidated and Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Consolidated and Separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that Grant Thornton has been the auditor of Comair Limited for 51 years.



GRANT THORNTON

Registered Auditors
Practice Number: 903485E

B Frey

Partner
Registered Auditor

18 September 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	5 509 614	4 631 326	5 315 954	4 521 782
Intangible assets	4	14 970	15 892	14 970	15 892
Loan to Share Incentive Trust	5	-	-	-	571
Investments in and loans to subsidiaries	6	-	-	184 059	19 335
Investments in associates	7	52 645	45 296	-	-
Goodwill	8	13 169	6 615	-	-
Deferred taxation	14	3 853	3 902	-	-
		5 594 251	4 703 031	5 514 983	4 557 580
Current assets					
Inventories	9	18 849	21 486	17 988	20 997
Trade and other receivables	10	324 628	251 506	317 671	246 140
Loans to subsidiaries	6	-	-	163	83 455
Taxation		485	460	-	-
Cash and cash equivalents		685 437	934 913	630 624	899 548
		1 029 399	1 208 365	966 446	1 250 140
Non-current assets held for sale					
Aircraft held for sale	11	-	7 044	-	7 044
		-	7 044	-	7 044
Total assets		6 623 650	5 918 440	6 481 429	5 814 764

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Equity and liabilities					
Equity					
Share capital	12	4 651	4 651	4 693	4 693
Accumulated profits		1 774 220	1 538 211	1 648 836	1 450 005
Equity attributable to equity holders of parent		1 778 871	1 542 862	1 653 529	1 454 698
Non-controlling interest		929	(145)	-	-
Total equity		1 779 800	1 542 717	1 653 529	1 454 698
Liabilities					
Non-current liabilities					
Interest-bearing liabilities	13	2 176 595	2 344 926	2 176 595	2 344 926
Deferred taxation	14	571 726	435 043	571 726	435 043
Share-based payments	17	-	5 032	-	5 032
		2 748 321	2 785 001	2 748 321	2 785 001
Current liabilities					
Trade and other payables	15	895 075	798 413	875 408	781 073
Unutilised ticket liability		312 244	322 609	312 244	322 609
Provisions	16	134 807	116 835	134 697	116 805
Loan from Share Incentive Trust	5	-	-	72	-
Loans from subsidiaries	6	-	-	5 374	1 713
Interest-bearing liabilities	13	741 896	352 865	741 896	352 865
Taxation		1 619	-	-	-
Share-based payments	17	9 888	-	9 888	-
		2 095 529	1 590 722	2 079 579	1 575 065
Total liabilities		4 843 850	4 375 723	4 827 900	4 360 066
Total equity and liabilities		6 623 650	5 918 440	6 481 429	5 814 764
Net asset value per share (cents)		382.7	331.7		

STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Revenue	19	6 536 540	6 063 737	6 493 734	6 040 846
Operating expenses		(5 412 752)	(4 999 789)	(5 401 207)	(4 992 859)
Operating profit before depreciation, amortisation, unrealised translation (loss)/gain on dollar denominated loan and profit/(loss) on sale of assets		1 123 788	1 063 948	1 092 527	1 047 987
Depreciation and amortisation		(443 237)	(456 281)	(442 335)	(455 964)
Impairment of subsidiary loan		-	-	(5 875)	(1 340)
Unrealised translation (loss)/gain on dollar denominated loan		(12 056)	40 697	(12 056)	40 697
Profit/(loss) on sale of assets		2 085	(10 574)	1 656	(10 574)
Profit from operations	20	670 580	637 790	633 917	620 806
Dividend income	21	-	-	5 630	-
Interest income	22	36 611	49 670	33 869	48 200
Interest expense	23	(248 938)	(250 377)	(248 741)	(250 368)
Gain/(loss) on remeasurement of non-current assets held for sale	11	12	(11 270)	12	(11 270)
Income from equity accounted investments	7	12 979	8 874	-	-
Profit before taxation		471 244	434 687	424 687	407 368
Taxation	24	(145 633)	(137 717)	(136 683)	(133 408)
Profit for the year		325 611	296 970	288 004	273 960
Profit attributable to:					
Owners of the parent		324 537	296 023	288 004	273 960
Non-controlling interest		1 074	947	-	-
		325 611	296 970	288 004	273 960
Earnings and diluted earnings per share (cents)	25	69.8	63.7		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Profit for the year		325 611	296 970	288 004	273 960
Other comprehensive income:					
Other comprehensive income for the year net of taxation		-	-	-	-
Total comprehensive income for the year		325 611	296 970	288 004	273 960
Total comprehensive income for the year attributable to:					
Owners of the parent		324 537	296 023	288 004	273 960
Non-controlling interest		1 074	947	-	-
		325 611	296 970	288 004	273 960

STATEMENTS OF CHANGES IN EQUITY

as at 30 June 2018

	Share capital R'000	Total capital and reserves R'000	Accumulated profits R'000	Total attributable to equity holders of the Group/ Company R'000	Non-controlling interest R'000	Total equity R'000
Group						
Balance at 1 July 2016	4 643	4 643	1 325 964	1 330 607	(1 092)	1 329 515
Total comprehensive income for the year	-	-	296 023	296 023	947	296 970
Dividend paid	-	-	(83 776)	(83 776)	-	(83 776)
Shares sold by Share Trust	8	8	-	8	-	8
Movement for the year	8	8	212 247	212 255	947	213 202
Balance at 30 June 2017	4 651	4 651	1 538 211	1 542 862	(145)	1 542 717
Total comprehensive income for the year	-	-	324 537	324 537	1 074	325 611
Dividend paid	-	-	(88 528)	(88 528)	-	(88 528)
Movement for the year	-	-	236 009	236 009	1 074	237 083
Balance at 30 June 2018	4 651	4 651	1 774 220	1 778 871	929	1 779 800
Notes	12					
Company						
Balance at 1 July 2016	4 693	4 693	1 260 525	1 265 218	-	1 265 218
Total comprehensive income for the year	-	-	273 960	273 960	-	273 960
Dividend paid	-	-	(84 480)	(84 480)	-	(84 480)
Movement for the year	-	-	189 480	189 480	-	189 480
Balance at 30 June 2017	4 693	4 693	1 450 005	1 454 698	-	1 454 698
Total comprehensive income for the year	-	-	288 004	288 004	-	288 004
Dividend paid	-	-	(89 173)	(89 173)	-	(89 173)
Movement for the year	-	-	198 831	198 831	-	198 831
Balance at 30 June 2018	4 693	4 693	1 648 836	1 653 529	-	1 653 529
Notes	12					

STATEMENTS OF CASH FLOWS

as at 30 June 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash generated from operations	26	1 172 829	1 149 088	1 148 144	1 129 326
Interest paid	28	(255 847)	(250 377)	(255 650)	(250 368)
Interest received		36 611	49 670	33 869	48 200
Taxation (paid)/refunded	27	(7 308)	25 034	-	30 021
Net cash from operating activities		946 285	973 415	926 363	957 179
Cash utilised in investing activities					
Additions to property, plant and equipment		(706 364)	(323 248)	(622 007)	(294 632)
Proceeds on disposal of property, plant and equipment		8 836	3 594	7 056	3 594
Additions to intangible assets	4	(8 795)	(9 652)	(8 795)	(9 652)
Pre-delivery payments		(219 714)	(132 217)	(219 714)	(132 217)
Loan advanced from share incentive trust	5	-	-	643	1 856
Loans advanced to subsidiaries	6	-	-	(75 056)	(27 747)
Business combination, net of cash acquired	34	(1 300)	-	-	-
Acquisition of subsidiaries	34	-	-	(6 376)	-
Movement in loan to associate		5 630	-	-	-
Repayment of loan by associate		-	7 852	-	7 852
Net cash from investing activities		(921 707)	(453 671)	(924 249)	(450 946)
Cash utilised in financing activities					
Raising of interest-bearing liabilities	28	240 989	-	240 989	-
Refund on aircraft purchase price for pre-delivery payment finance		-	96 738	-	96 738
Repayment of interest-bearing liabilities	28	(426 515)	(717 921)	(426 515)	(717 921)
Loans received from subsidiaries		-	-	3 661	-
Dividends paid		(88 528)	(83 776)	(89 173)	(84 480)
Net cash from financing activities		(274 054)	(704 959)	(271 038)	(705 663)
Total cash movement for the year		(249 476)	(185 215)	(268 924)	(199 430)
Cash and cash equivalents at the beginning of the year		934 913	1 120 128	899 548	1 098 978
Cash and cash equivalents at end of the year		685 437	934 913	630 624	899 548

ACCOUNTING POLICIES

1. Principal accounting policies

The Financial Statements are presented in South African Rands as this is the currency of the economic environment in which the Group operates.

The Financial Statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act (Act No. 71 of 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 principal accounting policies and measurement bases listed below. Ryan de Miranda CA(SA), was responsible for the preparation of the Consolidated Financial Statements under the supervision of Kirsten King CA(SA), the Financial Director.

During the year, the Group adopted the amendments to IAS 7 Statement of Cash Flows. The adoption of this amendment did not result in any change in accounting policies and had no effect on the results of the Group. The additional note disclosure as required by this amendment is included in Note 28 of the Financial Statements.

Other than this adopted amendment, the principal accounting policies of the Group are consistent with those applied in the audited consolidated Financial Statements for the year ended 30 June 2017.

1.1 Consolidation

Basis of consolidation

The Group Financial Statements consolidate those of the parent company and all of its

subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

The results of subsidiaries are included in the Group Consolidated Financial Statements from the effective date of acquisition to the effective date of disposal.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the Financial Statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent a subsidiaries' profit or loss and net assets that are not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business

combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition.

Assets acquired and liabilities assumed are measured at their acquisition-date fair values, except for non-current assets held for sale, which are recognised at their fair value less costs to sell.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

- Fair value of consideration transferred;
- The recognised amount of any non-controlling interest in the acquiree; and
- Acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

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.

Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries or joint arrangements.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other

comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Profits or losses, as well as unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Subsidiaries

Subsidiaries are companies and entities of which control is achieved where the Company is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are carried at cost less any impairment losses in the Company's stand-alone Financial Statements.

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; and
- Plus any costs already attributable to the purchase of the subsidiary.

The Group Share Incentive Trust is included in the consolidated financial statements as a subsidiary.

1.2 Property, plant and equipment

Freehold property, aircraft and related equipment, vehicles, furniture, computers and flight simulator equipment are depreciated systematically on the straight-line basis, which is estimated to depreciate the assets to their anticipated residual values through a component approach over their planned useful lives. Land is not depreciated.

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and costs can be measured reliably. 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

Properties and buildings	2%
Leasehold improvements	Life of the lease agreement
Flight simulator equipment	7% to 20%
Motor vehicles	20%
Furniture and equipment	7%
Computer equipment	20% to 50%

1.2.1 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. Major inspections and core-performance restorations (referred to as C and D Checks) are capitalised for both owned and leased aircraft 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 profit or loss. The aircraft residual values are between 0% and 10%.

Depreciation rates for aircraft

Aircraft components

Hull	3.33%
Engines	4%
Landing gears	5%
Auxiliary power unit	5%
Winglets	50%
C Checks	18 months
D Checks	72 months
Core-performance restorations	60 months

1.2.2 Pre-delivery payments

Aircraft pre-delivery payments and security deposits are capitalised to property, plant and equipment once all conditions precedent

crucial to the legal agreements are met and construction of the aircraft has begun. Prior to being capitalised to property, plant and equipment, aircraft pre-delivery payments and 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.

1.3 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost, less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values.

1.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see note 23).

1.5 Goodwill

Goodwill represents the excess of the cost of an acquisition of a business 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.

1.6 Leases

Finance leases and instalment sale agreements – lessee

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 asset and the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or the Group's incremental borrowing rate if rate implicit in the lease is not practicable to determine. 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.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue from rendering of services in profit or loss.

Operating leases – lessee

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. A straight-line asset/liability is raised for the difference between the leased payment and the lease expense.

1.7 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 Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

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 other comprehensive income are included in profit or loss. 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 of the financial liability, including related unamortised costs and the amount paid for it, are included in profit or loss.

Loans to/(from) Group companies

These include loans to subsidiaries, associates and share incentive trust (accounted for as a subsidiary) 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 (financial liabilities at amortised cost).

Loans that are considered to be part of the net investment in a subsidiary are classified as non-current.

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 Profit or Loss 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 Profit or Loss.

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 recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest rate method. These instruments are classified as loans and receivables.

Interest-bearing liabilities

Interest-bearing liabilities are initially measured at fair value less transaction cost, 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 Group's accounting policy for borrowing costs.

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

1.8 Inventories

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 cost of completion and the estimated cost necessary to make the sale. The cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventories mainly comprise of staff uniforms as well as catering and on-board equipment. The provision for obsolete stock has been provided for catering equipment that is no longer being used.

1.9 Share-based payment transactions

Cash settled

Options 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 using the Black-Scholes Model and expensed over the period during which the employee becomes unconditionally entitled to payment. Management assesses the number of options that will ultimately vest based on non-market vesting conditions at each reporting period until vesting, but the assessment of the fair value of the option against the market performance of the share price, is done at each reporting period end up to and including settlement date.

Share 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.

1.10 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. The rate applied to present value the expenditure is the pre-tax market related rate adjusted for the risks associated with the obligation.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in the provisions note. The provisions relate to the Group's leave pay provision and bonus provisions.

1.11 Revenue recognition

Revenue comprises all 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 and the passenger has flown. Unutilised ticket revenue is recognised as a liability until such time as the passenger has flown. Revenue is measured at the fair value of consideration received and is exclusive of VAT, discounts received and returns.

Revenue from airline flights is recognised when risks and rewards transfer and excludes value added tax.

Non-airline revenue relates to services relating to the hiring of simulator equipment, commission from airport lounges and the sale of holiday packages. Non-airline revenue is recognised when risks and rewards transfer and excludes value added tax.

International Loyalty Programme revenue is income received from BA Executive Club members using the Group's services, and is recognised on the accrual basis in profit or loss.

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.

1.12 Tax

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

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

Current tax is calculated at rates (tax laws) enacted or substantively enacted at reporting period end in accordance with the South African Income Tax Act (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 arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction affecting neither the tax profit or losses, nor the accounting profit or losses.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) enacted or substantively enacted by the reporting date.

1.13 Accounting estimates and judgements

Sources of estimation and uncertainty

In preparing the Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 Financial Statements. Significant judgements include:

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) 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 allowance of trade receivables and payables is 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.

Impairment

The Group assesses at each end of the 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 its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- 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.

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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

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.

The Group 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.

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 the present value.

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 lifecycles 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.

Loans 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.

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 (financial liabilities at amortised cost).

Borrowing costs

Pre-delivery payment assets are regarded as qualifying assets for the purpose of the capitalisation of borrowing costs. Exchange differences arising from foreign currency borrowings, to the extent that they are regarded as an adjustment to interest costs, are capitalised as part of borrowing costs as these expenses are considered part of the cost of borrowing in foreign currency.

