



2019

INTEGRATED ANNUAL REPORT

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 licenced 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 exceeds 24.99%, or (ii) the total number of votes cast by or on behalf of foreign Shareholders at such a meeting exceeds 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 ("MOI") 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.

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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 2018 to 30 June 2019. While the performance of the Group's associates and joint venture are 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 20 September 2019, 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 ninth Integrated Annual Report. The previous Integrated Annual Report, which covered the period 1 July 2017 to 30 June 2018, was published on 28 September 2018 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 104 to 164 were audited by its independent external auditor, BDO South Africa Inc. ("BDO"), in accordance with International Standards of Auditing. Their report is included on pages 100 to 103.

BDO Advisory Service Proprietary Limited 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 their attention that causes them to believe that the selected key performance indicators or specific disclosures in the 2019 Integrated Annual Report for the year ended 30 June 2019 has not been prepared, in all material aspects, in accordance with the selected reporting criteria.

For a better understanding of the scope of BDO's assurance process, reference should be made to BDO'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 and Risk Committee and duly authorised by the Board on 16 September 2019.

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 2016/17	Actual 2017/18	Actual 2018/19
Creating Shareholder value	Net profit (after tax)	296 970 000	325 611 000	896 809 000
	Total turnover/Group revenue	6 063 737 000	6 536 540 000	7 125 642 000
	Operating expenses	4 999 789 000	5 412 752 000	6 263 975 000
	Dividends paid to Shareholders	83 776 000	88 528 000	102 506 000
	Interest on loans	250 377 000	248 938 000	256 774 000
	Current taxation	4 269 000	8 902 000	6 687 000
Commitment to quality	On time performance	BA:85%	BA: 85%	BA: 79%
		kulula: 85%	kulula: 84%	kulula: 78%
	Investment in assets (property, plant and equipment)	965 821 000	907 872 000	1 115 327 000
Managing risk	Number of significant safety incidents	0	1	2
	Number of consecutive unqualified audits by IOSA	6	7	7
Leading as a responsible corporate citizen	Carbon inventory – all scopes – footprint per employee (tonnes of CO ₂ emissions)	331.51	314.32	301.62
	% of carbon emissions relating to scope 1	82%	83%	83%
	% of carbon emissions relating to scope 2	1%	1%	1%
	% of carbon emissions relating to scope 3	16%	16%	16%
	No. of legislative/regulatory breaches	0	0	0
	Total staff cost	1 001 889 000	1 132 838 000	1 189 525 000
	Number of South African employees	2 105	2 206	2 193
	Overall Employment Equity (“EE”) representation	1 479	1 516	1 531
	% Staff members belonging to a union	42%	47%	47.5%
Provide growth and development opportunities for staff	% Spend of training or training investment (% of salary spend)	4.4%	4.75%	3%
	Employee turnover rate	10.19%	4.8%	10.4%
	% Female representation	63.8%	63.6%	63.4%
Operational effectiveness	Quantity of fuel consumed per passenger/fuel burn per passenger (kg per passenger)	30.93	29.19	27.00
	Number of passengers carried	5 545 214	5 801 191	5 981 803
	Aircraft and flight simulator spend	1 083 201 000	712 919 000	1 288 297 000
	Number of owned aircraft	19	18	16
	Number of leased aircraft	7	8	9
	Electricity consumed (kWh)	5 283 795	5 028 480	4 967 065

OUR GROUP

Who We Are and What We Do

Comair Limited ("The Group") is a South African company, listed on the Johannesburg Stock Exchange (the "JSE"). The Group has operated successfully in this country since 1946 and is the only known airline to have achieved operating profits for 73 consecutive years. It has a safety record that is internationally recognised and has level 2 Broad-Based Black Economic Empowerment ("B-BBEE") recognition. The Group has been certified independently by the Top Employers Institute as one of the Top Employers South Africa 2019.

This proudly South African Group is comprised of five business units:

Airlines

The Group offers scheduled and non-scheduled airline services within South Africa, sub-Saharan Africa and the Indian Ocean Islands, as its main business. The Group operates under its low-fare airline brand, kulula.com, as well as under the British Airways livery, as part of a licence agreement with British Airways PLC.

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, while British Airways continues to grow in the corporate and public sectors, as well as in the inbound tourist markets.

The Group's route network, covered during the period under review, is set out on page 24 of this Report.

Hospitality

The Group launched its own catering service in 2012 through a company known as Comair Catering Proprietary Limited, trading under the Food Directions Brand. Originally launched to cater to the airline brands, Food Directions now also provides a range of health and other food products to various South African retailers.

Food Directions provides on-board catering and retail services to the Group's kulula.com and British Airways branded flights, giving it control and flexibility in terms of cost and product offering. It also provides all catering and procurement to the Group's SLOW

Lounge network. The combined procurement volumes have allowed for improved buying and numerous cost saving benefits.

In 2015, the Group acquired a 56% shareholding in a company known as The Highly Nutritious Food Company Proprietary Limited, trading as Eatrite. This company focuses on producing healthy food products. Eatrite 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 the airline brands.

Food Directions 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 Food Directions 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 award-winning domestic and international SLOW Lounges have set the standards for airline hospitality in South Africa. The SLOW Lounge concept is based on the theme that time plays a significant part of life and the concept has been expanded to SLOW in the City, SLOW XS and The Course. The Group is considering opening new concept lounges at certain domestic airports in South Africa.

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 extended and refurbished its SLOW Lounge at Cape Town International Airport, the SLOW Lounges in the international and domestic terminals at OR Tambo International Airport and 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, with the addition of a feature restaurant, called The Course, 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 six days a week.



The SLOW Lounges have set a global standard for lounges and won numerous awards for service-delivery excellence.

Tourism

Investment in technology to improve operational efficiency and innovative products to travel agencies and consumers has seen the Group become the country's largest digital travel distribution network.

The brands under the Group's tourism banner include African Images, Holiday Travel, Kulula Holidays, WildX and mtbeds.

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.

Training

The Group consolidated its existing training portfolios and expertise into a single administrative entity, the Altitude Training Academy Proprietary Limited ("the Alt.Academy"), which comprised of four distinct faculties during the period under review, namely (a) Cabin Crew and Ground Handling; (b) Travel, Tourism and Hospitality; (c) Pilot Training; and (d) Leadership Development (post the financial year end the Group stopped providing this service).

The various training programmes within the Alt.Academy are delivered through specialised Comair entities including the Comair Training Centre ("CTC"), EPT Aviation Training Proprietary Limited, Global Training College South Africa Proprietary Limited, and the Learning and Development ("L&D") function.

The establishment of the Alt.Academy is part of the Group's drive to become a significant contributor towards South Africa's human capital development efforts, which are necessary for the narrowing of the current and projected skills shortages in critical industry sectors such as aviation, including the strengthening of the Group's own talent pipeline.