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.

Recovery of deferred tax assets

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.

Management has applied a probability analysis to determine future taxable income against which calculated tax losses will be utilised.

1.14 Contingencies

Contingent assets and liabilities that do not form part of a business combination are not recognised, but are disclosed in the notes to the Financial Statements.

1.15 Non-current assets (disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), 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 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.

1.17 Foreign currency

Foreign currency transactions are recorded at the exchange rate ruling on the transaction dates. Monetary assets and liabilities denominated 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 prevailing rate at the date of acquisition. 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. All foreign exchange movements are recognised in profit or loss, unless they relate to non-monetary assets classified as available for sale financial instruments where that movement is then recognised in equity, or they form part of the borrowing costs capitalised to qualifying assets.

1.18 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Financial Director). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Chief Executive Officer. Segments are presented in terms of IFRS.

At year end, the Group was organised into two main operating segments:

- Airline; and
- Non-airline, which comprises the travel business, property investments, simulator business, SLOW Lounges and SLOW in the City.

NOTES TO THE FINANCIAL STATEMENTS

2. Segmental information

	Airline R'000	Non-airline R'000	Total R'000
30 June 2018			
Revenue	6 207 526	329 014	6 536 540
Operating profit before depreciation, amortisation, unrealised translation (loss)/gain on dollar denominated loan and profit/(loss) profit on sale of assets	1 011 557	112 231	1 123 788
Profit on sale of assets	1 656	429	2 085
Unrealised translation loss on dollar denominated loan	(12 056)	-	(12 056)
Depreciation and amortisation	(416 439)	(26 798)	(443 237)
Profit from operations	584 718	85 862	670 580
Interest income	18 329	18 282	36 611
Interest expense	(248 741)	(197)	(248 938)
Gain on remeasurement of non-current assets held for sale	12	-	12
Income from equity accounted investments	-	12 979	12 979
Profit before tax	354 318	116 926	471 244
Segmental assets and liabilities			
Segmental assets	5 953 352	670 298	6 623 650
Segmental interest-bearing liabilities	(2 918 491)	-	(2 918 491)
Other segmental liabilities	(1 797 550)	(127 809)	(1 925 359)
Segmental net asset value	1 237 311	542 489	1 779 800
Segmental capital additions (excluding borrowing costs capitalised) during the year	789 737	118 135	907 872

	Airline R'000	Non-airline R'000	Total R'000
30 June 2017			
Revenue	5 796 443	267 294	6 063 737
Operating profit before depreciation, amortisation, unrealised translation (loss)/gain on dollar denominated loan and profit/(loss) profit on sale of assets	964 559	99 389	1 063 948
Loss on sale of assets	(10 574)	-	(10 574)
Unrealised translation gain on dollar denominated loan	40 697	-	40 697
Depreciation and amortisation	(438 115)	(18 166)	(456 281)
Profit from operations	556 567	81 223	637 790
Interest income	32 225	17 445	49 670
Interest expense	(250 368)	(9)	(250 377)
Loss on remeasurement of non-current assets held for sale	(11 270)	-	(11 270)
Income from equity accounted investments	-	8 874	8 874
Profit before tax	327 154	107 533	434 687
Segmental assets and liabilities			
Segmental assets	5 398 905	519 535	5 918 440
Segmental interest-bearing liabilities	(2 697 791)	-	(2 697 791)
Other segmental liabilities	(1 563 374)	(114 558)	(1 677 932)
Segmental net asset value	1 137 740	404 977	1 542 717
Segmental capital additions (excluding borrowing costs capitalised) during the year	886 615	79 206	965 821

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

Revenue earned from flights, other than in South Africa, is not considered to be significant and is generated from assets under the control of the South African operation.

Inter-segmental revenue is not material and has therefore not been presented.

3. Property, plant and equipment

	2018			2017		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Group						
Properties and buildings	276 643	(9 946)	266 697	154 205	(8 440)	145 765
Leasehold improvements	136 245	(56 552)	79 693	95 212	(36 183)	59 029
Aircraft and related equipment	5 772 417	(1 288 880)	4 483 537	5 111 280	(944 120)	4 167 160
Flight simulator equipment	113 685	(61 136)	52 549	113 685	(55 339)	58 346
Pre-delivery payments	564 002	-	564 002	156 890	-	156 890
Vehicles, furniture and equipment and computer equipment	165 976	(102 840)	63 136	133 709	(89 573)	44 136
Total	7 028 968	(1 519 354)	5 509 614	5 764 981	(1 133 655)	4 631 326

	2018			2017		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Company						
Properties and buildings	92 547	(9 946)	82 601	46 305	(8 440)	37 865
Leasehold improvements	128 552	(55 976)	72 576	95 055	(36 026)	59 029
Aircraft and related equipment	5 772 417	(1 288 880)	4 483 537	5 111 280	(944 120)	4 167 160
Flight simulator equipment	113 685	(61 136)	52 549	113 685	(55 339)	58 346
Pre-delivery payments	564 002	-	564 002	156 890	-	156 890
Vehicles, furniture and equipment and computer equipment	161 786	(101 097)	60 689	130 940	(88 448)	42 492
Total	6 832 989	(1 517 035)	5 315 954	5 654 155	(1 132 373)	4 521 782

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance	Additions	Pre- delivery payments	Disposals	Additions through business combinations	Transfer of Pre-delivery payment from deposits	Transfers of pre- delivery payments in (out)	Interest capitalised	Foreign exchange movements	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Properties and buildings	145 765	122 438	-	(1 351)	1 369	-	-	-	-	(1 524)	266 697
Leasehold improvements	59 029	41 033	-	-	-	-	-	-	-	(20 369)	79 693
Aircraft and related equipment	4 167 160	712 919	-	(3 828)	-	-	-	-	-	(392 714)	4 483 537
Flight simulator equipment	58 346	-	-	-	-	-	-	-	-	(5 797)	52 549
Pre-delivery payments	156 890	-	368 122	-	-	12 689	-	6 909	19 392	-	564 002
Vehicles, furniture and equipment and computer equipment	44 136	31 482	-	(9)	643	-	-	-	-	(13 116)	63 136
	4 631 326	907 872	368 122	(5 188)	2 012	12 689	-	6 909	19 392	(433 520)	5 509 614
Notes					34						

Reconciliation of property, plant and equipment – Group – 2017

	Opening balance	Additions	Pre- delivery payments	Disposals	Aircraft transferred to non- current assets held for sale	Transfer of pre-delivery payment from deposits	Transfers of pre- delivery payments in (out)	Interest capitalised	Foreign exchange movements	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Properties and buildings	119 411	27 835	-	-	-	-	-	-	-	(1 481)	145 765
Leasehold improvements	45 004	28 970	-	-	-	-	-	-	-	(14 945)	59 029
Aircraft and related equipment	3 547 667	855 886	-	(13 859)	(18 314)	-	205 695	-	-	(409 915)	4 167 160
Flight simulator equipment	41 801	21 620	-	-	-	-	-	-	-	(5 075)	58 346
Pre-delivery payments	204 353	-	132 217	-	-	24 673	(205 695)	13 211	(11 869)	-	156 890
Vehicles, furniture and equipment and computer equipment	30 087	23 201	-	-	-	-	-	-	-	(9 152)	44 136
	3 988 323	957 512	132 217	(13 859)	(18 314)	24 673	-	13 211	(11 869)	(440 568)	4 631 326

Reconciliation of property, plant and equipment – Company – 2018

	Opening balance	Additions	Pre-delivery payments	Disposals	Aircraft transferred to non-current assets held for sale	Transfer of pre-delivery payment from deposits	Transfers of pre-delivery payments in (out)	Interest capitalised	Foreign exchange movements	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Properties and buildings	37 865	46 242	-	-	-	-	-	-	-	(1 506)	82 601
Leasehold improvements	59 029	33 497	-	-	-	-	-	-	-	(19 950)	72 576
Aircraft and related equipment	4 167 160	712 919	-	(3 828)	-	-	-	-	-	(392 714)	4 483 537
Flight simulator equipment	58 346	-	-	-	-	-	-	-	-	(5 797)	52 549
Pre-delivery payments	156 890	-	368 122	-	-	12 689	-	6 909	19 392	-	564 002
Vehicles, furniture and equipment and computer equipment	42 492	30 857	-	(9)	-	-	-	-	-	(12 651)	60 689
	4 521 782	823 515	368 122	(3 837)	-	12 689	-	6 909	19 392	(432 618)	5 315 954

Reconciliation of property, plant and equipment – Company – 2017

	Opening balance	Additions	Pre-delivery payments	Disposals	Aircraft transferred to non-current assets held for sale	Transfer of pre-delivery payment from deposits	Transfers of pre-delivery payments in (out)	Interest capitalised	Foreign exchange movements	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Properties and buildings	39 294	52	-	-	-	-	-	-	-	(1 481)	37 865
Leasehold improvements	45 004	28 970	-	-	-	-	-	-	-	(14 945)	59 029
Aircraft and related equipment	3 547 667	855 886	-	(13 859)	(18 314)	-	205 695	-	-	(409 915)	4 167 160
Flight simulator equipment	41 801	21 620	-	-	-	-	-	-	-	(5 075)	58 346
Pre-delivery payments	204 353	-	132 217	-	-	24 673	(205 695)	13 211	(11 869)	-	156 890
Vehicles, furniture and equipment and computer equipment	28 959	22 368	-	-	-	-	-	-	-	(8 835)	42 492
	3 907 078	928 896	132 217	(13 859)	(18 314)	24 673	-	13 211	(11 869)	(440 251)	4 521 782

A register of properties is available at the Company's registered office.

Pre-delivery payments are payments made to the Boeing Company for three of eight new Boeing 737-800 MAX aircraft which are due to arrive in South Africa from January 2019 onwards. The finance for these aircraft has been mandated to Investec Bank. Future capital commitments relating to the Boeing 737-800 MAX are disclosed in note 29. Borrowing costs capitalised to the pre-delivery payments are incurred at a rate of 4.85% on a US Dollar-based facility concluded in 2017.

4. Intangible assets

	2018			2017		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Group and Company						
Computer software	90 217	(75 247)	14 970	81 422	(65 530)	15 892

Reconciliation of intangible assets – Group and Company – 2018

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	15 892	8 795	(9 717)	14 970

Reconciliation of intangible assets – Group and Company – 2017

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	21 953	9 652	(15 713)	15 892

Other information

The intangible assets relate to the implementation of Sabre Airline Solutions which was fully operational in the 2012 financial year and Openjaw Travel Portal development costs.

The remaining useful life of the computer software is an average of 2 years (2017: 2 years).

5. Loan to/(from) Share Incentive Trust

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loan to Share Incentive Trust	-	-	-	571
Loan from Share Incentive Trust	-	-	(72)	-

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 4 244 464 shares representing 0.9% of shares in issue (prior year: 4 244 464 shares representing 0.9%) at a closing price of 470c (2017: 515c).

6. Investments in and loans to/from subsidiaries

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Non-current portion				
Aconcagua 32 Investments Proprietary Limited				
Investment at cost	-	-	16 732	16 732
1 ordinary share of R1 at cost (100% shareholding).				
The company is the owner of Erf 700, Rhodesfield Township. This is the only asset in its books, valued at R22 million. There are no material liabilities in this company. The share in the company was acquired during May 2008.				
Alooca Properties Proprietary Limited				
Investment at cost	-	-	-	-
Non-current loan receivable	-	-	156 224	-
100 ordinary shares of R1 at cost (100% shareholding).				
The company acquired Erven 674, 684, 685, 687, 688, 689, 690, 695 and 1040 in Rhodesfield Township and Erven 174495, 177263, 177264, 177268, 177269, and 177270 in Cape Town Flats, Cape Town with funding from Comair Limited. During the year, the company acquired additional properties, Erven 32, 33, 34, 35 in Bartlett extension 7, comprising the Anchor Industrial Park, with funding from Comair Limited. The properties at cost are R163.6 million (2017: R87.4 million). The Directors view the loan as non-current due to the continued investment of funds and the loan is considered to be part of the net investment.				
Kulula Air Proprietary Limited				
100 ordinary shares of R1 at cost (100% shareholding).*	-	-	-	-
This company operates a business lounge and restaurant situated opposite the Gautrain Station in Sandton. The lounge commenced operations in August 2011.				
* The investment is less than R1 000 and is therefore reflected as nil.				
Comair Catering Proprietary Limited				
70 ordinary shares of R1 at cost (70% shareholding).*	-	-	-	-
This dormant company has a bank account which has been funded by Comair Limited.				
* The investment is less than R1 000 and is therefore reflected as nil.				
Comair Retail Travel Services Proprietary Limited				
Investment at cost	-	-	2 593	2 593
1 million shares of 1 cent each at cost (100% shareholding).				
The Company acquired 65% of the issued share capital in the 2011 financial year. In December 2011, the remaining 35% shareholding was acquired at a cost of R35 000.				
The company is a tour operating company offering holiday packages.				