Technology

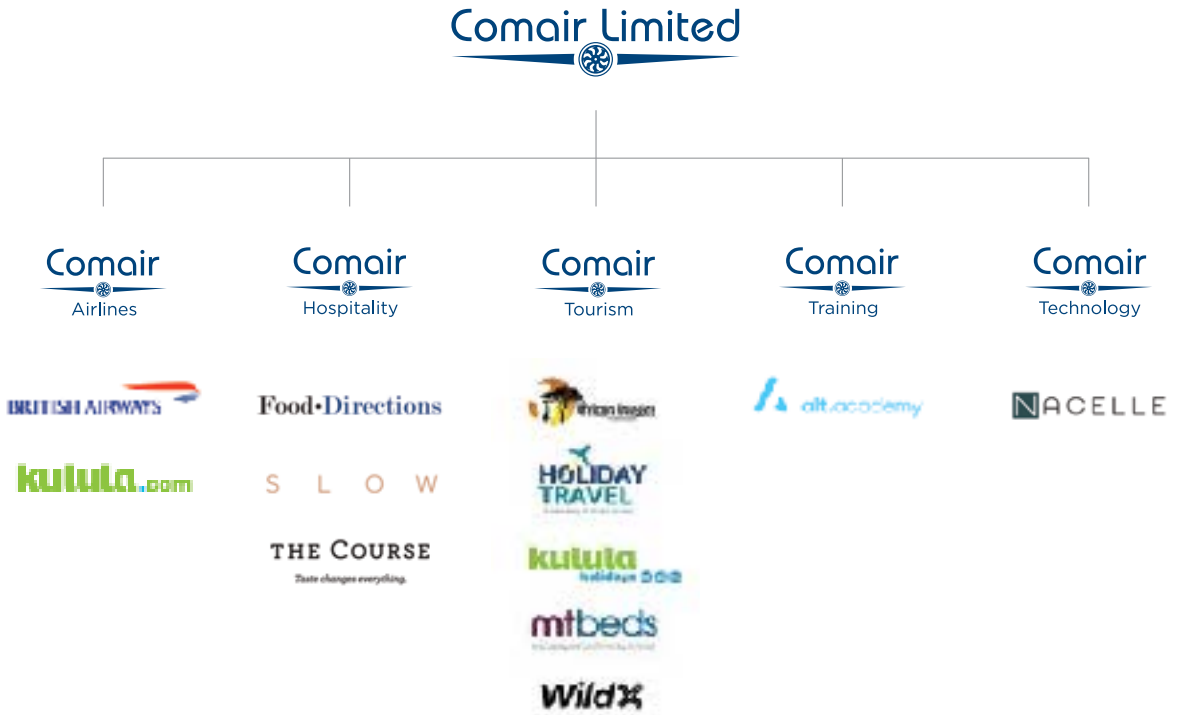
In 2018, Comair entered into a joint venture with an IT company known as Infinea SA Holdings Proprietary Limited, establishing a jointly held company called Nacelle Proprietary Limited. Nacelle is a service provider in aviation and related sectors, providing services such as IT operations and support, IT project deployment, process design and software development.

Headquarters

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 brands within the Group is set out below.



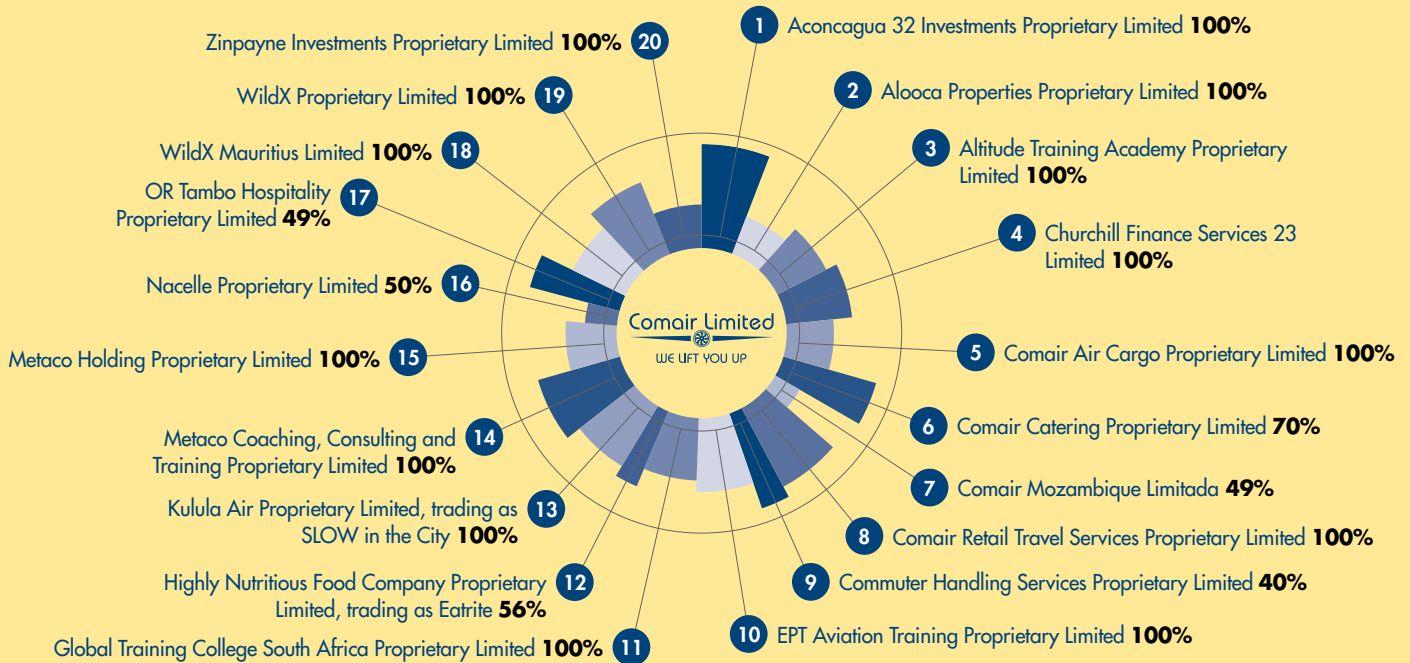
Endorsement

- Operated by Comair Limited (airlines)
- A subsidiary and/or a division of Comair Limited (non-airlines)

Notes:

1. SLOW represents SLOW Lounges, SLOW in the City and SLOW XS.
2. Alt.Academy represents Comair Training Centre, EPT Aviation and Global Training College.

How We Are Structured



- 1 Aconcagua 32 Investments Proprietary Limited:** Property-owning company that owns the property on which the Group's operations building, simulator building and cabin crew facility are situated.
- 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 Altitude Training Academy Proprietary Limited (previously known as Crostyle Investments Proprietary Limited):** A training academy which comprises pilot training, cabin crew training, ground school training, and travel and tourism training. The company is currently dormant.
- 4 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.
- 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 Comair Catering Proprietary Limited:** This company has a 56% shareholding in the Highly Nutritious Food Company Proprietary Limited. This company trades as Food Directions and provides catering to the airline brands and SLOW Lounges amongst others.
- 7 Comair Mozambique Limitada:** A company established in Mozambique. The Company is currently dormant and is in the process of being deregistered.
- 8 Comair Retail Travel Services Proprietary Limited:** Operates as a registered travel agency and offers and provides a ticketing fulfilment service to third parties.
- 9 Commuter Handling Services Proprietary Limited:** Provides ramp-handling services in South Africa to various airlines.
- 10 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, and its focus on developing an all-encompassing Comair Training Academy, known as Alt.Academy, which comprises pilot training, cabin crew training, ground school training, travel and tourism training and leadership training.
- 11 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, and its focus on developing an all-encompassing Comair Training Academy, known as Alt.Academy, which offers pilot training, cabin crew training, ground school training, travel and tourism training and leadership training.
- 12 Highly Nutritious Food Company Proprietary Limited:** The company provides food items to the Food Directions 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.
- 13 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.

14 Metaco Coaching, Consulting & Training Proprietary Limited: A leadership development training company. Metaco Holdings Proprietary Limited holds 100% in the company. The company is currently dormant. The Group is in the process of disposing of its shares in this company.

15 Metaco Holdings Proprietary Limited: A leadership development training company. The Group is in the process of disposing of its shares in this company.

16 Nacelle Proprietary Limited: A provider of services such as IT operations and support, IT project deployment, process design and software development to aviation and related sectors.

17 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%.

18 WildX Mauritius Limited: A payment gateway company.

19 WildX Proprietary Limited: A company providing inbound, online travel services.

20 Zinpayne Investments Proprietary Limited: A dormant shelf company.

Apart from Comair Mozambique Limitada, which is registered in Mozambique, and Churchill Finance Services 23 Limited and WildX Mauritius Limited, which are 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 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; and
- Managing the business in a sustainable manner.

SLOW awarded the Conde' Nast House and Garden, Gourmet Restaurant Award 2018 for Best Design for The Course.

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 – Second 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; and
- The *Sunday Times* Generation Next Awards – Third place in the Coolest Domestic Airline Category.

The kulula.com Brand

- The *Sunday Times* Top Brand Awards – Second place in the Business Category for Domestic Airlines;
- Business Traveller Africa Awards – Best African Low Cost Airline; and
- *Beeld* 10th Reader Survey Awards – Favourite South African airline.

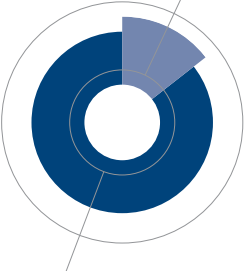
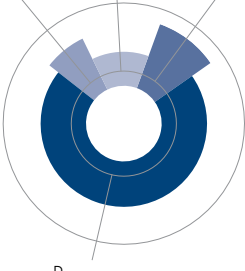

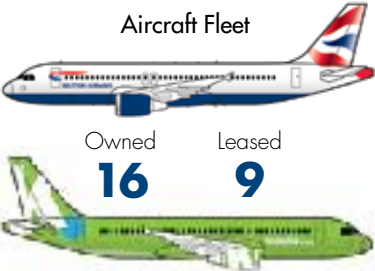






SLOW







- Business Traveller Africa Award – SLOW International Lounge at OR Tambo – Best Business Airport Lounge; and
- Conde' Nast House and Garden, Gourmet Restaurant Awards 2018, Best Design Award for The Course.

The Comair Brand

- Certification by Top Employers Institute as a Top Employer South Africa 2019; and
- Top 500 SA Best Managed Companies 2018 (first-in-sector, best-managed company in South Africa's Airlines Sector – for the second year running and ahead of SA Airlink, Mango, SAA and SA Express Airways).

Value We Have Created

Value	Inputs	Outputs	Outcomes
Financial	<p>Share capital R4 651 000</p>  <p>Interest bearing loans R3 385 412 000</p>	<p>Cash generated from operations R1 112 982 000</p> <p>Operating Income R283 806 000</p> <p>Capital expenditure R1 115 327 000</p>  <p>Revenue R7 125 642 000</p>	<p>ROI 11.0%</p> <p>Net interest-bearing debt R3 385 412 000</p> <p>Dividends paid R102 506 000</p> 
Manufactured	<p>Aircraft Fleet</p>  <p>Owned 16 Leased 9</p> <p>Property</p> <p>Alooca Properties (Pty) Ltd Aconcagua 32 Investments (Pty) Ltd</p> 	<p>The Group has entered into an agreement with Lufthansa Technik for the maintenance of our Boeing 737-800 and 737 MAX 8 aircraft which will improve service performance.</p> 	<p>We have increased the number of passengers carried by 4% since 2018 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 R1 115 327 000 during the past financial year.</p>
Intellectual		 <p>Our training facilities have been consolidated under Alt.Academy to offer aviation-related training.</p> <p>Nacelle was created to capitalise on the Research and Development experience created by the Group.</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 the number of RMB and FNB qualifying guests can now access the SLOW facilities.</p> 

Value	Inputs	Outputs	Outcomes
<p>Human</p>	<p>1 404 skilled employees</p> <p>508 semi-skilled employees</p> <p>21 unskilled employees</p> <p>Total South African employees 2 193</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, 2 014 employees received training.</p> <p>3% of payroll was spent on employee training.</p> <p>19 128 hours saved through e-learning.</p>
<p>Social and relationship</p>	<p>R3.5 million invested in:</p> <ul style="list-style-type: none"> Breadline Africa Cupcakes of Hope Food and Trees for Africa Food Forward SA Help 2 Read Imbizo Yethu Foundation Knysna Initiative for learning and teaching Love Justice SA Mighty Tsianda Foundation Pioneer School for the Visually Impaired Primestars Protec Quadpara Association of SA Reach for a Dream Red Cross – The Children’s Hospital Trust Smile Foundation Sunfield Home School for Intellectually Impaired The Paying it Forward Foundation Urban Ruins Wings and Wishes 	<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>
<p>Natural</p>	 <p>Water</p>  <p>Energy</p>  <p>Fuel</p>	<p>Aviation emissions decreased by 5% per passenger with total emissions decreasing by 8%.</p> <p>Water use decreased substantially by 27% from the previous financial year.</p> <p>Electricity use increased by 1% 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'S REPORT

Dear Shareholder

The Board and Executive Management team of Comair are committed to maintaining strict principles of corporate governance and the highest standards of integrity and ethics, which are embedded in the Groups corporate culture and values. Comair's corporate governance structures support effective strategy delivery and are focused on building and maintaining a sustainable business. They also support the Company's commitment to responsible corporate citizenship in all the places in which it operates. In the Corporate Governance section that is included in this Integrated Annual Report, feedback is given on the governance framework of the Group. Every Director demonstrated commitment to the Group throughout the year through their meeting attendance and the high quality of their contributions at those meetings. The key elements of the Group's governance structures include:

- Managing the business in a sustainable manner;
- Upholding strict principles of corporate governance, integrity and ethics;
- Maintaining effective risk management and internal controls;
- Engaging with Stakeholders; and
- Offering employees competitive remuneration packages based on the principles of fairness and affordability.

At a time of excess capacity in the South African airline market, the Group's cost cutting initiatives, diversification strategy and good balance sheet ensure that the Group is well placed to take advantage of growth opportunities that present themselves in the aviation, catering, travel and aviation information technology sectors of the market. The excess capacity in the South African airline market affects margins or yields and will require the Board and Executive Management's relentless focus, in order to achieve the Group's strategic and financial goals in the next financial

year. The Group will continue to seek improved operational efficiencies, reduce its cost base and look for good growth opportunities. The Group remains focussed on reducing its cost base and increasing its passenger numbers and yields.

The Board and Executive Management are closely monitoring the grounding of the Boeing 737 MAX 8 fleet of aircraft and, subject to Federal Aviation Authority, European Aviation Safety Authority and South African Civil Aviation Authority regulatory approval, the Group hopes that the aircraft will become operational again early in the 2020 calendar year. This will enable the Group to operate its flying schedule in the most optimal manner.

After a 14-year battle, the Group was finally able to settle its dispute and damages claim against South African Airways, which has commenced payment in terms of the settlement agreement reached with them. I would like to extend my appreciation to the Group's former CEO, Mr Erik Venter, for the tremendous amount of time and effort he put in to settle the matter.

Finally I wish to thank our approximately 2 200 Group employees, who play an instrumental role in the day-to-day delivery of the business of the Group, for their dedication, drive and continued focus on our customers, which ensures that we deliver an awesome travel experience in the most efficient way. To our customers, we appreciate that you have chosen to use our airline service or the other services we offer and we will continue to ensure that your customer experience exceeds your expectations.

Yours sincerely



Piet van Hoven
Chairman

16 September 2019

JOINT CEOS' REPORT



The Comair Group

As Joint Chief Executive Officers it is a privilege to present our maiden report to Shareholders and Stakeholders of the Comair Group. We are mindful of the honour we have in leading Comair into its seventy-fourth year, from its humble beginnings in 1946 to the current multi-billion rand diversified aviation group which it has become.

The Comair Group has experienced rapid organisational change. These changes have largely been driven by the Group's diversification strategy, cost pressures, as well as significant Executive and Non-Executive leadership changes.

We remain committed in our strategic goal to create a diversified aviation group with multiple revenue streams; delivering superior, sustainable returns to our Shareholders and Stakeholders.

The diversification strategy is now well on track, supported by a number of investments during the 2019 Financial Year, including the establishment of Nacelle and the purchase of the Star Air Cargo Group. In addition, the Group's current training businesses were officially consolidated into a single administrative and marketing entity, the Altitude Training Academy ("Alt.Academy").

**The Group
performed well
to deliver a
profit, despite
an extremely
challenging
environment.**

A significant highlight for the year was the South African Airways ("SAA") Legal Settlement, initiated fourteen years ago. Following the favourable High Court judgment, handed down on 15 February 2017, Comair concluded a settlement agreement with SAA on 15 February 2019, which has been made an order of the Court. In terms of the settlement agreement, SAA agreed to pay Comair a settlement amount of R1.1 billion plus interest. In accordance with the settlement agreement, SAA made an initial payment of R389 million on 28 February 2019, with the balance payable in regular instalments terminating on 28 July 2022. In addition, SAA will pay Comair the taxed legal costs incurred.