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Churchill Finance Services 23 Limited				
Investment at cost	-	-	10	10
2 shares of USD1 at cost (100% shareholding).				
Comair Limited acquired 100% of the shares in Churchill Finance Services 23 Limited during February 2011 for R10 000.				
The company is currently being liquidated.				
Comair Air Cargo Proprietary Limited				
Investment at cost*	-	-	-	-
100 ordinary shares of R1 at cost (100% shareholding).				
The company is currently dormant.				
* The investment is less than R1 000 and is therefore reflected as nil.				
Highly Nutritious Food Company Proprietary Limited				
Investment at cost*	-	-	-	-
56 ordinary shares of R1 at cost – 56% shareholding held by Comair Catering Proprietary Limited.				
* The investment is less than R1 000 and is therefore reflected as nil.				
EPT Aviation Training Proprietary Limited				
Investment at cost	-	-	7 869	-
100 ordinary shares (100% shareholding).				
Details of this acquisition are included in the Business Combinations Note (Note 34).				
Global Training College South Africa Proprietary Limited				
Investment at cost	-	-	611	-
100 ordinary shares (100% shareholding).				
Details of this acquisition are included in the Business Combinations Note (Note 34).				
Zinpayne Investments Proprietary Limited				
Investment at cost	-	-	10	-
100 ordinary shares (100% shareholding).				
The company is dormant.				
Crostyle Investments Proprietary Limited				
Investment at cost	-	-	10	-
100 ordinary shares (100% shareholding).				
The company is dormant.				
Total non-current portion	-	-	184 059	19 335

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Current portion				
Alooca Properties Proprietary Limited				
Loan receivable	-	-	-	82 625
The company acquired Erven 674, 684, 685, 687, 688, 689, 690, 695 and 1040 in Rhodesfield Township and Erven 174495, 177263, 177264, 177268, 177269, and 177270 in Cape Town Flats, Cape Town with funding from Comair Limited. During the year, the company acquired additional properties, Erven 32, 33, 34, 35 in Bartlett extension 7, comprising the Anchor Industrial Park, with funding from Comair Limited. The properties at cost is R163.6 million (2017: R87.4 million).				
The loan is unsecured, has no fixed repayment terms and is interest free.				
Kulula Air Proprietary Limited				
Loan receivable	-	-	11 953	6 078
Impairment of loan	-	-	(11 953)	(6 078)
This company operates a business lounge situated opposite the Gautrain Station in Sandton. The lounge commenced operations in August 2011.				
The loan is unsecured, has no fixed repayment terms and is interest free.				
The loan has been subordinated in favour of all other creditors of the company until such a time as the assets of the company, fairly valued, exceed its liabilities.				
Comair Catering Proprietary Limited				
Loan receivable	-	-	103	72
This dormant company has a bank account which has been funded by Comair Limited.				
The loan is unsecured, has no fixed repayment terms and is interest free.				
Comair Retail Travel Services Proprietary Limited				
Loan receivable	-	-	38	751
The loan is unsecured, has no fixed repayment term and is interest free.				
Comair Air Cargo Proprietary Limited				
Loan receivable	-	-	19	7
The loan is unsecured, has no fixed repayment term and is interest free.				
The company is currently dormant.				
Zinpayne Investments Proprietary Limited				
Loan receivable	-	-	3	-
The loan is unsecured, has no fixed repayment term and is interest free.				
The company is dormant.				
Total current portion	-	-	163	83 455

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Current liability portion				
Aconcagua 32 Investments Proprietary Limited				
Loan payable	-	-	(3 270)	(1 713)
The company is the owner of Erf 700, Rhodesfield Township. This is the only asset in its books, valued at R22 million. There are no material liabilities in this company. The share in the company was acquired during May 2008. The loan is interest free and not repayable in the next 12 months.				
EPT Aviation Training Proprietary Limited				
Loan payable	-	-	(2 104)	-
The loan payable is part of the consideration payable in terms of the acquisition of EPT Aviation Training Proprietary Limited. The loan is unsecured, has no fixed repayment term and is interest free.				
Total current liability portion	-	-	(5 374)	(1 713)
Total investment and loans to subsidiaries	-	-	178 848	101 077
Maximum amount exposed to credit risk relating to loan receivables			184 222	89 533

7. Investments and loans to associates

The following table lists all of the associates in the Group:

Name of company	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018 R'000	Carrying amount 2017 R'000
Commuter Handling Services Proprietary Limited held by Comair Limited	40.00%	40.00%	16 728	14 868
OR Tambo Hospitality Proprietary Limited held by Aconcagua 32 Investments Proprietary Limited	49.90%	49.90%	35 917	30 428
Comair Mozambique Limitada held by Comair Limited	49.00%	49.00%	-	-
			52 645	45 296

The summarised financial information in respect of the Group's associates is set out below.

Summarised financial information of material associates

2018

Summarised Statement of Financial Position	Non-current assets R'000	Net-current assets R'000	Total assets R'000	Capital and reserves R'000	Liabilities R'000	Total equity and liabilities R'000
Commuter Handling Services Proprietary Limited	4 291	59 212	63 503	34 283	29 220	63 503
OR Tambo Hospitality Proprietary Limited	44 474	26 176	70 650	69 929	721	70 650

Summarised Statement of Comprehensive Income	Revenue R'000	Profit from continuing operations R'000	Total comprehensive income R'000
Commuter Handling Services Proprietary Limited	325 239	18 724	18 724
OR Tambo Hospitality Proprietary Limited	16 256	11 000	11 000
	341 495	29 724	29 724

2017

Summarised Statement of Financial Position	Non-current assets R'000	Net-current assets R'000	Total assets R'000	Capital and reserves R'000	Liabilities R'000	Total equity and liabilities R'000
Commuter Handling Services Proprietary Limited	4 518	48 460	52 978	29 633	23 345	52 978
OR Tambo Hospitality Proprietary Limited	46 245	21 568	67 813	58 929	8 884	67 813

Summarised Statement of Comprehensive Income	Revenue R'000	Profit from continuing operations R'000	Total comprehensive income R'000
Commuter Handling Services Proprietary Limited	301 387	10 857	10 857
OR Tambo Hospitality Proprietary Limited	15 332	9 080	9 080
	316 719	19 937	19 937

Reconciliation of summarised financial information to the carrying amount of the Group's investment in associates

2018

	Total assets	Total liabilities	Net assets	Comair's ownership interest	Comair's share of net equity of investee	Loan investment	Goodwill	Total
	R'000	R'000	R'000		R'000	R'000	R'000	R'000
Commuter Handling Services Proprietary Limited	63 503	(29 220)	34 283	40.00%	13 713	-	3 015	16 728
OR Tambo Hospitality Proprietary Limited	70 650	(721)	69 929	49.90%	34 895	-	1 022	35 917

2017

	Total assets	Total liabilities	Net assets	Comair's ownership interest	Comair's share of net equity of investee	Loan investment	Goodwill	Total
	R'000	R'000	R'000		R'000	R'000	R'000	R'000
Commuter Handling Services Proprietary Limited	52 978	(23 345)	29 633	40.00%	11 853	-	3 015	14 868
OR Tambo Hospitality Proprietary Limited	67 813	(8 884)	58 929	49.90%	29 406	-	1 022	30 428

8. Goodwill

	2018			2017		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Gross amount and carrying value	13 169	-	13 169	6 615	-	6 615

Reconciliation of goodwill

	Opening balance	Additions through business combinations	Total
	R'000	R'000	R'000
Reconciliation of goodwill – Group – 2018	6 615	6 554	13 169
Reconciliation of goodwill – Group – 2017	6 615	-	6 615

Details of the goodwill arising through business combinations has been disclosed in the Business Combinations Note (Note 34).

The net book value of goodwill has been allocated to the following cash generating units (CGUs):

	Group	
	2018 R'000	2017 R'000
Comair Retail Travel Services Proprietary Limited	3 668	3 668
Highly Nutritious Food Company Proprietary Limited	2 947	2 947
EPT Aviation Training Proprietary Limited and Global Training College South Africa Proprietary Limited	6 554	-
	13 169	6 615

Goodwill arising in business combinations is allocated, at acquisition, to the CGUs acquired and those expected to benefit from that business combination. The Group tests goodwill for impairment at least annually by estimating the recoverable amount of any CGU to which goodwill has been allocated. The recoverable amount of all significant amounts of goodwill are estimated by using the higher of the value in use method and the fair value less cost to sell. During the current year, all recoverable amounts were based on value in use. A discounted cash flow valuation model is applied using three-year forecasts and terminal values based on detailed budgets and management estimates. The process ensures that all significant risks and sensitivities are appropriately considered and factored into these forecasts. Key assumptions are based on industry-specific performance levels as well as economic indicators approved by the executive and their impact on turnover and operating margins. These assumptions are generally consistent with external sources of information and with past experience of the impact thereof on the Group's cash flow. Cash flows for the second and third years are forecast by applying individual estimated sustainable levels of growth for the specific businesses, taking into account the drivers of the economic sectors in which they operate and their expected impact on turnover and margins, their business strategies and the risks they face. For the terminal value, cash flows are determined by using estimated sustainable growth levels for CGUs of 5% per annum. Beyond the short-term, they are derived from the use of a common forecasting process followed across the Group. Discount rates applied to cash flow projections are based on a South African-specific weighted average cost of capital (WACC), which takes into account appropriate risk-free rates adjusted for market risk, Company-specific risk, effective rates of taxation, cost of debt and the relevant weighting between debt and equity. Previously, the Group calculated its Cost of Equity on only the Capital Asset Pricing Model (CAPM). In the current year, the Group has decided to base its calculation of Cost of Equity as an average between the CAPM and Dividend Growth Model, leading to a reduction on the Cost of Equity, and therefore leading to a reduction in the overall WACC. The WACC applied to all CGUs is 10.0% (2017: 10.0%). Consideration was given as to whether the factors pertaining to any of the CGUs warranted the use of an adjusted rate, but it was not considered necessary. No impairment losses were required to be recognised during the current year.

9. Inventory

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Catering equipment and consumables	20 369	23 006	19 508	22 517
Allowance for obsolete stock	(1 520)	(1 520)	(1 520)	(1 520)
	18 849	21 486	17 988	20 997
Carrying value of inventory carried at net realisable value	18 849	21 486	17 988	20 997

10. Trade and other receivables

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade receivables	205 075	134 174	215 881	140 289
Impairment allowance	(14 260)	(12 397)	(31 048)	(23 510)
	190 815	121 777	184 833	116 779
Deposits	133 813	129 729	132 838	129 361
	324 628	251 506	317 671	246 140

The standard credit period is 30 days from statement. The average age of the trade receivables is 12 days (2017: 8 days). Only customers with whom the Group has a long-standing relationship have access to credit. New customers are rare as the Group prefers to sell air tickets for cash rather than on credit.

The deposits consist mainly of aircraft lease rental deposits, as well as rental deposits, municipal deposits and pre-delivery payment deposits not yet capitalised to Property, Plant and Equipment.

Trade and other receivables which are less than five months past due are not considered to be impaired. Included in the Group's trade receivables balance are debtors with a carrying value of R13.9 million (2017: R8.3 million) which are past due at the reporting date for which the Group has not provided an impairment as the amounts are still considered recoverable.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade and other receivables past due but not impaired				
120 days -	7 091	4 247	7 091	4 247
120 days +	6 759	4 064	6 759	4 064
Trade and other receivables impaired				
120 days -	-	58	3 750	1 903
120 days +	14 260	12 397	27 298	21 607
Reconciliation of allowance for impairment of trade and other receivables				
Opening balance	12 397	10 177	23 510	18 244
Allowance for impairment raised	1 863	2 220	7 538	5 266
	14 260	12 397	31 048	23 510

11. Non-current assets held for sale

The Company entered into an agreement on 22 June 2017 for the sale of three Boeing 737-400 Aircraft that had been retired or were scheduled to be retired within the coming year as part of the Company's fleet replacement programme. One aircraft was retired and sold at the end of May 2017 with the loss on the sale of aircraft being included in gain/(loss) on sale of fixed assets in the prior financial year. A further two aircraft were classified as held-for-sale at the previous year end, with these aircraft retired from service and sold at the end of September 2017 and January 2018 respectively. The overall profit on the disposal of these remaining two aircraft has been included in the gain/(loss) on remeasurement of non-current assets held for sale.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Fair value less costs to sell of aircraft	7 056	7 044	7 056	7 044
Carrying value of aircraft held for sale	7 044	18 314	7 044	18 314
Gain/(loss) on remeasurement to fair value less costs to sell	12	(11 270)	12	(11 270)

12. Share capital

	Group		Company	
	2018 '000	2017 '000	2018 '000	2017 '000
Authorised				
1 000 000 000 Ordinary shares of 1 cent each	10 000	10 000	10 000	10 000
75 000 000 'A' class shares of 1 cent each	750	750	750	750
1 000 000 Preference shares of 1 cent each	10	10	10	10
	10 760	10 760	10 760	10 760

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Issued				
Opening balance – ordinary shares of 1 cent each	4 693	4 693	4 693	4 693
Adjustment in respect of consolidation of Share Trust 4 244 464 (2017: 4 244 464)	(42)	(42)	-	-
	4 651	4 651	4 693	4 693

	Group		Company	
	2018	2017	2018	2017
Reconciliation of number of shares issued				
469 330 865 (2017: 469 330 865) ordinary shares of 1 cent each	469 330 865	469 330 865	469 330 865	469 330 865
Adjustment in respect of consolidation of Share Trust 4 244 464 (2017: 4 244 464)	(4 244 464)	(4 244 464)	-	-
	465 086 401	465 086 401	469 330 865	469 330 865

13. Interest-bearing liabilities

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Rand Merchant Bank				
Aircraft instalment sale agreement	146 659	179 383	146 659	179 383
Less: Finance raising fees	(6 414)	(7 866)	(6 414)	(7 866)
Instalment sale agreement payable in 40 quarterly instalments with the final payment due on 12 October 2022. Interest is charged at a variable rate – currently 8.2% (prior year: 8.6%). The current instalment is R11 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R274 million (prior year: R290 million).				
Aircraft instalment sale agreement	146 634	179 393	146 634	179 393
Less: Finance raising fees	(6 300)	(7 753)	(6 300)	(7 753)
Instalment sale agreement payable in 40 quarterly instalments with the final payment due on 12 October 2022. Interest is charged at a variable rate – currently 8.2% (prior year: 8.6%). The current instalment is R11 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R269 million (prior year: R284 million).				
Aircraft instalment sale agreement	131 713	162 863	131 713	162 863
Less: Finance raising fees	(5 754)	(7 135)	(5 754)	(7 135)
Instalment sale agreement payable in 40 quarterly instalments with the final payment due on 12 July 2022. RMB has entered into a selldown agreement with Nedbank for this loan. Interest is charged at a variable rate – currently 8.2% (prior year: 8.6%). The current instalment is R10 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R250 million (prior year: R262 million).				
Private Export Funding Corporation				
Aircraft instalment sale agreement	241 571	277 743	241 571	277 743
Less: Finance raising fees	(6 527)	(8 005)	(6 527)	(8 005)
A USD based aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on 15 November 2022. Interest is charged at a fixed rate of 2.35%. The current instalment is USD1 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R278 million (prior year: R295 million).				

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Investec Limited				
Mortgage finance agreement – Anchor Park	51 528	-	51 528	-
This mortgage finance agreement is payable in 84 monthly instalments with the final payment due on 28 February 2025. The facility is secured against a registered first ranking South African mortgage bond for an amount of R90 million, cession of all lease proceeds receivable in respect of the property, cession in security of insurance proceeds related to the property and limited recourse cross-guarantee from Alooca Properties Proprietary Limited in respect of Anchor Park Property. Interest is charged at a variable rate – currently 9.8%.				
Working capital loan – VAT facility	25 202	-	25 202	-
This loan forms part of a facility granted by the bank for the facilitation of VAT payments on aircraft imported into South Africa. Cross collateralisation of properties serves as security for this loan. There are no repayment terms and interest is charged quarterly at a variable rate – currently 9.5%. The loan was settled in full on 31 July 2018.				
Boeing 737-8 MAX	298 980	-	298 980	-
A facility for pre-delivery payments required for two new 737-8 MAX aircraft on order. The facility is secure by an assignment of the Aircraft Purchase Agreement in favour of Investec. The facility is repayable on delivery of the relevant aircraft. The facility is in US\$ and earns at a variable interest rate monthly – currently 4.8%. The first two aircraft are scheduled for delivery in January 2019 and February 2019 respectively.				
Aircraft instalment sale agreement	192 135	-	192 135	-
Aircraft instalment sale agreement payable in 84 monthly instalments with the final payment due on the 6 March 2025. Interest is charged at a variable rate – currently 10.1%. The current instalment is R3.6 million. One aircraft mortgage serves as collateral covering security with a net book value of R278 million. The aircraft is further secured by a cession in security of insurance proceeds and warranty agreements as well as a first priority South African mortgage bond over Erf 700, Rhodesfield in favour of the lender.				
Nedbank				
Aircraft instalment sale agreement	371 320	422 439	371 320	422 439
Less: Finance raising fees	(22 576)	(25 763)	(22 576)	(25 763)
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on the 6 August 2025. Interest is charged at a fixed rate of 9.4%. The current instalment is R21 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R465 million (prior year: R487 million).				

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Aircraft instalment sale agreement	420 354	476 282	420 354	476 282
Less: Finance raising fees	(25 109)	(28 572)	(25 109)	(28 572)
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on the 8 October 2025. Interest is charged at a fixed rate of 9.4%. The current instalment is R23 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R518 million (prior year: R541 million).				
Aircraft instalment sale agreement	495 612	559 895	495 612	559 895
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on the 11 February 2026. Interest is charged at a variable rate – currently 11.6% (prior year: 11.6%). The current instalment is R30 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R643 million (prior year: R674 million).				
Aircraft instalment sale agreement	469 463	524 887	469 463	524 887
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on the 30 November 2026. Interest is charged at a variable rate – currently 11.4% (prior year: 11.8%). The current instalment is R28 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R599 million (prior year: R628 million).				
Sub-total	2 918 491	2 697 791	2 918 491	2 697 791
Less: current portion	(741 896)	(352 865)	(741 896)	(352 865)
Non-current portion	2 176 595	2 344 926	2 176 595	2 344 926
Total value of interest-bearing liabilities	2 918 491	2 697 791	2 918 491	2 697 791
Future finance charges	919 091	1 076 631	919 091	1 076 631
Total interest-bearing liability commitments	3 837 582	3 774 422	3 837 582	3 774 422

Maturity analysis

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Total repayments for year one	953 586	629 973	953 586	629 973
Total repayments for years two to five	2 048 869	2 091 512	2 048 869	2 091 512
Total repayments after year five	835 127	1 052 937	835 127	1 052 937
Total repayments	3 837 582	3 774 422	3 837 582	3 774 422
Capital repayments for year one	741 896	352 865	741 896	352 865
Capital repayments for years two to five	1 460 478	1 423 240	1 460 478	1 423 240
Capital repayments after year five	716 117	921 686	716 117	921 686
Allocation of present valued amounts	2 918 491	2 697 791	2 918 491	2 697 791

14. Deferred taxation

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Deferred tax liability	(571 726)	(435 043)	(571 726)	(435 043)
Deferred tax asset	3 853	3 902	-	-
Net deferred tax liability	(567 873)	(431 141)	(571 726)	(435 043)

On temporary differences arising from:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Plant, equipment and intangible assets	(882 990)	(694 291)	(886 812)	(698 166)
Staff obligations and accruals	54 732	48 263	54 701	48 235
Unutilised ticket liability	87 428	90 330	87 428	90 330
Prepayments	(4 995)	(6 575)	(4 995)	(6 574)
Calculated tax loss	177 952	131 132	177 952	131 132
	(567 873)	(431 141)	(571 726)	(435 043)

Reconciliation of deferred tax asset/(liability)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
At beginning of year	(431 141)	(299 906)	(435 043)	(303 848)
Accelerated capital allowances on plant, equipment and intangible assets	(188 699)	(224 476)	(188 646)	(223 454)
Staff obligations and accruals	6 469	8 637	6 466	7 654
Unutilised ticket liability	(2 902)	(7 970)	(2 902)	(7 970)
Prepayments	1 580	(3 631)	1 579	(3 630)
Increase in tax loss available for set-off against future taxable income	46 820	96 205	46 820	96 205
	(567 873)	(431 141)	(571 726)	(435 043)

Recognition of deferred tax asset

There is an unrecognised deferred taxation asset in Kulula Air Proprietary Limited amounting to R4.8 million (2017: R2.9 million) on calculated assessed losses amounting to R17.2 million (2017: R10.5 million).

15. Trade and other payables

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Trade payables	839 937	749 532	820 587	732 419
VAT	17 397	13 971	17 131	13 771
Other payables	37 741	34 910	37 690	34 883
	895 075	798 413	875 408	781 073

Trade creditor terms vary, depending on the agreements. An average of 30 days from statement is fair. Average days outstanding is 56 days (2017: 53 days).

16. Provisions

Reconciliation of provisions – Group – 2018

	Opening balance R'000	Raised R'000	Utilised R'000	Total R'000
Leave pay provision	57 239	19 185	(12 052)	64 372
Bonus provision	59 596	100 340	(89 501)	70 435
	116 835	119 525	(101 553)	134 807

Reconciliation of provisions – Group – 2017

	Opening balance R'000	Raised R'000	Utilised R'000	Total R'000
Leave pay provision	53 470	14 162	(10 393)	57 239
Bonus provision	45 505	95 540	(81 449)	59 596
	98 975	109 702	(91 842)	116 835

Reconciliation of provisions – Company – 2018

	Opening balance R'000	Raised R'000	Utilised R'000	Total R'000
Leave pay provision	57 239	19 185	(12 052)	64 372
Bonus provision	59 566	100 260	(89 501)	70 325
	116 805	119 445	(101 553)	134 697

Reconciliation of provisions – Company – 2017

	Opening balance R'000	Raised R'000	Utilised R'000	Total R'000
Leave pay provision	53 667	13 947	(10 375)	57 239
Bonus provision	45 277	95 430	(81 141)	59 566
	98 944	109 377	(91 516)	116 805

In terms of the Group 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.

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 expected to be paid in September (prior year: September).

17. Share-based payments

On 1 July 2015, the Group granted 13 000 000 share appreciation rights (SARs) to the executive committee of the Group, in terms of the Group's share price-linked component of the Group's Long-term Incentive Scheme.

In terms of this scheme, Executive Directors and designated Senior Managers who were in the employ of the Group on or prior to 1 July 2015 and who are still in the employ of the Group as at 30 September 2018, participate in this long-term executive incentive scheme, with payment being made relating to both components of the scheme at the end of September 2018.

The share-price linked component applicable to the SARs will be based on the difference of the volume weighted-average share price of the Group, exceeding a strike price of R4.50 per share in each of the 2016, 2017 and 2018 financial years. These difference are further weighted at 10% for 2016, 20% for 2017 and 70% for 2018.

Details of the liability arising from the share-appreciation rights were as follows:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Balance as at 1 July	5 032	1 001	5 032	1 001
Current employee costs recognised in profit or loss	4 856	4 031	4 856	4 031
Balance as at 30 June	9 888	5 032	9 888	5 032

The following table illustrates the number and volume weighted average prices (VWAP) and movement in share options during the year:

Reconciliation of share appreciation rights – Group and Company

	2018		2017	
	Number of share options	VWAP (R)	Number of share options	VWAP (R)
Outstanding at the beginning of the year	13 000 000	4.69	13 000 000	2.95
Forfeited during the year*	(971 214)	5.78	-	-
Outstanding at the end of the year	12 028 786	5.62	13 000 000	4.69
Exercisable at the end of the year	12 028 786		-	

The following table illustrates the number and volume weighted average prices (VWAP) of the Director's share options:

Reconciliation of Director's share appreciation rights – Group and Company

	2018		2017	
	Number of share options	VWAP (R)	Number of share options	VWAP (R)
ER Venter	1 924 606	5.62	1 924 606	4.69
MN Louw	1 389 993	5.62	1 389 993	4.69
DH Borer	1 069 225	5.62	1 069 225	4.69
KE King	1 069 225	5.62	1 069 225	4.69
Total	5 453 049		5 453 049	
Exercisable at the end of the year	5 453 049			

The fair value of the share-based payment has been measured using Black-Scholes Option Valuation Model taking into account the terms and conditions upon which the instruments were granted; as well as taking into account the actual liability that has arisen at year-end at the conclusion of the vesting period.

The following table illustrates the significant inputs into the model to value the liability for the share-based payment:

	Group		Company	
	2018	2017	2018	2017
VWAP	R5.62	R4.69	R5.62	R4.69
Strike price	R4.50	R4.50	R4.50	R4.50
Vesting period	36 months	36 months	36 months	36 months
Risk-free rate	8.73%	8.82%	8.73%	8.82%
Dividend yield	3.23%	2.90%	3.23%	2.90%

* Options forfeited during the year relate to the retirement of a senior manager who participated in the long-term incentive scheme, on 31 March 2018.

18. Risk management

The Group finances its operations through a combination of accumulated profits, current borrowings and non-current borrowings. The main risks arising in the normal course of business from the Group's financial instruments are currency, interest rate, price 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 value of short-term financial instruments approximates fair value due to their short-term nature, and all interest-bearing financial liabilities carried at amortised cost bear interest at market-related rates. Hence the carrying values of these financial instruments equate to their fair values.

Identification of financial instruments

2018

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Assets				
Non-current assets				
Property, plant and equipment	-	-	5 509 614	5 509 614
Intangible assets	-	-	14 970	14 970
Investments in and loans to associates	-	-	52 645	52 645
Goodwill	-	-	13 169	13 169
Deferred taxation	-	-	3 853	3 853
Current assets				
Inventories	-	-	18 849	18 849
Trade and other receivables	190 815	-	133 813	324 628
Taxation	-	-	485	485
Cash and cash equivalents	685 437	-	-	685 437
Aircraft held for sale	-	-	-	-
Total assets	876 252	-	5 747 398	6 623 650

2018

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Equity and liabilities				
Capital and reserves				
Share capital	-	-	4 651	4 651
Accumulated profit	-	-	1 774 220	1 774 220
Non-controlling interest	-	-	929	929
Non-current liabilities				
Interest-bearing liabilities	-	2 176 595	-	2 176 595
Deferred taxation	-	-	571 726	571 726
Share-based payment	-	-	-	-
Current liabilities				
Trade and other payables	-	839 937	55 138	895 075
Unutilised ticket liability	-	-	312 244	312 244
Provisions	-	-	134 807	134 807
Interest-bearing liabilities	-	741 896	-	741 896
Taxation	-	-	1 619	1 619
Share-based payment	-	-	9 888	9 888
Total equity and liabilities	-	3 758 428	2 865 222	6 623 650

2017

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Assets				
Non-current assets				
Property, plant and equipment	-	-	4 631 326	4 631 326
Intangible assets	-	-	15 892	15 892
Investments in associates	-	-	45 296	45 296
Goodwill	-	-	6 615	6 615
Deferred taxation	-	-	3 902	3 902
Current assets				
Inventories	-	-	21 486	21 486
Trade and other receivables	121 777	-	129 729	251 506
Taxation	-	-	460	460
Cash and cash equivalents	934 913	-	-	934 913
Aircraft held for sale	-	-	7 044	7 044
Total assets	1 056 690	-	4 861 750	5 918 440

2017

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Equity and liabilities				
Capital and reserves				
Share capital	-	-	4 651	4 651
Accumulated profit	-	-	1 538 211	1 538 211
Non-controlling interest	-	-	(145)	(145)
Non-current liabilities				
Interest-bearing liabilities	-	2 344 926	-	2 344 926
Deferred taxation	-	-	435 043	435 043
Share-based payment	-	-	5 032	5 032
Current liabilities				
Trade and other payables	-	749 532	48 881	798 413
Unutilised ticket liability	-	-	322 609	322 609
Provisions	-	-	116 835	116 835
Interest-bearing liabilities	-	352 865	-	352 865
Taxation	-	-	-	-
Share-based payment	-	-	-	-
Total liabilities	-	3 447 323	2 471 124	5 918 440

Financial assets are substantially the same for the Group and the Company, however loans to subsidiaries and the Share Trust amount to R184 million (2017: R102 million) and are classified as loans and receivables.

Financial liabilities are substantially the same for the Group and the Company, however there are loans from subsidiaries and the Share Trust amounting to R5.4 million (2017: R1.7 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 managing the Group's exposure on long-term loans and placing surplus funds in investments that yield a market-linked return.

Management reviews the interest rate risk on an ongoing basis. Where new loans are entered into, management compares interest rates offered by various institutions and where considered more favourable, may enter into loans in foreign currency. The interest rate risk is viewed in conjunction with the foreign exchange risk.

The Group, as part of its financing activities, enters into foreign denominated interest-bearing loans. The foreign exchange rate exposure is monitored by management in conjunction with the interest rate exposure which would have been incurred had a Rand-denominated loan been taken out. Refer to sensitivity analysis below.

Credit risk

Credit risk relates to the potential of non-recovery of 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 forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained. The maturity profile of financial liabilities is as follows:

2018

	Carrying amount R'000	Contractual cash flows R'000	Within one year R'000	Two to five years R'000	More than five years R'000	No fixed terms R'000
Secured non-current borrowings	2 176 595	2 883 996	-	2 048 869	835 127	-
Secured short-term borrowings	741 896	953 586	953 586	-	-	-
Trade and other payables	839 937	839 937	839 937	-	-	-
Total financial liabilities – Group	3 758 428	4 677 519	1 793 523	2 048 869	835 127	-

2017

	Carrying amount R'000	Contractual cash flows R'000	Within one year R'000	Two to five years R'000	More than five years R'000	No fixed terms R'000
Secured non-current borrowings	2 344 926	3 144 449	-	2 091 512	1 052 937	-
Secured short-term borrowings	352 865	629 973	629 973	-	-	-
Trade and other payables	749 532	749 532	749 532	-	-	-
Total financial liabilities – Group	3 447 323	4 523 954	1 379 505	2 091 512	1 052 937	-

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. There are no open positions at year end.

	2018	2017
Exchange rates used for conversion of foreign items were:		
USD (spot at 30 June)	13.711	13.044
GBP (spot at 30 June)	18.118	16.963

Approximately 43% of operating costs are incurred and approximately 31% of revenue is based in foreign currency. The following uncovered foreign currency amounts are included in the Financial Statements at year end: net short-term liabilities of USD6 536 892 (2017: USD4 168 385) and GBP1 670 676 (2017: GBP1 065 675) and net short-term receivables of GBP4 830 079 (2017: GBP3 644 074).

The Group, as part of its financing activities, enters into foreign denominated interest-bearing loans. The foreign exchange rate exposure is monitored by management in conjunction with the interest rate exposure which would have been incurred had a Rand-denominated loan been taken out.

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's profits. The analysis is based on closing balances at year end.

Interest and related foreign currency amounts incurred on account of aircraft and other qualifying assets under construction are capitalised to the asset concerned and therefore do not affect profit or loss.

The movements are recognised in other property, plant and equipment until such time as the other qualifying asset is complete and the aircraft has been delivered and recognised, in which case these amounts are no longer recognised and are expensed in profit or loss when incurred.

The effect of the movement in the interest rate was only calculated for the estimated period that the loan will be outstanding.

The effects for the Company are not materially different from the Group and are not presented separately.