Comair concluded an agreement with Boeing during 2013 for the purchase of eight Boeing 737 MAX 8 aircraft, originally scheduled for delivery between 2019 and 2022. The first 737 MAX 8 aircraft was delivered slightly behind schedule on 25 February 2019. The global 737 MAX 8 fleet was, however, grounded by the Federal Aviation Administration during March 2019, just as delivery was planned for our second 737 MAX 8 aircraft. As a consequence our second aircraft has not been delivered. The delivery of the second aircraft is now expected to take place in February 2020. The third 737 MAX 8 which is currently scheduled for delivery in February 2020, is only expected to be delivered in June 2020. Due to the uncertainty regarding the future delivery of this aircraft type, Comair has negotiated a delay in the delivery of the next five 737 MAX 8 aircraft to between the 2023 and 2025 financial years. Comair has suffered significant losses due to the grounding of the MAX fleet and will be instituting a compensation claim against Boeing once the fleet status has been resolved and the claim properly quantified.

Earnings Review

The Group performed well to deliver a profit, despite an extremely challenging environment. Earnings increased from R326 million in the previous financial year to R897 million, largely due to the R1.1 billion settlement agreement concluded with SAA in respect of the market abuse complaint lodged by Comair in 2005.

Net profit before tax, excluding the SAA settlement declined, however, from R471 million to R86 million.

Airline revenue performance was exceptional, achieving a record 9% year-on-year growth based on increased passenger volumes, higher load factors and improved yields. The improved revenue was, however, offset by uncontrollable costs, incurred as a result of the following:

- Fuel costs increased by R342 million (23%) due to the Rand weakening by 11% and average crude prices increasing by 10%;
- The weaker currency increased other dollar denominated costs by a further R89 million; and
- Aircraft fleet availability was negatively impacted by technical delays at SAA Technical as well as the grounding of the 737 MAX 8. This was mitigated with the use of short-term, wet leased aircraft to maintain the operating schedule. These fleet availability problems added an estimated R195 million to operating costs and negatively impacted revenue due to a reduction in capacity resulting from smaller-gauged wet leased aircraft.

Our businesses in the tourism and hospitality, IT technology, as well as the training sectors all performed well, despite reflecting a combined 8% decrease in profit before taxation which arose as a consequence of start-up operational costs in the luxury inbound tourism business.

Cash generated from operations declined marginally from R1.17 billion to R1.13 billion, due largely to the increased operating costs referred to above as well as cash utilised towards expanding our aircraft fleet during the year.

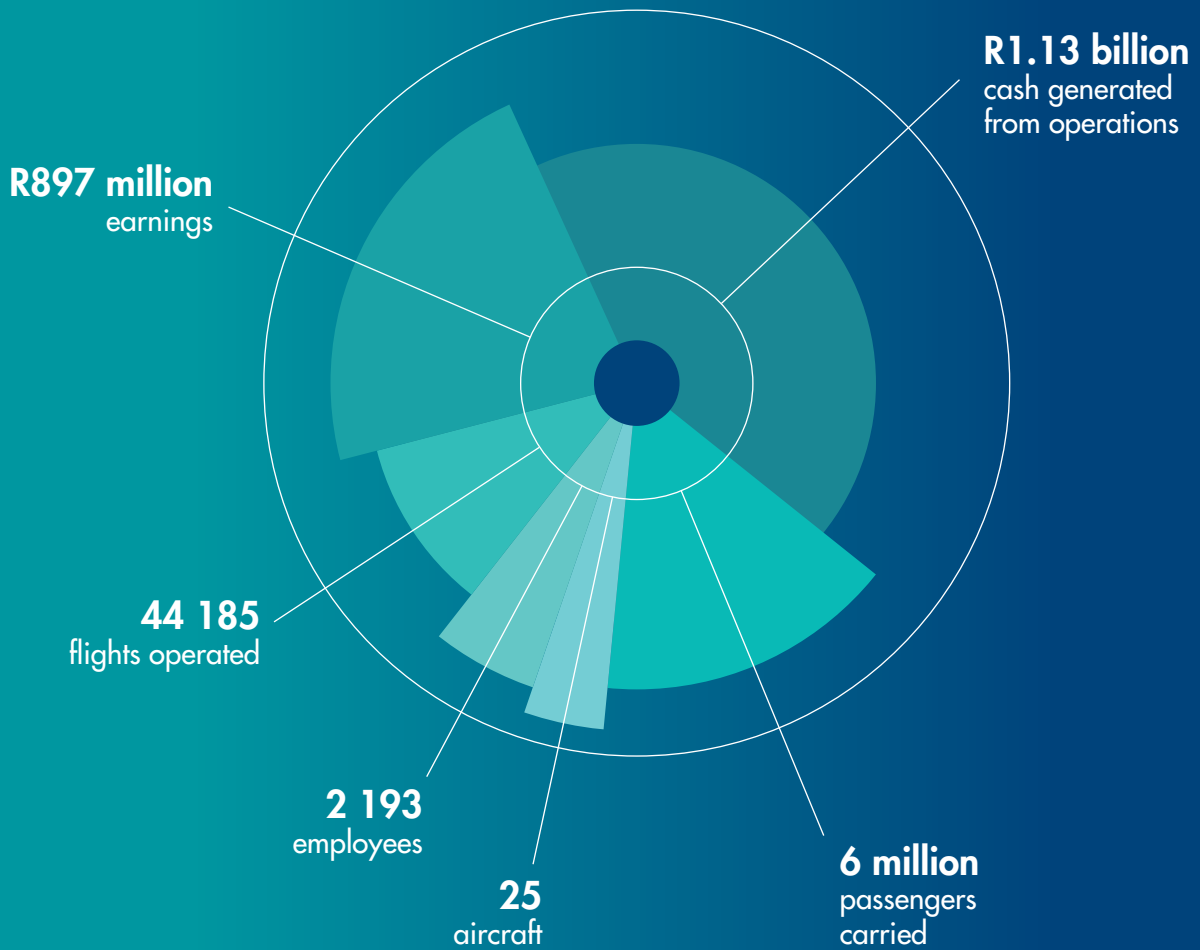
Airline Division

In a market characterised by rising costs due to macro-economic factors (exchange rate, fuel price) and intense competition, particularly in the Low-Cost Carrier ("LCC") segment, the 2019 financial year revenue performance was exceptional. Between the 2017 and 2019 financial years, the total LCC market has grown by 26%, resulting in poor pricing and pressure on yield. Over the same period the full-service carrier market share has reduced by approximately 20%.

The number of passengers carried increased on both the kulula and BA brands, with total passengers increasing by 3% from 5.8 million to 6.0 million to achieve an average 79% load factor.

For the year under review Comair operated 44 185 flights with a fleet of 25 aircraft in line with the previous financial year.

A significant highlight for the year was the SAA Legal Settlement, handed down in 2017, which was made an order on 15 February 2019.



On-time Performance

On-Time Performance has improved steadily throughout the year. Delays were experienced during the first and second quarters of the financial year, improving in the third quarter and rising to a very good performance in the fourth quarter. The improvement was achieved under the leadership of a cross-functional, On-Time Performance Working Group, which met weekly for the last eight months to restore On-Time Performance. The target of 85% was subsequently exceeded during the period under review.

Our customer experience metrics, also improved throughout the year for both the kulula and British Airways brands. This improvement positively correlates with the improvement in On-Time Performance.

Safety

The safety of our customers is of paramount importance. Well-defined reporting and management processes are formally documented in a Safety Management System Manual to ensure that a strong culture of safety and security exists among all employees. During the period under review, the safety management systems across all safety metrics improved. A highlight was the two-day Emergency Response Preparedness Workshop for all Executive and Senior Managers, facilitated by Kenyon International Emergency Services. All emergency response procedures and documentation were reviewed and updated.

Maintenance and Fleet Management

A three-pronged, multi-year strategy has been initiated and rolled out to ensure improved aircraft availability and reliability in a more sustainable manner. This strategy includes:

- Building line maintenance capability to ensure an improved line maintenance service – Comair has successfully partnered with Lufthansa Technik Maintenance International ("LTMI") to establish planning, engineering and component services, as well as line maintenance services in Johannesburg and Cape Town;
- Enabling the smooth transition of the fleet from SAA Technical to LTMI during the 2020 and 2021 financial years – Six slots have been secured for ten of the aircraft which require heavy maintenance (c-checks) during 2020; and
- Building in house heavy maintenance capability – Following Competition Commission approval of the Star Air Cargo transaction, the plan is to build heavy maintenance capability within the Comair Group.

The fleet renewal process which is under way was impeded by the grounding of the 737 MAX 8 fleet. During the 2019 financial year we took delivery of one B737-800 which is part of the process of phasing out the B737-400 fleet.