Group – 2018

	Foreign exchange risk profit/(loss) should the Rand exchange rate change by 5%				Interest rate risk profit/(loss) should the interest rate change by 2%		
	Carrying value R'000	Amount exposed to risk R'000	Rand appreciation R'000	Rand depreciation R'000	Amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000
Financial asset							
Trade and other receivables	190 815	31 944	(1 597)	1 597	-	-	-
Cash and cash equivalents	685 437	233 032	(11 652)	11 652	685 437	13 709	(13 709)
Impact of financial assets on:							
- profit before tax	-	-	(13 249)	13 249	-	13 709	(13 709)
- profit after tax	-	-	(9 539)	9 539	-	9 870	(9 870)
Financial liabilities							
Interest bearing liabilities	2 918 491	534 024	26 701	(26 701)	2 918 491	(58 370)	58 370
Trade and other payables	839 937	114 203	5 710	(5 710)	-	-	-
Impact of financial liabilities on:							
- profit before tax			32 411	(32 411)	-	(58 370)	58 370
- profit after tax			23 336	(23 336)	-	(42 026)	42 026
Overall impact on profit after taxation	-	-	13 797	(13 797)	-	(32 156)	32 156

Group – 2017

	Foreign exchange risk profit/(loss) should the Rand exchange rate change by 5%				Interest rate risk profit/(loss) should the interest rate change by 2%		
	Carrying value R'000	Amount exposed to risk R'000	Rand appreciation R'000	Rand depreciation R'000	Amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000
Financial asset							
Trade and other receivables	121 777	-	-	-	-	-	-
Cash and cash equivalents	934 913	327 202	(16 360)	16 360	934 913	18 698	(18 698)
Impact of financial assets on:							
- profit before tax	-	-	(16 360)	16 360	-	18 698	(18 698)
- profit after tax	-	-	(11 779)	11 779	-	13 463	(13 463)
Financial liabilities							
Interest bearing liabilities	2 697 791	269 738	13 487	(13 487)	2 697 791	(53 956)	53 956
Trade and other payables	749 532	87 374	4 369	(4 369)	-	-	-
Impact of financial liabilities on:							
- profit before tax	-	-	17 856	(17 856)	-	(53 956)	53 956
- profit after tax	-	-	12 856	(12 856)	-	(38 848)	38 848
Overall impact on profit after taxation	-	-	1 077	(1 077)	-	(25 386)	25 386

Capital risk management

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

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

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

The debt-to-adjusted-capital ratios at 30 June 2018 and 2017 were as follows:

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Total liabilities, excluding deferred taxation	4 272 124	3 940 680	4 256 174	3 925 023
Less: Cash and cash equivalents	(685 437)	(934 913)	(630 624)	(899 548)
Net debt	3 586 687	3 005 767	3 625 550	3 025 475
Adjusted equity	1 779 800	1 542 717	1 653 529	1 454 698
Adjusted capital ratio	2.02:1	1.95:1	2.19:1	2.08:1

19. Revenue

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Flight revenue	6 172 897	5 761 093	6 172 897	5 761 174
Rendering of services	285 553	230 375	261 617	223 491
Commissions received	65 265	62 570	52 773	52 415
Other	12 825	9 699	6 447	3 766
	6 536 540	6 063 737	6 493 734	6 040 846

20. Profit from operations

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Operating expenses are stated after incorporating the following items:				
Auditors' remuneration	1 941	1 600	1 848	1 470
Managerial, technical, administrative and secretarial services	62 817	44 325	62 283	44 325
Directors' remuneration (included in total staff costs)				
- for services as Directors and related committee work	3 762	3 462	3 762	3 462
- for managerial and other services	20 417	18 621	20 417	18 621
- retirement and medical benefits	1 901	1 662	1 901	1 662
- long-term incentive profit component	3 661	-	3 661	-
- share-based payments – 2016 Scheme	4 483	4 031	4 483	4 031
	34 224	27 776	34 224	27 776

Only Directors are considered key management. A comprehensive breakdown per Director is included in the Report of Directors on pages 88 to 89.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Rentals under operating leases				
Property				
- Straightlined amounts	40 794	37 023	45 006	38 069
Equipment and vehicles				
- Straightlined amounts	4 987	5 003	4 877	4 857
Aircraft leases				
- Straightlined amounts	243 738	223 781	243 738	223 781
	289 519	265 807	293 621	266 707
Employment costs	1 052 582	929 587	1 047 500	927 351
Contributions to defined contribution funds	80 256	72 302	80 256	72 302
Total staff costs	1 132 838	1 001 889	1 127 756	999 653
Number of employees	2 206	2 105		
Impairments				
Debtor in subsidiary	-	-	6 750	3 342
Profit/(loss) on exchange differences	25 129	38 958	25 129	38 958
Share-based payment expense	4 856	4 031	4 856	4 031

21. Dividend income

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Investment in associate	-	-	5 630	-
	-	-	5 630	-

22. Interest income

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Bank interest	36 611	46 704	33 869	45 234
South African Revenue Service	-	2 966	-	2 966
	36 611	49 670	33 869	48 200

23. Interest expense

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Total interest paid	255 847	263 589	255 650	263 580
Bank interest	248 938	250 377	248 741	250 368
Interest capitalised to pre-delivery payments	6 909	13 212	6 909	13 212
Less: amount capitalised as borrowing costs (See note 3)	(6 909)	(13 212)	(6 909)	(13 212)
Net interest	248 938	250 377	248 741	250 368

24. Taxation

Major components of the tax expense

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Current				
Local income tax – current period	8 902	4 269	-	-
Local income tax – prior periods	-	2 213	-	2 213
Deferred				
Deferred tax – current	136 731	131 235	136 683	131 195
Deferred tax – prior year adjustment	-	-	-	-
	145 633	137 717	136 683	133 408

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group		Company	
	2018	2017	2018	2017
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Income from equity accounted investments	(0.77%)	(0.57%)	-	-
Disallowable expenditure	3.77%	3.44%	4.18%	4.23%
Tax loss utilised	(0.09%)	-	-	-
Current tax for prior periods	-	0.51%	-	0.55%
	30.91%	31.38%	32.18%	32.78%

No provision has been made for 2018 tax, as the Company has no taxable income. The estimated tax loss available for set off against future taxable income is R637.6 million (2017: R468.3 million).

25. Earnings per share

	Group	
	2018	2017
	R'000	R'000
Reconciliation of profit or loss for the year to basic earnings		
Earnings attributable to ordinary shareholders	324 537	296 023
Less: IAS 16 profit on disposal of property, plant and equipment	(2 085)	-
Add: taxation effect of profit on disposal	584	-
Add: IAS 16 loss on disposal of property, plant and equipment	-	10 574
Less: taxation effect of loss on disposal	-	(2 961)
Less: IFRS 5 impairment on remeasurement of non-current assets held for sale	(12)	
Add: taxation effect of IFRS 5 impairment on remeasurement of non-current assets held for sale	3	
Add: IFRS 5 impairment on remeasurement of non-current assets held for sale	-	11 270
Less: taxation effect of IFRS 5 impairment on remeasurement of non-current assets held for sale	-	(3 156)
Headline earnings attributable to ordinary shareholders	323 027	311 751
Ordinary shares in issue ('000)	469 331	469 331
Adjustment in respect of consolidation of Comair Share Incentive Trust ('000)	(4 242)	(4 242)
Weighted ordinary shares in issue ('000)	465 089	465 089
Earnings per share (cents)	69.8	63.7
Headline earnings per share (cents)	69.5	67.0
Diluted earnings per share (cents)	69.8	63.7
Diluted headline earnings per share (cents)	69.5	67.0
Dividends per share paid (cents)	19.0	18.0

26. Cash generated from operations

	Group		Company	
	2018	2017	2018	2017
	R'000	R'000	R'000	R'000
Profit before taxation	471 244	434 687	424 687	407 368
Adjustments for:				
Depreciation and amortisation	443 237	456 281	442 335	455 964
(Profit)/loss on sale of assets	(2 085)	10 574	(1 656)	10 574
Income from equity accounted investments	(12 979)	(8 874)	-	-
Interest received – investment	(36 611)	(49 670)	(33 869)	(48 200)
Interest expense	248 938	250 377	248 741	250 368
Impairment of subsidiary loan	-	-	5 875	1 340
Unrealised foreign exchange gains and losses	12 056	(39 944)	12 056	(39 580)
(Gain)/loss on remeasurement of non-current assets held for sale	(12)	11 270	(12)	11 270
Non-cash movement in provisions	17 972	17 860	17 892	17 862
Non-cash share-based payments movement	4 856	4 031	4 856	4 031
Other non cash-flow items	12 414	-	12 414	-
Changes in working capital:				
Inventories	2 637	242	3 009	504
Trade and other receivables	(71 455)	98 267	(72 154)	99 799
Trade and other payables	82 617	(36 013)	83 970	(41 974)
	1 172 829	1 149 088	1 148 144	1 129 326

27. Taxation refunded/(paid)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Balance at beginning of the year	460	29 010	-	29 268
Current tax for the year recognised in profit or loss	(8 902)	(6 482)	-	(2 213)
Interest received	-	2 966	-	2 966
Balance at end of the year	1 134	(460)	-	-
	(7 308)	25 034	-	30 021

28. Reconciliation of interest-bearing liabilities arising from financing activities

	Group	Company
	2018 R'000	2018 R'000
Opening balance	2 697 791	2 697 791
Long-term	2 344 926	2 344 926
Short-term	352 865	352 865
Raised	603 594	603 594
Cash	240 989	240 989
Non-cash deposit	12 689	12 689
Non-cash	349 916	349 916
Repayment	(682 362)	(682 362)
Capital only	(426 515)	(426 515)
Interest	(255 847)	(255 847)
Interest	255 847	255 847
Cash	255 847	255 847
Non-cash	-	-
Remeasurement – non-cash	43 621	43 621
Revaluation of USD aircraft loan	12 056	12 056
Revaluation pre-delivery payment facility	19 392	19 392
Amortisation of finance fees	12 414	12 414
Other	(241)	(241)
	2 918 491	2 918 491
Closing balance	2 918 491	2 918 491
Long-term	2 176 595	2 176 595
Short-term	741 896	741 896

29. Commitments and contingencies

Group and Company capital commitments and contingencies

Comair made pre-delivery payments of R368 million in the current year (prior year: R132 million), in addition to R102 million in preceding years towards the purchase of eight Boeing 737-8 MAX aircraft due for delivery from 2019 to 2022. At year-end, the Group had a remaining commitment to Boeing of R5.5 billion (prior year: R5.7 billion), payable from 2019 to 2022. The funding of this pre-delivery payment finance has been mandated to Investec Bank.

Expected cash flows in relation to commitments

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Financial year 2018	-	876 184	-	801 184
Financial year 2019	1 428 371	393 938	1 428 371	393 938
Financial year 2020	948 671	-	948 671	-
Financial year 2021	1 454 471	-	1 454 471	-
Financial year 2022	1 717 011	-	1 717 011	-
	5 548 524	1 270 122	5 548 524	1 195 122

Operating lease commitments

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Aircraft				
Commitments for year one	296 989	249 061	296 989	249 061
Commitments for years two to five	1 285 852	670 151	1 285 852	670 151
Commitments after year five	336 971	50 204	336 971	50 204
	1 919 812	969 416	1 919 812	969 416

Leasing arrangements – Aircraft

Generally medium-term (five-year) leasing agreements on aircraft.

The Group has eight USD denominated leases averaging USD190 000 per month, which have no escalation clauses. The Group has entered into four additional leases, commencing from April 2019 for an average of USD267 000 per month per lease, which have no escalation clauses. These leases are included in the operating lease commitments outlined above.

Contingent assets

The Company's claim against South African Airways SOC Limited for damages, arising from anti-competitive conduct, was heard in the Gauteng South High Court between 18 April and 24 August 2016. Judgement in this matter was handed down on 15 February 2017. In terms of the judgement, Comair was awarded damages in the sum of R554 million, with a similar additional amount being awarded in respect of interest and costs, resulting in total damages of approximately R1.16 billion. SAA lodged an appeal against this judgement. Comair lodged a cross appeal to recover the full amount of the damages we sustained plus interest on the total amount, which if successful, will increase the damages awarded to approximately R2.0 billion. The Appellate Court required the High Court papers be summarised, which process has been completed and it is anticipated that the appeal will be heard in early 2019. Interest continues to accrue until the date of payment.

Guarantees

The Company has guaranteed R12.5 million (2017: R12.5 million) in favour of the Air Traffic and Navigation Services, R638 000 (2017: R638 000) in favour of the SA Insurance Company, USD19 000 (2017: USD19 000) in favour of the Indian Air Force, GBP500 000 (2017: GBP500 000) in favour of St Helena Island and USD1 million (2017: nil) in favour of Lufthansa Technik AG.

30. Share Incentive Trust

Staff Share Incentive Scheme (Excluding BEE Equity-settled, share-based payment)

In terms of the Staff Share Incentive Scheme, shares are offered on an option or outright sale basis. Options vest over a period of one to five years. All options must be taken up by way of purchase by no later than ten 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 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 must be converted into shares.

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% of issued share capital in Comair Limited. Currently the scheme holds 0.9% (prior year: 0.9%) of issued share capital. The maximum number of options to be held by any participant in the scheme shall not exceed 1% (4.2 million shares) of the ordinary shares then in issue.

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

	2018	2018	2017	2017
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance at the beginning of period	-	-	741 334	1.55
Options exercised during the period	-	-	(741 334)	-
Balance at the end of the period	-	-	-	-

There are no options outstanding at 30 June 2018.

31. Related parties

Subsidiaries	Inspect note 6 for investments in subsidiaries
Associates	Inspect note 7 for investments in associates
Share Incentive Trust	Inspect note 5 for the details
Directors	Inspect Directors remuneration on pages 88 to 89 of the Report of Directors

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loan accounts – Owning (to)/by related parties				
Related party balances				
Alooca Properties Proprietary Limited	-	-	156 224	82 625
Aconcagua 32 Investments Proprietary Limited	-	-	(3 270)	(1 713)
Kulula Air Proprietary Limited – net of impairment	-	-	-	-
Comair Share Incentive Trust	-	-	(72)	571
Comair Retail Travel Services Proprietary Limited	-	-	38	751
Comair Catering Proprietary Limited	-	-	103	72
Comair Air Cargo Proprietary Limited	-	-	19	7
EPT Aviation Training Proprietary Limited	-	-	(2 104)	-
Amounts included in trade receivables (trade payables) regarding related parties				
Kulula Air Proprietary Limited	-	-	19 359	12 609
Kulula Air Proprietary Limited – Impairment allowance	-	-	(19 359)	(12 609)
Kulula Air Proprietary Limited	-	-	(31)	(65)
Comair Retail Travel Services Proprietary Limited	-	-	(31 134)	(32 387)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loan accounts – Owing (to)/by related parties				
Related party transactions				
Rent paid to related parties				
Aconcagua 32 Investments Proprietary Limited	-	-	2 212	2 011
Alooca Properties Proprietary Limited	-	-	7 274	3 005
Dividends paid to related parties				
Comair Share Incentive Trust	-	-	645	704
Catering costs paid to related parties				
Highly Nutritious Food Company Proprietary Limited	-	-	6 246	3 496
Service recovery				
Kulula Air Proprietary Limited	-	-	(3 980)	(3 092)

32. Retirement benefits

Post-retirement benefits

The Group contributes to the Old Mutual Superfund which is governed by the Pension Funds Act (Act No. 24 of 1956). The fund covers the majority of its employees and is a defined contribution scheme. Contributions paid by the Group companies are charged against income as incurred.

33. Subsequent events

Comair acquired 100% of the issued share capital of the leadership development consultancy company, Metaco Holdings Proprietary Limited. Metaco's focus is on strategic development, organisational design and change management.

Its client base includes boards, leadership teams and individuals across a range of industries, in the public and private sector. Metaco offers a range of coaching and training modules for individuals and groups, developed in line with international best practice.

The transaction is effective 1 July 2018, with the purchase consideration of R12.8 million being settled in cash, with the remainder being earned based on cumulative Net Profit after Taxation for the period from the effective date until the sixth anniversary of the effective date, less 25%, being the deemed portion of the Net Profit After Taxation that the sellers agree will be attributable to the Purchaser becoming a shareholder of Metaco Holdings Proprietary Limited.

The below table summarises the provisional amount of assets acquired and liabilities assumed at the effective date:

	Group 2018 R'000
Purchase consideration	12 860
The provisional summarised assets and liabilities arising from the acquisitions are as follows:	
Total assets	3 287
Total liabilities	(1 940)
Fair value of net assets	1 347
Goodwill	11 513
Total purchase consideration	12 860
Purchase consideration	(12 860)
- Settled in cash	(12 860)
Cash and cash equivalents in subsidiaries acquired	2 010
Cash outflow on acquisition	(10 850)

The above information is based on preliminary provisional information and is subject to change pending the finalisation of the purchase price accounting, which will be completed within 12 months of the acquisition as defined in the applicable accounting standard.

Comair also entered into a joint arrangement with an information technology company named Infinea SA Holdings Proprietary Limited to launch a new company, resulting in a joint venture, named Nacelle Proprietary Limited. The joint venture is a continuation of the Group's diversification strategy and has resulted in Comair moving its IT department into a separate entity that will provide a variety of IT related services.

The vision of the joint venture is to develop and build the next generation of operationally tested solutions for the Group, as well as for other industries that benefit from similar technology driven solutions. The transaction is effective 1 August 2018.

No other matters have occurred between the reporting date and the date of approval of the Financial Statements which would have a material effect on these Financial Statements.

34. Business combinations

2018

EPT Aviation Training Proprietary Limited and Global Training College South Africa Proprietary Limited

On 11 December 2017, the Group acquired 100% of the share capital in EPT Aviation Training Proprietary Limited and 100% of the share capital in Global Training College South Africa Proprietary Limited. These acquisitions were acquired for an aggregate consideration of R8.5 million, which was settled with cash and by an amount payable.

The acquired businesses contributed revenues of R12.8 million and net profit after tax of R4.6 million to the Group since acquisition.

These amounts have been calculated using the Group's accounting policies.

If the businesses had been acquired on 1 July 2017, revenues and net profits after tax from the businesses would have been R17.6 million and R5.1 million respectively.

	Group
	2018
	R'000
Purchase consideration	8 480
The provisional assets and liabilities arising from the acquisitions are as follows:	
Property, plant and equipment	2 012
Trade and other receivables	1 038
Cash and cash equivalents	5 076
Current Tax	132
Financial Liabilities	(74)
Trade and other payables	(3 680)
Shareholder loans	(2 578)
Fair value of net assets	1 926
Goodwill	6 554
Total purchase consideration	8 480
Purchase consideration	(8 480)
- Settled in cash	(6 376)
- Settled in amount payable	(2 104)
Cash and cash equivalents in subsidiaries acquired	5 076
Cash outflow on acquisition	(1 300)

The goodwill arises from the expected synergies from the acquisitions.

35. New accounting pronouncements

Standard	Details of amendments	Annual periods beginning on or after	Expected impact
IFRS 2 Share-based payment	<p>Classification and Measurement of Share-based Payment Transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments.</p> <p>The amendments address:</p> <ul style="list-style-type: none"> - The effects of vesting conditions on the measurement of a cash-settled share-based payment; - The accounting requirements for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and - Classification of share-based payment transactions with net settlement features. 	1 January 2018	The Group has adopted the amendment with effect from 1 July 2018. The impact of this amendment on the Group's Financial Statements has been assessed and it is expected that there will be no material impact on the Group's Financial Statements. Therefore, no transition adjustments are expected to be processed to retained earnings.
IFRS 3 Business Combinations	<ul style="list-style-type: none"> - Annual Improvements 2015–2017 Cycle: Clarification that when an entity obtains control of a business that is a joint operation, it is required to re-measure previously held interests in that business. 	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IFRS 9 Financial Instruments	<p>A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:</p> <ul style="list-style-type: none"> - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as fair value through other comprehensive income in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. - The new model introduces a single impairment model being applied to all financial instruments, as well as an expected credit loss model for the measurement of financial assets. - IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. - IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39. 	1 January 2018	The Group has adopted the amendment with effect from 1 July 2018. The impact of this amendment on the Group's Financial Statements has been assessed and it is expected that there will be no material impact on the Group's Financial Statements. Therefore, no transition adjustments are expected to be processed to retained earnings. However, it is expected that there will be additional disclosure in the Group's Financial Statements.
IFRS 9 Financial Instruments	Pre-payment Features with Negative Compensation. The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IFRS 10 Consolidated Financial Statements	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.

Standard	Details of amendments	Annual periods beginning on or after	Expected impact
IFRS 11 Joint Arrangements	Annual Improvements 2015–2017 Cycle: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IFRS 15 Revenue from Contracts with Customers	<p>New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. 1 January 2018.</p> <p>The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.</p> <p>The new standard supersedes:</p> <ul style="list-style-type: none"> - IAS 11 Construction Contracts; - IAS 18 Revenue; - IFRIC 13 Customer Loyalty Programmes; - IFRIC 15 Agreements for the Construction of Real Estate; - IFRIC 18 Transfers of Assets from Customers; and - SIC-31 Revenue—Barter Transactions Involving Advertising Services. 	1 January 2018	<p>The Group has adopted the amendment with effect from 1 July 2018. The impact of this amendment on the Group's Financial Statements has been assessed and it is expected that there will be no material impact on the Group's Financial Statements. Therefore, no transition adjustments are expected to be processed to retained earnings. However, it is expected that there will be additional disclosure in the Group's Financial Statements.</p>
IFRS 16 Leases	<p>New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.</p> <p>IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.</p> <p>IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</p> <p>IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</p>	1 January 2019	<p>The impact of this amendment on the Group's Financial Statements has been assessed and is expected to have a material impact on the Group's Financial Statements and is further detailed below:</p> <p>On 1 July 2019, the Group is expected to recognise a right-of-use asset of approximately R1.2 billion, as well as a corresponding lease liability of approximately R1.2 billion.</p> <p>Consequently, for the year ended 30 June 2020, it is anticipated that the Group will incur additional depreciation of approximately R125.5 million on the right-of-use asset recognised, in addition to incurring additional interest expense of R343.6 million on the lease liability.</p> <p>However, due to the operating lease payments no longer being recognised in Profit or Loss, it is anticipated that the Group's EBITDA will increase by approximately R421.3 million, resulting in a net decrease of approximately R47.8 million in Profit before tax.</p>

Standard	Details of amendments	Annual periods beginning on or after	Expected impact
IFRS 16 Leases (continued)	IFRS 16 supersedes the following Standards and Interpretations: <ul style="list-style-type: none"> - IAS 17 Leases; - IFRIC 4 Determining whether an Arrangement contains a Lease; - SIC-15 Operating Leases – Incentives; and - SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. 		As the majority of the Group's operating leases are dollar denominated aircraft leases, and owing to the volatility of the Group's functional currency, these amounts, where applicable, have been assessed using the Group's closing USD exchange rate, and may differ on the date of adoption. Furthermore, the foreign exchange differences that will arise on the restatement of the lease liabilities cannot be accurately determined at this stage.
IAS 12 Income Tax	Annual Improvements 2015–2017 Cycle: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19): The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IAS 23 Borrowing Costs	Annual Improvements 2015–2017 Cycle: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019	The impact of this amendment on the Group's Financial Statements is still being assessed.
IAS 28 Investments in Associates and Joint Ventures	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice	The impact of this amendment on the Group's Financial Statements will be assessed once an effective date has been communicated. However, it is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IAS 28 Investments in Associates and Joint Ventures	Long-term interest in Associates and Joint Ventures: Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	1 January 2018	The group has adopted the interpretation with effect from 1 July 2018. The impact of this interpretation on the Group's Financial Statements has been assessed and there is no material impact on the Group's Financial Statements.
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes.	1 January 2019	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.

NOTICE OF ANNUAL GENERAL MEETING

Important notice to foreign shareholders and prospective investors

Foreign shareholders and prospective investors in Comair limited ("Comair") should note that the airline industry in South Africa is subject to extensive government and regulatory oversight relating to, amongst other things, restrictions on foreign ownership. Sections 16(4)(c) and 19(a) of the Air Services Licensing Act, No. 115 of 1990, ("Act") requires that a minimum of 75% of the voting rights in a licensee must be held by residents of South Africa ("Foreign Ownership Restriction"). In order to ensure that Comair (as a licensed air services operator in South Africa), remains compliant with the foreign ownership restriction, Comair has adopted a variable voting share structure in terms of which the voting rights attached to each ordinary share held by foreign shareholders will be decreased proportionately if (i) the number of ordinary shares held by foreign shareholders on the record date of any shareholders' meeting exceed 24.99% or (ii) the total number of votes cast by or on behalf of foreign shareholders at such a meeting exceed 24.99% such that the voting rights of foreign shareholders do not, in aggregate, exceed 24.99%. Foreign shareholders and prospective investors are referred to the Comair's Memorandum of Incorporation and website (www.comair.co.za) for further details. If foreign shareholders or prospective investors are in any doubt as to what action to take they should seek advice from their broker, attorney or other professional adviser.

A member of the Company entitled to attend and vote at the below-mentioned AGM is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. Meeting attendees will be required to provide reasonably satisfactory identification before being allowed to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid South African identity documents, driver's licences and passports.

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 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 ("the AGM") of shareholders of the Company will be held at Comair's Operations Building, Corner Whirlwind and Fortress Roads, Rhodesfield, 1619, on Friday, 16 November 2018 at 12h00 to consider, and if deemed fit, to pass the ordinary and special resolutions set out below, with or without modification/s.

This notice has been sent to shareholders of the Company who were recorded as such in the Company's Security Register on Friday, 21 September 2018, 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.

Agenda

Presentation of the audited Financial Statements of the Company, including the reports of the Directors and the Audit Committee for the year ended 30 June 2018. The Integrated Annual Report, of which this notice forms part, contains the Consolidated Financial Statements and the aforementioned reports. The Financial Statements, including the unmodified Audit Opinion, are available on the Company's website at www.comair.co.za, or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

Electronic Participation

Shareholders or their proxies are able to attend, but not participate and vote at the Annual General Meeting by way of a teleconference call. Should you wish to make use of this facility, please contact Derek Borer at e-mail: derek.borer@comair.co.za, by no later than 12h00 on Wednesday, 14 November 2018. Shareholders will:

- Be required to provide reasonably satisfactory identification; and
- 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 Number 1

RESOLVED THAT the Audited Annual Financial Statements, together with the Report of the Directors of the Company ("the Board"), the Independent Auditor's Report and the report by the Audit Committee of the Company and the Group for the year ended 30 June 2018, be and are hereby received and adopted.

Reason and effect of Ordinary Resolution Number 1

The reason for and the effect of Ordinary Resolution Number 1 is to adopt the complete Audited Annual Financial Statements of the Group and Company, including the Report of the Board, the Independent Auditor's Report and the report by the Audit Committee of the Company and the Group for the year ended 30 June 2018.

2. Re-appointment of External Auditors

Ordinary Resolution Number 2

RESOLVED THAT the re-appointment of Grant Thornton Johannesburg Partnership ("Grant Thornton"), as nominated by the Company's Audit Committee, as independent external auditors of the Company, be and is hereby approved until the conclusion of the next AGM.

Reason and effect of Ordinary Resolution Number 2

The reason for and the effect of Ordinary Resolution Number 2 is to re-appoint Grant Thornton as the auditors of the Company to hold office until the conclusion of the next AGM. The Company's Audit Committee has recommended, and the Board has endorsed, the above re-appointment.

3. Re-election of Directors

Directors Retiring by Rotation

Ordinary Resolution Number 3.1

RESOLVED THAT Mr Martin Darryl Moritz, a Non Executive Director, who retires in terms of the Company's Memorandum of Incorporation ("MOI") and who, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company.

Ordinary Resolution Number 3.2

RESOLVED THAT Mr Erik Rudolf Venter, an Executive Director, who retires in terms of the Company's MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company.

Ordinary Resolution Number 3.3

RESOLVED THAT Ms Kirsten Emily King, an Executive Director, who retires in terms of the Company's MOI and who, being eligible, offers herself for re-election, be and is hereby re-elected as a Director of the Company.

Directors Appointed During the Year

Ordinary Resolution Number 3.4

RESOLVED THAT Ms Njabulo Bongekile Sithole, who was appointed to the Board as an Independent Non-Executive Director with effect from 1 October 2017, and who retires in terms of the Company's MOI and who, being eligible, offers herself for re-election, be and is hereby re-elected as a Director of the Company.

Ordinary Resolution No. 3.5

RESOLVED THAT Mr Sean Liam Doyle, who was appointed to the Board as an Independent Non-Executive Director with effect from 1 December 2017, and who retires in terms of the Company's MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company.

Reasons and effect of Ordinary Resolution Numbers 3.1 to 3.5

The reasons for and the effect of Ordinary Resolution Numbers 3.1 to 3.5 is to re-elect, by way of separate resolutions, Mr Martin Darryl Moritz, Mr Erik Rudolf Venter, Ms Kirsten Emily King, Ms Njabulo Bongekile Sithole and Mr Sean Liam Doyle as Directors of the Company.

In terms of Article 41 of the Company's MOI, one third of the Company's Directors are required to retire at every AGM. These Directors may offer themselves for re-election. In addition, in terms of Article 40 of the Company's MOI, a person appointed to fill a vacancy or appointed as an additional Director shall retire at the AGM but may offer himself/herself for re-election. The Board recommends to the shareholders the re-election of the Directors mentioned above. A brief CV of each Director appears on pages 155 to 158 of this Integrated Annual Report of which this notice forms part.

4. Election of Members of the Audit Committee

Ordinary Resolution Number 4.1

RESOLVED THAT Mr Naran Maharajh, who is as an Independent Non-Executive Director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2019.