Tourism and Hospitality Division

Comair Travel

Our travel businesses, operated through the kulula travel, kulula holidays, and mtbeds brands, continue to perform well, reflecting improved revenues and profits. We are looking to consolidate our brand offerings to streamline costs and to establish a new luxury inbound tourism brand targeting the high end foreign inbound tourism market.

Slow Lounges

Our five airport lounges and one city lounge operating under the Slow brand continue to perform well as we look to further expand capacity. The major challenges ahead relate to negotiations with the Airports Company for reasonable rental renewal terms and finding suitable sites in a capacity constrained environment.

Comair Catering

Comair Catering performed well, increasing revenue and operating profits through the Eatrite and Food Directions brands. Comair Catering provides Comair with on-board catering products and supplies the Slow Lounges and the British Airways International Lounges. Non-aviation products are also distributed through various chain stores.

Establishment of Alt.Academy

During the period under review Comair streamlined its training business based at the Comair Training Centre into four distinct revenue streams earned from the airline and third parties. These streams include pilot simulator and pilot ground training; cabin crew training; travel and tourism training; and learning and development training. Comair has disinvested from Metaco, the leadership and coaching business, due to operating losses being incurred.

Establishment of Nacelle

Technology remains the biggest challenge facing the Group, with multiple platforms and technologies being used for flight operations, ground operations, digital processes, online marketing, ticket sales, distribution channels, customer service and financial reporting.

During the year under review Comair acquired 50% of Nacelle (Pty) Ltd, a start-

up information technology company, with the Infinea group owning the other 50% shareholding. Nacelle provides technology solutions for the Comair Group and third parties, including system maintenance, software development and infrastructure support. Nacelle performed profitably in its first year of trading.

The rationale is to enable Comair to access the latest technology and architecture, support the 'in the cloud' environment, increase the speed of delivery, and ultimately allow Nacelle to commercialise IT products that could potentially be marketed externally.

Acquisition of Star Air Cargo Group

As announced to the market on 30 May 2019 Comair concluded an agreement to acquire 100% of both Star Air Maintenance (Pty) Ltd and Star Air Cargo (Pty) Ltd. Notice of the acquisition has been filed with the Competition Commission and we await a ruling.

Star Air Cargo is an aircraft leasing and operating company, operating a fleet of ten (10) B737-300 passenger and cargo aircraft used for dry leases, wet leases and charters. It will provide a new revenue stream in accordance with Comair's goal of creating a diversified aviation group.

Star Air Maintenance, based at OR Tambo International Airport, is an authorised Maintenance Repair Organisation ("MRO"), licenced to perform Boeing 737 aircraft maintenance. The intention is for Star Air Maintenance to perform heavy maintenance checks on the Comair B737-800 fleet, thereby eliminating the current reliance on third party aircraft maintenance suppliers. This is expected to improve aircraft fleet availability and to achieve cost savings.

Our People

Our people are our most important asset and our main competitive advantage as we retain our position as an employer of choice in the aviation sector. We look to foster a climate and culture promoting innovation, loyalty, accountability, diversity and inclusiveness. We achieve this through regular employee engagement, performance rewards and training and talent development.

The Group continued to make progress with its transformation programme, including the successful cadet pilot training scheme, achieving a level 2 B-BBEE scorecard with improved representation in all employment categories.

At year end the Comair Group had 2 193 employees. The challenge for the year ahead is to improve productivity by increasing output and productivity without increasing the employee headcount.

Strategic Goals

We are committed in our strategic goal to create a diversified aviation group with multiple revenue streams, delivering superior sustainable returns to our Shareholders and Stakeholders, by:

- Maintaining a relentless focus on safety;
- Maintaining and growing profitable market share and earnings across all business units;
- Achieving an optimised cost structure;
- Leading innovation and technology to support our strategic objectives;
- Maintaining agility and effective decision making in a fast-changing environment;
- Generating positive cash flows in excess of reported profits;
- Effective allocation of Capital;
- Delivering a seamless customer experience exceeding our brand promise; and
- Driving a high-performance culture through employee engagement and accountability.

Looking Ahead

The market environment for the airline remains challenging. Passenger growth in the domestic market remains stagnant in a zero GDP growth environment. Competition remains fierce and excess seat capacity in the market is expected to exert downward pressure on yields and load factors for the year ahead.

The airline will, however, look to expand capacity to achieve revenue growth during the year ahead utilising the current fleet and employee cost base to achieve lower unit costs.

Cost pressures will continue in the year ahead, linked to the volatile Rand, volatile crude oil prices and uncertainties regarding the in-service date of the 737 MAX 8 aircraft. The transition of our fleet line maintenance from SAA Technical to Lufthansa will add further maintenance cost increases for the next two years before cost savings are fully achieved.

The Group is, however, well placed to operate in these conditions, with strong brands, committed staff, good cash reserves, a low cost base and a clear diversification strategy to mitigate airline risk with new revenue streams.

Appreciation

We wish to express our sincere appreciation to our Employees, Customers, Stakeholders and Members of the Board who have all contributed to our success during the period under review.

In particular we express our appreciation and wish a fond farewell to Erik Venter who, after 23 years' service at Comair, leaves a legacy and solid foundation on which to build further growth.



Wrenelle Stander

Joint CEO

16 September 2019



Glenn Orsmond

Joint CEO

16 September 2019

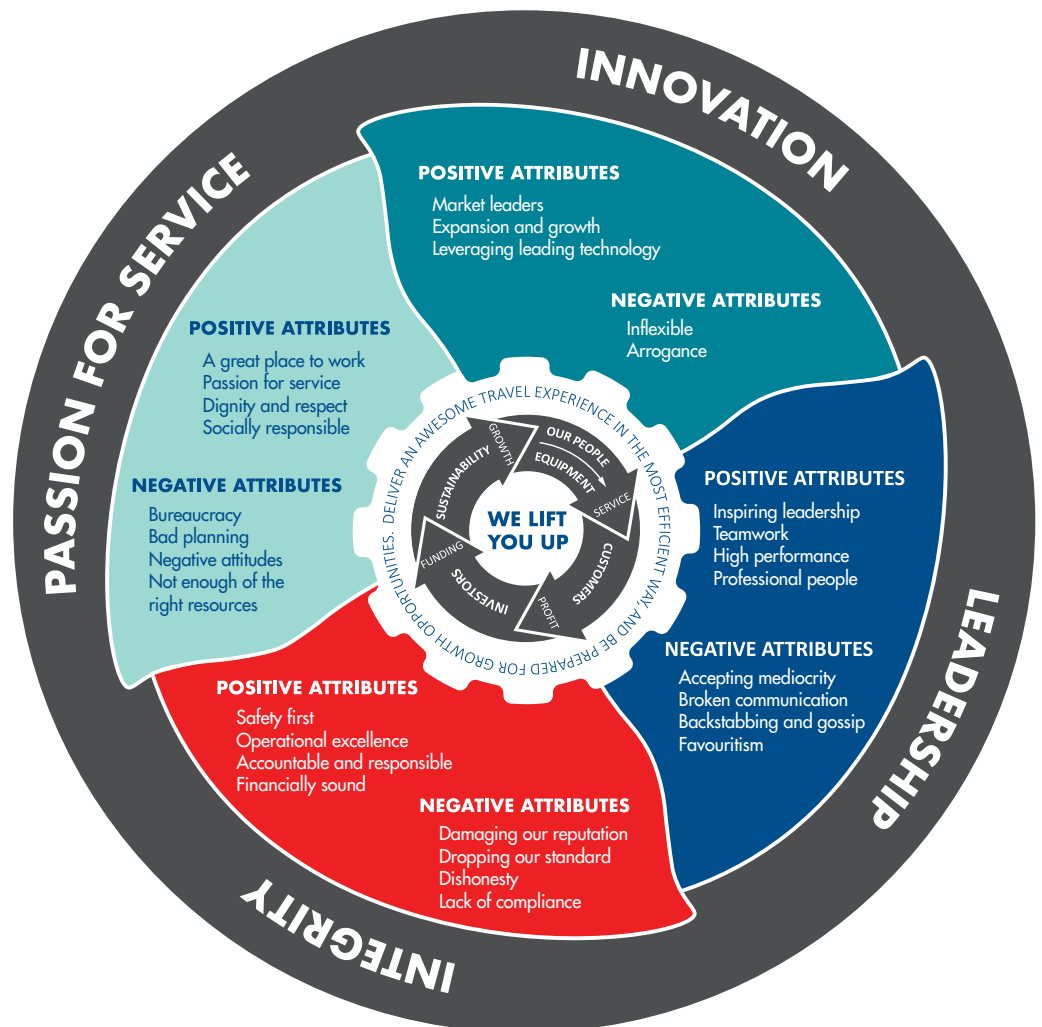
OUR PURPOSE, STRATEGIC INTENT AND STAKEHOLDERS

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 18, 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 and hence its diversification strategy. 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 or the other industries in which it operates. 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 experience to its customers, be it travel or otherwise. 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:

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 with 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.

Comair understands and anticipates the needs of its customers, suppliers and employees.

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.

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; and
- Accept responsibility for customer service.

Mutual Trust and Respect

We aim to:

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

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

Performance Driven

We always seek to:

- Set objectives and give regular performance feedback;
- Ensure that each employee knows what is expected of him/her and what our standards are;
- Give recognition to those to whom it is due;
- Continuously strive to improve our operating efficiencies;
- Eliminate activities that do not add value;
- Base appointments and promotions on competence and performance; and
- Offer each employee the opportunity to develop his/her potential.

Team Approach

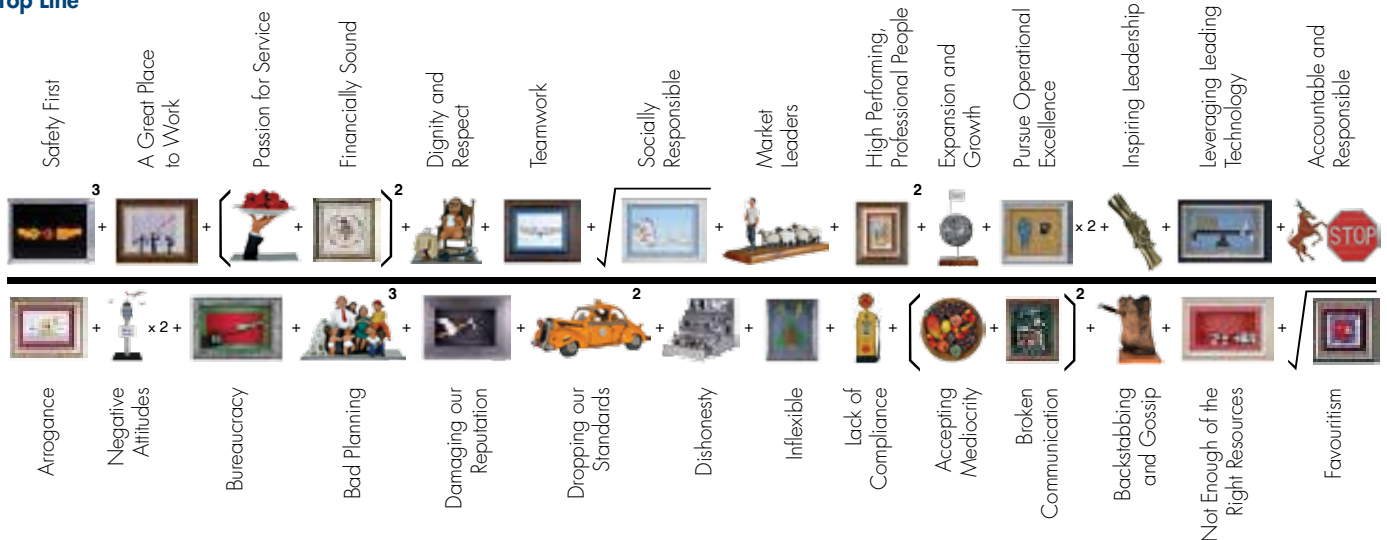
We:

- Promote positive team behaviour;
- Ensure the participation of all role players; and
- 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; and
- 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; and
- We will always strive to improve customer satisfaction levels.

Managing Risk

- We will continue to ensure that our risks are meticulously managed; and
- 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; and
- 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; and
- 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, travel 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.

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.



* Considered to be significant Stakeholder groups

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 Joint CEOs’ 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 Joint CEOs’ 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 Airline Operations

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. 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 44 185 flights and carried 5 981 803 customers, as opposed to 44 220 flights and 5 801 191 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.

The Group provides other aviation-related services such as travel management, a catering business and operates award-winning airline lounges, aviation-related IT services and training. Furthermore, following the rapid growth of Comair's Training Centre and the acquisition of EPT Aviation Training Proprietary Limited

and Global Training College South Africa Proprietary Limited as well as the purchase of leadership development consultancy, Metaco Holdings Proprietary Limited and its subsidiary, the Group has initiated the process of consolidating all its training faculties into a single entity known as Alt.Academy. It must be noted that due to the poor performance of Metaco Holdings Proprietary Limited, the Group is in the process of disposing of its entire shareholding in Metaco Holdings Proprietary Limited and its subsidiary to the former Shareholders thereof.

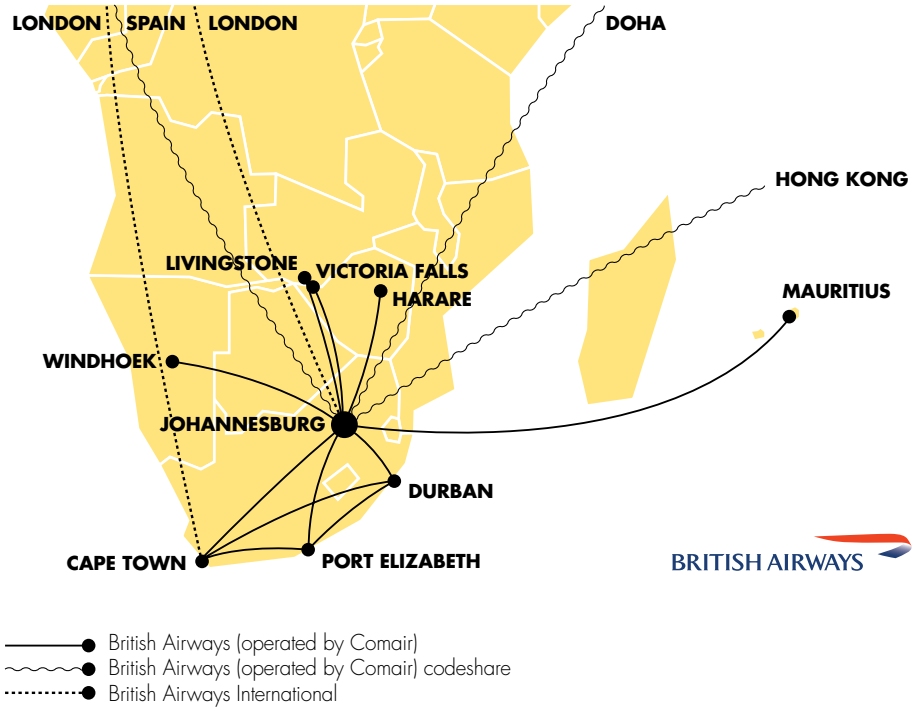
British Airways International

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 23 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
44 185
flights
and carried
5 981 803
customers**