Ordinary Resolution Number 4.2

RESOLVED THAT Mr Ronnie Siboniseni Ntuli, who is an Independent Non-Executive Director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2019.

Ordinary Resolution Number 4.3

RESOLVED THAT Ms Phuti Mahanyele, who is an Independent Non-Executive Director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2019.

Ordinary Resolution Number 4.4

RESOLVED THAT, subject to the election of Ms Njabulo Bongekile Sithole, as an Independent Non-Executive Director of the Company pursuant to Ordinary Resolution 3.4, Ms Njabulo Bongekile Sithole be and is hereby elected as a member of the Company's Audit Committee for the financial year end 30 June 2019.

Ordinary Resolution Number 4.5

RESOLVED THAT, subject to the election of Mr Sean Liam Doyle, as an Independent Non-Executive Director of the Company pursuant to Ordinary Resolution 3.5, Mr Sean Liam Doyle be and is hereby elected as a member of the Company's Audit Committee for the financial year end 30 June 2019.

Reasons for and effect of Ordinary Resolution Numbers 4.1 to 4.5

The reason for and the effect of Ordinary Resolution Numbers 4.1 to 4.5 is to elect, by way of separate resolutions, Mr Naran Maharajh, Mr Ronnie Siboniseni Ntuli, Ms Phuti Mahanyele, Ms Njabulo Bongekile Sithole and Mr Sean Liam Doyle as members of the Audit Committee of the Company.

A brief CV of each of the Directors mentioned above is included on pages 155 to 158 of the Integrated Annual Report of which this notice forms part. As is evident from the CVs of these Directors, each of the proposed members of the Audit Committee has the required qualifications and/or experience to fulfil his/her duties.

5. Non-binding Endorsement of Company Remuneration Policy

RESOLVED THAT the shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out on pages 73 to 74 of the Integrated Annual Report.

Reason for and effect of non-binding endorsement

The reason for and the effect of Ordinary Resolution number 5 is that King IV recommends that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders.

6. Non-binding Advisory Vote on the Company's Implementation Report on the Remuneration Policy.

RESOLVED THAT the Company's implementation report with regard to the remuneration policy, as set out on pages 73 to 74 of the Integrated Annual Report, be and is hereby endorsed by way of a non-binding vote.

Reason for and effect of non-binding advisory vote

King IV recommends that the implementation report on a Company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each Annual General Meeting of the Company. This enables shareholders to express their views on the implementation of a Company's remuneration policy. The effect of this resolution, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy. This resolution is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation.

Special Resolutions

7. Approval of Non-Executive Directors' Remuneration – 2017/18

Special Resolution Number 1

RESOLVED THAT the joint remuneration of the Non-Executive Directors for their services as Directors of the Company in the amount of R3 762 000 for the financial year ended 30 June 2018 be and is hereby approved.

Reasons for and effect of Special Resolution Number 1

The reason for and the effect of Special Resolution Number 1 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 2018. The fees payable to Non-Executive Directors are based on a fixed annual retainer. The Chairperson and members of every Committee of the Board, however, are paid an additional fee for each Committee meeting chaired and/or attended up until the end of the 2018 financial year. No fees are payable to Mr Sacks, Mr N Li, Mr C Luo and Mr Sean Doyle. Mr van Hoven, in addition to being the Chairperson of the Board and the Nominations Committee, is also Chairman of the Comair Pension Fund and as such, is paid a fee

for each Pension Fund Trustee meeting attended, which fees were approved by the Company's shareholders at the previous AGM on 28 November 2017. The fees payable to each Director, and further details on the basis of calculation of the remuneration, are respectively included in the Report of the Directors on pages 88 to 89, and in the Remuneration Report on pages 75 to 76 of this Integrated Annual Report of which this notice forms part.

8. Approval of Non-Executive Directors' Remuneration – 2018/19

Special Resolution Number 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 ending 30 June 2019.

	30 June 2019	30 June 2018
Chairperson of the Board	R1 592 830	R1 516 981
Deputy Chairperson (2)	R464 576	R442 453
Non-Executive Directors (5)	R199 104	R189 623
Chairperson of each sub-committee, per sub-committee meeting held	R17 256	R16 434
Members of each sub-committee, per sub-committee held	R8 628	R8 217
Chairperson of Pension Fund Board	R17 256	R16 434

Reasons for and effect of Special Resolution Number 2

The reason for and the effect of Special Resolution Number 2 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 2019. The fees payable to Non-Executive Directors are based on a fixed annual retainer. The Chairperson and members of each sub-committee, however, will be paid an additional fee for each sub-committee meeting held, subject to attendance at the sub-committee meeting. No fees are payable to Mr Sacks, Mr N Li, Mr C Luo and Mr Sean Doyle. Mr van Hoven, in addition to being Chairperson of the Board and the Nominations Committee, is also Chairman of the Comair Pension Fund and as such is 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 page 76 of the Integrated Annual Report of which this notice forms part.

9. General Authority to Repurchase Shares

Special Resolution Number 3

- 9.1 RESOLVED THAT the Board is hereby authorised, by way of a renewable general authority, to approve the purchase of its own ordinary shares by the Company, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, provided that:
- 9.1.1 the Company or the relevant subsidiary is authorised thereto by its MOI;
 - 9.1.2 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 fifteen percent (15%) 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;
 - 9.1.3 at any point in time, the Company may only appoint one agent to effect any repurchases on the Company's behalf;
 - 9.1.4 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 counterparty (reported trades are prohibited);

- 9.1.5 this general authority shall only be valid until the date of the next AGM or for fifteen (15) months from the date of passing of this Special Resolution Number 3, whichever is the shorter;
- 9.1.6 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;
- 9.1.7 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 to the JSE in writing prior to the commencement of the prohibited period;
- 9.1.8 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.
- 9.2 In terms of the general authority given under this special resolution, any repurchase of ordinary shares shall be subject to:
- 9.2.1 any applicable exchange control regulations and approval at that point in time;
- 9.2.2 the Companies Act;
- 9.2.3 the JSE Listings Requirements and any other applicable stock exchange rules, as may be amended from time to time;
- 9.2.4 the sanction of any other relevant authority whose approval is required in law; and
- 9.2.5 a resolution by the Board and/or the relevant subsidiary of the Company confirming that the Board of the Company and/or of such relevant subsidiary has authorised the repurchase, that the Company and/or the relevant subsidiary has 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. After having considered the effect of any repurchases of ordinary shares pursuant to this general authority, the Board, in terms of the Companies Act and the JSE Listings Requirements, confirms and undertakes that it will not implement the proposed authority to repurchase the shares unless it is of the opinion that:

- the Company and the Group will be in a position to repay its debt in the ordinary course of business for a period of twelve (12) months after the date of the general repurchase;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group for a period of twelve (12) months after the date of the general repurchase;
- the share capital and reserves of the Company and the Group will be adequate for a period of twelve (12) months after the date of the general repurchase;
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of twelve (12) months after the date of the general repurchase.

Reason for and effect of Special Resolution Number 3

The reason for and the effect of Special Resolution Number 3 is to authorise the Company or any of its subsidiaries, by way of a general authority, to repurchase its issued shares on such terms and conditions and in such amounts as determined from time to time by the Board, subject to the limitations set out above. Please refer to the additional disclosure of information following, which disclosure is required in terms of the JSE Listings Requirements.

Additional Disclosure in Terms of the JSE Listings Requirements

Further to Special Resolution Number 3, the JSE Listings Requirements require the following disclosure, some of which is elsewhere in the Integrated Annual Report of which this notice forms part:

- Major shareholders of the Company – page 161;
- Share capital of the Company – page 122.

Directors' Responsibility Statement

The Directors, whose names are given on pages 86 to 87 of the 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 in this Integrated Annual Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the Independent Auditor's Report and the date of this notice.

Statement of Board's Intention

The Board has no specific intention to effect the provisions of Special Resolution Number 3 but will continually review this position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of Special Resolution Number 3.

10. General Authority to Provide Financial Assistance to Related and Inter-related Companies or Corporations*Special Resolution Number 4*

10.1 RESOLVED THAT the Board 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 Number 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:

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

10.1.1.1 immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

- 10.1.1.2 the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- 10.1.2 written notice of such resolution by the Board shall be given to all shareholders of the Company and any trade union representing the employees:
 - 10.1.2.1 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 zero point one percent (0.1%) of the Company's net worth at the time of the resolution; and
 - 10.1.2.2 within thirty (30) days of the end of the financial year, in any other case.

Reason for and effect of Special Resolution Number 4

The reason for and the effect of Special Resolution Number 4 is to provide a general authority to the Board 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. The Board provided such inter-Group financial assistance to subsidiaries as disclosed in the Annual Financial Statements in note 6 on pages 114 to 117 of the Integrated Annual Report of which this notice forms part.

Ordinary Resolution

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

Ordinary Resolution Number 5

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 set out above.

Other Business

12. To Transact any Other Business that May be Transacted at Annual General Meetings

Approvals Required for Resolutions

Ordinary Resolution Numbers 1 to 5 contained in this Notice of AGM require approval by more than fifty percent (50%) of the votes exercised on the resolutions by shareholders present or represented by proxies at the AGM, and are further subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

Special Resolution Numbers 1 to 4 contained in this Notice of AGM require approval by at least seventy five percent (75%) of the votes exercised on the resolutions by shareholders present or represented by proxies at the AGM, and are further subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

Record Date

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 AGM is Friday, 2 November 2018. Accordingly, the last day to trade in order to be eligible to attend and vote at the meeting is Tuesday, 30 October 2018.

Proxy and Voting Procedures

A Shareholder entitled to attend and vote at the AGM 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.

Shareholders are requested to lodge their Forms of Proxy with, or to post same to the Company's Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 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 AGM, being Friday, 16 November 2018 at 12h00, provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the Chairman of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any Shareholder rights 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:

- hold ordinary shares of the Company 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 AGM, 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 of resolutions proposed in terms of the JSE Listings Requirements.

Note that holders of unlisted securities and treasury shares are not entitled to vote at the AGM.

Proof of Identification Required

The Companies Act requires that any person who wishes to attend or participate in a Shareholder's meeting must present reasonably satisfactory identification at the meeting. Any Shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the meeting for such Shareholder or proxy to attend and participate at the meeting. An identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as sufficient identification.

By order of the Board



Derek H Borer

Company Secretary

Date: 17 September 2018

Place: Bonaero Park

DIRECTORS STANDING FOR ELECTION OR RE-ELECTION

1 Mr Martin Darryl Moritz (Age 73) (Board)

BCom, LLB

Martin matriculated at King Edward VII School, Johannesburg, in 1961 and graduated from the University of the Witwatersrand in 1968 with BCom and LLB degrees. After graduating he was appointed Legal Adviser to Rand Mines Limited. In October 1969, he commenced employment at Comair Holdings Limited as Assistant to the Managing Director. He was appointed Assistant General Manager of the Comair Group shortly thereafter and subsequently Group General Manager in 1973. In 1976 he acquired a shareholding in the Company as part of the management buy-out and was, in 1978, appointed Deputy Chairman of the Group, a position which he still holds today. He is a Fellow of the Royal Aeronautical Society and a Director of the Commercial Aviation Association of Southern Africa, which honoured him with a Lifetime Service Award in 2011. Martin currently holds the position of Non-Executive Joint Deputy Chairman of Comair.

2 Mr Erik Rudolf Venter (Age 48) (Board)

BCom, CA(SA)

Erik joined Comair in 1996 as Financial Manager, and has held various positions within the Company including Commercial Manager; Commercial Director and Financial Director. In July of 2006 Erik was appointed as Joint CEO of Comair and served in this position until December 2011 when he assumed sole responsibility for the Company as Chief Executive Officer. He remains in this position to date.

Whilst attending the University of Cape Town, Erik attained a BCom and Post Graduate Diploma in Accounting and further completed his articles with KPMG, qualifying as a Chartered Accountant (South Africa).

Erik previously served two terms as Chairman of the Airlines Association of South Africa from November 2013 until November 2015.

As a family man with two daughters, Erik has a busy lifestyle but finds time for his hobbies which include painting, building custom made cars and re-modelling furniture.

3 Ms Kirsten Emily King (Age 40) (Board)

BCom (Hons) Accounting (CTA Equivalent), CA(SA)

After qualifying as a Chartered Accountant in 2008, Kirsten worked as an audit manager for PKF (Jhb) Inc. (now Grant Thornton), before joining Comair Limited in 2011. Kirsten was involved in the launch of the Sabre platform and implemented the Sabre Revenue Accounting system, establishing an end-to-end revenue accounting function in Comair. She then acted as Finance Executive in 2014. She was appointed Financial Director in June 2014.

In 2018 Kirsten was appointed as head of the Shared Services portfolio that includes Finance, Human Resources, Governance Risk and Compliance, Legal and Properties.

4 Ms Njabulo Bongekile Sithole (Age 45) (Board) and (Audit Committee)

MSc Executive Global Masters in Management (LSE)

Njabulo is the CEO of Omame Investments (Pty) Ltd, a wholly black female owned investment company, started in 1996. During her tenure the company has created a diversified portfolio of Investments, spanning from infrastructure projects to Public Private Partnership ("PPPs") in Facilities Management to Pharmaceuticals, Aluminium Processing, Mining, and Food Processing, to name a few.

As a great promoter of economic transformation her company Omame Investments (Pty) Ltd has created 400 job opportunities within its operational businesses thus contributing towards reducing unemployment, poverty alleviation and women participation in the mainstream economy. About 80% of the total staff complement are women and youth from disadvantaged communities. She also believes in positively impacting lives, hence founding the Women of Resilience initiative, a social investment company aimed at educating, inspiring, connecting and equipping women, youth and communities with resilience skills, and thus contributing in alleviating full-blown mental illnesses.

She obtained her MSc Executive Global Masters in Management from the London School of Economics and her Master of Education Psychology from the University of KwaZulu-Natal. In addition she has diplomas in Company Direction and Management Accounting and Finance.

Njabulo's professional experience extends to a number of industries where she is currently serving as a Board member: Impilo Consortium, Inkunzi Pharmaceuticals, Umongi Facilities Management, Icon Construction, Container Conversion, Imbewu Capital Partners and Comair Limited.

In 2007 she was recognised by Standard Bank in the "Bright Star Category" for the Standard Bank Salutes Women of KZN Awards, in an effort to acknowledge women's contribution towards entrepreneurial spirit in the province of KwaZulu-Natal. In 2003 Njabulo won the Black Management Forum, KZN Manager of the Year Award. She is also a member of the Institute of Directors in South Africa.

5 Mr Sean Liam Doyle (Age 47) (Board) and (Audit Committee)

BCom University College – Cork, Chartered Institute of Management Accountants (CIMA)

Sean serves as Director of Network and Alliances at British Airways PLC. He has served as Executive Vice President and General Manager of the Americas Division at British Airways PLC (UK) since 1 September 2013, and is responsible for British Airways' extensive commercial business in the USA, Canada, Mexico, South America, the Caribbean and Bermuda. He oversees sales and marketing and leads British Airways' efforts to grow the successful joint business between American Airlines, British Airways, Iberia and Finnair. He previously served as Financial Controller for IAG Cargo Limited, and as Head of Business Planning & Strategy for British Airways where he focused on alliances, network and fleet planning, infrastructure development and corporate business planning. He has a wealth of experience, including managerial roles in Cargo and the Asia Pacific region. He has been Independent Non-Executive Director of Comair Limited since 1 December 2017. He is a Chartered Management Accountant. He graduated from University College Cork with a BCom degree and holds a Chartered Institute of Management Accountants Diploma.

6 Mr Naran Maharajh (Age: 52) (Audit Committee)

BAcc, Postgraduate Diploma in Accountancy

Naran is a practising chartered accountant and director of BCA Chartered Accountants. He completed his training at PwC, and then spent two years lecturing in Accounting at the University of KwaZulu-Natal. In 1997 he was appointed as a partner at KPMG. In 2007, together with other colleagues, he founded BCA Chartered Accountants. He is the Non-Executive Chairman of the Audit Committee of the South African Sugar Association, and a member of the Council of the University of KwaZulu-Natal.

He has previously served as a director on the boards of the South African Civil Aviation Authority, Mercedes-Benz South Africa Ltd and Masonite Africa.

7 Mr Ronald Sibongiseni Ntuli (Age: 48) (Audit Committee)

LLB – University of Edinburgh

Ronnie is an established, South African born entrepreneur and financier. He is the founder of:

- Kerma Global Limited (Kerma), a company that holds the global private equity interests on behalf of the Ntuli family. Kerma is also involved in financing and commercialising new sector or market-disrupting cutting-edge industries that have global market potential such as Olduvai (an artificial intelligence company); Room 31 (a New York City based co-working property company); and Thelo (an Africa wide capital equipment financing company);
- The Thelo Group (Thelo), a South African based independent and diversified investment company with interests in the aviation, railway, and financial services sectors, where he is also the chairman.

He currently serves as Chief Executive of Thelo Rolling Stock, a joint venture between Thelo and the Industrial Development Corporation (the largest industrial development financier on the continent of Africa). Thelo Rolling Stock applies its balance sheet to financing the acquisition of rolling stock (locomotives and freight wagons) for rail operators, concession holders and freight owners throughout sub-Saharan Africa.

Ronnie is passionate about economic development and is also:

- A member of the board of the African Export-Import Bank ("AFRIEXIMBANK"). Headquartered in Cairo, Egypt, the Bank was established by African governments, African private and institutional investors as well as non-African financial institutions and private investors for the purposes of financing, promoting and expanding intra-African and extra-African trade. AFRIEXIMBANK has the status of an international multilateral organisation;
- A member of the Honorary International Investor Council ("HIIC") for the President of the Federal Republic of Nigeria. The HIIC is a body of leading international business persons that advises the President and members of the Federal Government of Nigeria on the economy and development;
- A member of the Pan-African Private Sector Trade Policy Committee ("PAFTRAC") which, along with African Ministers of Trade and Industry, is responsible for developing Africa's Trade Policy issues and position at the World Trade Organisation ("WTO");
- A member of the board of directors for P&O Ferries, a United Kingdom based international ferries company;
- A member of the board of directors of Dangote Cement, South Africa, which is a subsidiary of the Dangote Group of companies, the leading industrial group on the continent of Africa;
- Former Chairman of the National Empowerment Fund ("NEF"), a multi-billion Rand South African Development Finance Agency established by the government of the Republic of South Africa to promote and drive economic transformation and development of the South African economy;
- Chairman of the board of directors of the Desmond Tutu African Leadership Institute. With Archbishop Emeritus Desmond Tutu as the patron, the Institute's mandate is to develop the next generation of leaders on the African continent. The Institute has a number of programmes with the flagship being the Archbishop Tutu Leadership

Fellowship Programme where, through a competitive and rigorous annual process, the institute identifies high calibre professionals in all sectors (private, public, NGO etc.) from countries across the African continent and, with the support of Oxford University, puts them through this leadership development programme; and

- Along with some globally renowned artists, Ronnie is a patron of the Hugh Masekela Heritage Foundation ("HMHF"). The HMHF is involved in projects that celebrate, produce, publish and promote various aspects of African arts including but not limited to music, cinema, visual and performing arts.

Preceding these roles, Ronnie founded Andisa Capital, in partnership with one of Africa's largest banking groups. Andisa is an independent and diversified financial services group with interests in private equity, stock-broking, capital markets, corporate finance and treasury solutions. Ronnie was the founding Chief Executive.

Ronnie is former President of the Johannesburg Chamber of Commerce and Industry and holds an LLB from Edinburgh University. He has been a formal adviser on economic development to a number of Heads of State in Africa and has delivered papers on financing, economic development and entrepreneurship in a number of continents.

8 Ms Phuti Mahanyele (Age: 47) (Audit Committee) **BA Economics, MBA**

Phuti is the Executive Chairperson of Sigma Capital, a majority black-owned investment holding company, launched in 2015 in South Africa, which focuses on enabling sustainable partnerships in such fields as power and infrastructure, real estate, consumer goods, technology, media and financial services. Her experience in the region goes back to 1993. Phuti joined Fieldstone as an intern in Manhattan, NYC in 1997. Fieldstone is an international advisory firm, specialising in infrastructure. She rose in the ranks to the position of vice president, having moved to the firm's South Africa office. She then accepted a position leading the Project Finance South Africa business unit of the Development Bank of Southern Africa. Most recently, she was chief executive officer of the Shanduka Group, a South African investment holding company, which she joined in 2004 and left in 2015. Among her many accolades, Phuti was recognised as the Forbes Woman Africa 2014 Business Woman of the Year, as well as one of the 50 Women to Watch by the Wall Street Journal in 2008. She was selected as a Global Young Leader in 2007 by the World Economic Forum and was recognised by Africa Investor, as a Leading Africa Woman in Business in 2012. Her philanthropic efforts are focused on empowering the next generation. In addition to mentoring young professionals and students, Phuti is a participant in Dignity Day, a programme led by the Young Global Leaders of the World Economic Forum, which is focused on reinforcing the value of dignity in young people. She is also a member of the advisory board of Stellenbosch University Business School.

Phuti holds a Bachelor of Arts degree in Economics from Rutgers University and a Master of Business Administration degree from De Montfort University in Leicester, United Kingdom. In 2008, she completed the Kennedy School of Government Executive Education programme, Global Leadership and Public Policy for the 21st Century, at Harvard University. She is on the boards of Comair Limited, Blue Label Telecoms, Discovery Insure and Goldfields Limited.

SHARE PRICE PERFORMANCE

	2018 c	2017 c
Market price (cents per share)		
Closing (30 June)	470	515
High	675	590
Low	451	296
Closing price/Earnings ratio	6.9	7.8
Number of shares in issue at year end (millions)	469	469
Weighted average (millions)	465	465
Volume of shares traded (millions)	37.5	28
Volume of shares traded to number in issue at year end	8%	6%

SHAREHOLDER ANALYSIS

Shareholder Spread

Bands	Number of shareholdings	%	Number of shares	%
1 – 1 000 Shares	3 077	65.15	673 378	0.14
1 001 – 10 000 Shares	1 005	21.28	3 858 347	0.82
10 001 – 100 000 Shares	437	9.25	14 208 143	3.03
100 001 – 1 000 000 Shares	154	3.26	54 170 701	11.54
1 000 001 Shares and over	50	1.06	396 420 296	84.46
Total	4 723	100.00	469 330 865	100.00

Distribution of Shareholders

Type of Shareholder	Number of shareholdings	%	Number of shares	%
Banks and Brokers	28	0.59	24 748 196	5.27
Medical Schemes	2	0.04	1 616 026	0.34
Close Corporations	22	0.47	511 347	0.11
Endowment Funds	10	0.21	1 599 490	0.34
Individuals	4 222	89.39	20 296 239	4.32
Insurance Companies	14	0.30	4 880 614	1.04
Trusts	179	3.79	13 506 880	2.88
Mutual Funds	66	1.40	119 926 244	25.55
Other Corporations	16	0.34	53 840	0.01
Retirement Funds	88	1.86	41 131 068	8.76
Private (Pty) Companies	74	1.57	235 857 970	50.26
Share Trusts	1	0.02	4 244 464	0.90
Public Companies	1	0.02	958 487	0.20
Total	4 723	100.00	469 330 865	100.00

Beneficial Shareholders holding 3% or more as of 30 June 2018

The following shareholders hold more than 3% of the issued share capital of the Company as of 30 June 2018:

	Number of shares	% Shareholding
BB Investment Company (Pty) Ltd	126 320 151	26.91
Allan Gray* (Unit Trusts Grouped)	70 490 251	15.02
Britair Holdings Limited	53 966 623	11.50
Innercreek Investments (Pty) Limited	50 000 000	10.65
Nedbank Group	15 148 467	3.23
Total	315 925 492	67.31

* Allan Gray

<i>Allan Gray Balanced Fund</i>	23 740 691	5.06
<i>Allan Gray Equity Fund</i>	21 974 221	4.68
<i>Allan Gray Optimal Fund</i>	6 209 747	1.32
<i>Allan Gray Domestic Equity Portfolio</i>	5 437 630	1.16
<i>Allan Gray Global Absolute Portfolio</i>	3 322 172	0.71
<i>Allan Gray Life Global Balanced Fund</i>	3 312 041	0.71
<i>Allan Gray Domestic Absolute Portfolio</i>	1 669 426	0.36
<i>Allan Gray Domestic Optimal Portfolio</i>	1 470 380	0.31
<i>Allan Gray SA Equity Fund</i>	1 399 595	0.30
<i>Allan Gray Global Balanced Portfolio</i>	827 623	0.18
<i>Allan Gray Domestic Balanced Portfolio</i>	745 365	0.16
<i>Allan Gray Life Hedged Domestic Equity Portfolio</i>	196 462	0.04
<i>Allan Gray Tax Free Balanced Fund</i>	184 898	0.04
Total	70 490 251	15.02

Fund Managers Holding 3% or more as of 30 June 2018

The following fund managers hold 3% or more of the issued share capital of the Company as of 30 June 2018:

	Number of shares	% Shareholding
Allan Gray Asset Management	124 083 538	26.44
Total	124 083 538	26.44

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

Shareholder type and number of shareholders	Number of shareholders in South Africa		Number of shareholders other than in South Africa		Total shareholders	
	Number of shares	%	Number of shares	%	Number of shares	%
Non-public shareholders						
Directors and associates (11)	53 172 251	11.33	-	-	53 172 251	11.33
Strategic holdings (more than 10%)						
BB Investment Company (Pty) Ltd (1)	126 320 151	26.91	-	-	126 320 151	26.91
Britair Holdings Limited (1)	-	-	53 966 623	11.50	53 966 623	11.50
Share Trusts						
Comair Share Incentive Trust (1)	4 244 464	0.90	-	-	4 244 464	0.90
Public shareholders						
Resident (3 572)	201 637 336	42.97	-	-	201 637 336	42.97
Non-resident (61)	-	-	29 990 040	6.39	29 990 040	6.39
Total	385 374 202	82.11	83 956 663	17.89	469 330 865	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" or "the Group")

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

- hold ordinary shares of the Company 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.

Shareholders are requested to lodge their forms of proxy, or to post same to the Company's Transfer Secretaries, to be received not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time appointed for the holding of the Annual General Meeting, being Friday, 16 November 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/or "own-name" dematerialised shares of the Company and entitled to _____ votes, hereby appoint (see note 1):

(Please print)

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

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

	Number of votes		
	For	Against	Abstain
Ordinary Resolutions 1 to 4			
1 Consideration of the Annual Financial Statements			
2 Re-appointment of External Auditors			
3 To re-elect the following Directors:			
3.1 MD Moritz			
3.2 ER Venter			
3.3 KE King			
3.4 NB Sithole			
3.5 SL Doyle			
4 To elect the following Directors to the Audit Committee:			
4.1 N Maharajh			
4.2 RS Ntuli			
4.3 P Mahanyele			
4.4 NB Sithole			
4.5 SL Doyle			
Non-binding Endorsement			
5 Non-binding endorsement of Company's Remuneration Policy			
6 Non-binding advisory vote on the Company's Implementation Report			
Special Resolutions 1 to 4			
7 Approval of Non-Executive Directors' Remuneration 2017/2018			
8 Approval of Non-Executive Directors' Remuneration 2018/2019			
9 General Authority to repurchase shares			
10 General Authority to provide financial assistance to related and inter-related companies and corporations			
Ordinary Resolution 5			
11 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 _____ 2018

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 should be lodged with or posted to the Company's Transfer Secretaries, to be received not later than 48 hours before the Annual General Meeting, being Friday, 16 November 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 Annual General Meeting.
4. The Chairman of the Annual General Meeting may accept or reject any form of proxy that is completed and/or received other than in accordance with these notes and instructions, provided that the Chairman is satisfied as to the manner in which the Shareholder wishes to vote.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity, such as a power of attorney or other written authority, must be attached to this form unless previously recorded by the Transfer Secretaries of the Company or waived by the Chairman of the Annual General Meeting.
6. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
 - (a) under a power of attorney
 - (b) on behalf of a Companyunless that person's power of attorney or authority is deposited 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 her/her legal capacity are produced or have been registered by the Company's Transfer Secretaries.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy.
11. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
12. Important notice to foreign shareholders and prospective investors:

Foreign shareholders and prospective investors in Comair limited ("Comair") should note that the airline industry in South Africa is subject to extensive government and regulatory oversight relating to, amongst other things, restrictions on foreign ownership. Sections 16(4)(c) and 19(a) of the Air Services Licensing Act, No. 115 of 1990, ("Act") requires that a minimum of 75% of the voting rights in a licensee must be held by residents of South Africa ("Foreign Ownership Restriction"). In order to ensure that Comair (as a licensed air services operator in South Africa), remains compliant with the foreign ownership restriction, Comair has adopted a variable voting share structure in terms of which the voting rights attached to each ordinary share held by foreign shareholders will be decreased proportionately if (i) the number of ordinary shares held by foreign shareholders on the record date of any shareholders' meeting exceed 24.99% or (ii) the total number of votes cast by or on behalf of foreign shareholders at such a meeting exceed 24.99% such that the voting rights of foreign shareholders do not, in aggregate, exceed 24.99%. Foreign shareholders and prospective investors are referred to the Comair's Memorandum of Incorporation and website (www.comair.co.za) for further details. If foreign shareholders or prospective investors are in any doubt as to what action to take they should seek advice from their broker, attorney or other professional adviser.

Administration

Registered Office
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

Head Office

1 Marignane Drive
Bonaero Park
Kempston Park
South Africa
1619

PO Box 7015
Bonaero Park
South Africa
1622

Tel: +27 11 921 0111
comair.co.za