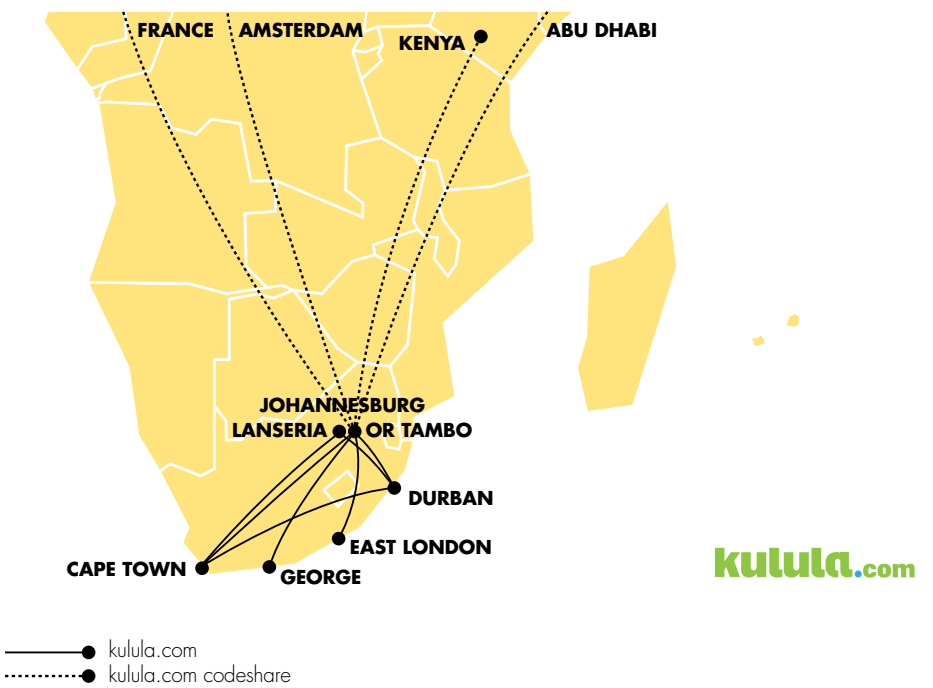
Route Network

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 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

Access to the Group's SLOW Lounges is provided 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 (including, 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. Life, today, 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 its 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 Domestic and International Lounges at OR Tambo International Airport were revamped and made larger. The

extension of the OR Tambo International and Domestic Lounges 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 Group also operates 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.

The SLOW Brand has already distinguished itself as the 'must-access' airport lounge for those with refined tastes for both their surroundings and what goes on their plates. From launch, the SLOW Lounges and SLOW in the City have conveyed a five-star sense of style and cuisine with SLOW in the City recently achieving a Five Star grading in the MESE category, from the Tourism Grading Council of South Africa.

The Course, our new restaurant situated in the Sandton CBD, is beautifully designed with a range of spaces from small cosy and romantic window tables to a long table for family sharing and a plush lounge area at the bar. There is also a wraparound deck for watching the Sandton gridlock. The Course is located diagonally opposite the Sandton Gautrain Station on the corner of West Street and Rivonia Road, and is open to the public. The Course is a dining and bar concept unlike any other; the food and drinks on offer change as the seasons do, with an ever-evolving focus on speciality local and international spirits.

During the day, The Course offers respite from the bustle of Sandton and in the evening it becomes a social gathering point for dinners and drinks. Diners at The Course

not only have the choice of tapas-style plates but can also indulge in a full sit-down menu featuring a selection of prime beef cuts, seafood and bistro-style dishes.

Our Airline Travel-related Offerings

The Group actively participates in British Airways PLC's ("British Airways") global frequent flyer programme, Executive Club. It also participates in the corporate loyalty programme, On Business, for its British Airways Brand. In terms of the kulula.com Brand, the Group partnered with the Avios Travel Rewards Programme prior to the closure of the programme in South Africa in 2019 and also offers an FNB co-branded kulula credit card where members can earn kulula moolah.

British Airways Executive Club and Avios

The Executive Club is British Airways' 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 (the Executive Club loyalty currency) when they fly with British Airways, a partner airline, or with one of the oneworld® alliance partners. The number of Avios that members earn depends on the distance they fly, the type of ticket they purchase, and their Executive Club tier status. Members can also collect Avios with British Airways' 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 to the next, they are able to enjoy additional benefits associated with each tier 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 corporate loyalty programme. 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 used towards flights and upgrades for employees, or for discounts 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

Prior to the closure of the Avios travel rewards programme in South Africa which became effective on 31 May 2019, kulula.com customers were able to join Avios, and earn Avios points when travelling with kulula.com as well as with various other Avios partners.

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 5 000 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, Instagram and YouTube.

Other Offerings

The Group provides other aviation-related services such as travel management, a catering business, award-winning airline lounges, aviation-related IT services and training.

Travel Business

The Group has invested in the establishment of an online tour operator along with the development of a 'next generation' web and distribution platform for the luxury inbound tourism sector into southern Africa. Studies show that luxury travel has

emerged as the one of the fastest growing segments in global travel, with growth in tourism arrivals in sub-Saharan Africa exceeding that of the rest of the world. Generally, the technology currently used to compete in this sector which supports the direct customer interest and bookings in South Africa is outdated and the Group has taken the opportunity to establish a new and effective digital platform to capitalise on this opportunity. The Group is additionally establishing itself as a leading content provider in this sector focused on sustainable experiential travel. Experiential travel is focused on the full experience of the journey rather than on the destination. The new platform will launch in September 2019.

The existing travel businesses, including kulula work, kulula holidays and mtbeds, continue to deliver good margins and steady growth despite the ongoing financial constraints experienced in the local travel market.

Our Training Operations

Following the rapid growth of Comair's Training Centre and the acquisition of EPT Aviation Training Proprietary Limited and Global Training College South Africa Proprietary Limited as well as the purchase of leadership development consultancy, Metaco Holdings Proprietary Limited and its subsidiary, the Group initiated the process of consolidating all its training facilities into a single entity known as Alt.Academy. It must be noted that due to the poor performance of Metaco Holdings Proprietary Limited, the Group is in the process of disposing of its entire shareholding in Metaco Holdings Proprietary Limited and its subsidiary to the former Shareholders thereof.

Technology Solutions

The kulula App

The Group has continued its focus on development of the latest technology solutions and launched the kulula app in February 2019. The app allows passengers to service their bookings, check in and store their boarding passes. The Group continues to focus on enhancing its operating performance, customer service and revenue generation through technology solutions.

Data Integration

A data integration platform acquired from Tibco, will provide for the seamless connection of all applications and data sources and 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 personalised service offering and marketing of relevant products to its various customer segments.

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.

Customer Experience

The Group recognises that in order to be a truly customer-centric airline, it needs

to respond 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; and
- 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; and
- Customer effort by experience.

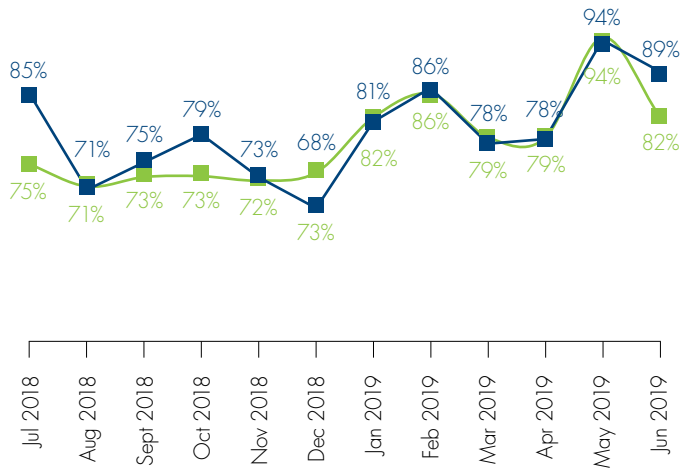
The VoC programme currently offers:

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

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

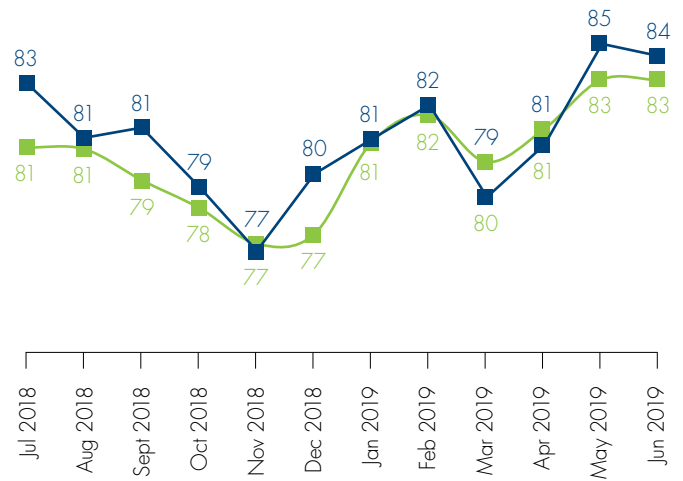
OTP

How much have we kept our on-time promise?



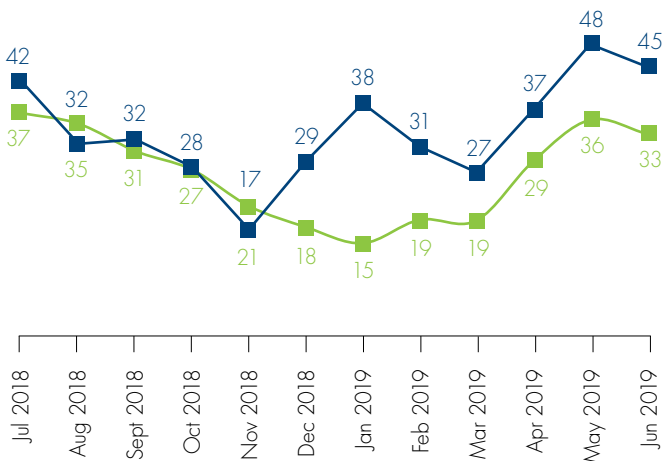
CSAT

Out of 100, how satisfied are you with us?



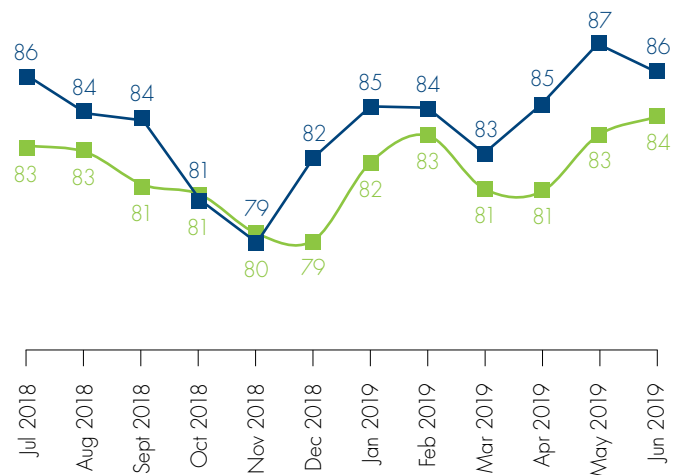
NPS

How likely are you to recommend us?



CES

Out of 100, How easy is it to do business with us?



There is a correlation between customer satisfaction and on-time performance in that when on-time performance is poor, customer satisfaction levels are low, while the reverse is true when on-time performance is good. During the first half of the financial year under review the

airlines' on-time performance was poor as a result of various unscheduled aircraft maintenance issues and the late return of aircraft to service as a result of same. Through a lot of effort by certain executive members and employees of the airline, on-time performance improved significantly

during the second half of the financial year under review.

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

Operating Effectiveness, Commitment to Quality and Safety of Equipment and Efficiency

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 in 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 average on-time performance was 79% (79% for the British Airways Brand and 78% for the kulula.com Brand). On-time performance means that an aircraft has departed within 15 minutes of its scheduled departure time. As mentioned above, the Groups' on-time performance improved significantly during the second half of the financial year under review. Unfortunately this was not sufficient to make up for the shortfall in the first half of the financial year, resulting in the Group not achieving its average on-time performance objective of 85% for the financial year.

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 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 certain of its aircraft and engines to South African Airways Technical (SOC) Limited ("SAAT"). The Group has, in addition, entered into a line maintenance agreement with Lufthansa Technik AG ("LHT") to provide line maintenance services to the Group's fleet of B737-800 and Boeing 737 MAX 8 aircraft at OR Tambo International Airport and Cape Town International Airport. LHT is currently providing this service on the Group's B737-800 aircraft that do not form part of the SAAT agreement and will perform all the line maintenance services on the Groups' entire fleet of B737-800 aircraft once the maintenance agreement with SAAT comes to an end, in addition to performing such services on the Group's fleet of 737 MAX 8 aircraft. Heavy maintenance and engine restoration is subcontracted as and when required to accredited companies such as Israeli Aircraft Industries Limited, Koninklijke Luchtvaart Maatschappij NV ("KLM"), FL Technics, Lufthansa Technik AG, GE Aviation Services, SAFRAN Aircraft Engines and SR Technics.
- The Group entered into an Export Credit Agency Agreement with, amongst others, Her Britannic Majesty's United Kingdom Export Finance and Citi Bank

to finance 85% of the purchase price of the Group's first 737 MAX 8 aircraft with the balance of the purchase price of the aircraft having been funded by the Group.

- Following the successful implementation of a business-wide airline enterprise system from Sabre Airline Solutions in June 2012 at a cost of approximately R52 million, the Group has continued to improve the system, with the addition of further new modules and updated technology during the period under review. In this regard the Group investment in the renewal of its Sabre suite of software licences amounted to R18 million. 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.
- The Group made a substantial investment towards the acquisition of a new fleet of B737-800 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. The Group has, over the past six years, taken delivery of eight (8) new B737-800 NG aircraft. The Group has in addition taken delivery of one (1) leased B737-800 NG during the financial year under review and has taken delivery of a further four (4) B737-800 NG aircraft between July and September 2019 and will be renewing the lease on a currently leased B737-800 NG aircraft.
- The licence for the data integration platform from Tibco was renewed at a total cost of R12.4 million.

- The Group 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. Nacelle Proprietary Limited provides operations support, project deployment, process design and software development. The Group and Nacelle 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.
- Prior to the financial year end, the Group entered into a Sale of Shares Agreement to acquire both Star Air Cargo Proprietary Limited and Star Air Maintenance Proprietary Limited. The sale will become effective post financial year-end, subject to the Group obtaining Competition Commission approval for the transaction. The acquisition of these companies will give the Group access to certain B737-300 and B737-400 aircraft that can be leased on a wet lease basis as well as allowing the Group to perform heavy maintenance checks on its fleet of B737-800 at substantial savings.

Safety of Equipment

The industry was deeply affected by the two fatal accidents involving Lion Air and Ethiopian Airline's Boeing 737 MAX 8 aircraft. The result of the accidents was the grounding of all 737 MAX 8 aircraft globally by aviation authorities around the world. Comair took delivery of its first 737 MAX 8 aircraft on 25 February 2019 and was due to take delivery of the second aircraft on 18 March 2019, which

The Group made a substantial investment towards the acquisition of a new fleet of B737-800 NG aircraft.

delivery Boeing agreed to defer. The Group continuously monitors what is happening with this aircraft and when this aircraft type will be recertified to fly and is constantly in contact with the Boeing Company in this regard.

The airline industry has become synonymous with ensuring that 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 being low. The airline industry is 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 was evidenced by the fact that the Group took a decision to ground its 737 MAX 8 aircraft following the Ethiopian accident and prior to the SACAA issuing a directive to ground the aircraft. 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 safety process is formally documented in a Safety Management Manual that has been accepted by the SACAA. The security process is formally documented in the Operational Security Programme ("OSP") 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 2018. The Group also underwent and passed its annual audit by the SACAA. 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, unfortunately, remains a threat to the entire world, including the Republic of South Africa. From an aviation perspective, the National Aviation Safety Committee ("NASC"), an advisory body to the Minister and the civil aviation industry with regard to any security-related matters, has indicated that it will continue to monitor political events and security threats, understand the political risks and effectively mitigate such risks on an ongoing basis. Currently there is no specific threat to civil aviation in the Republic of South Africa.

Other recent global events include an increase in the number of remotely piloted aircraft systems, known as 'drones', which operate illegally. Drones pose a significant threat to aircraft when operated near airports. In terms of regulations, drones may not be flown 400 feet above the earth's surface or within a radius of 10 kilometres of an airport. Drones are required to be piloted by licenced operators; however, the SACAA has estimated that for every registered and

licensed remotely piloted drone taking to the skies, there are two or three more doing so illegally.

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. They, in turn, 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.

Technology

On 6 September 2018, British Airways PLC announced that it had experienced a data breach which resulted in passengers' personal and payment details being stolen. British Airways PLC was fined GBP183 million as a result. The Group is cognisant of its duty towards its customers in respect of its data privacy policy and personal information legislation and monitors the possible threats to its systems on an ongoing basis. Through the Group's involvement with Nacelle, which provides the most up to date, industry best standard information security systems, the Group is confident that the security measures in place are reasonable.

Boeing Company

The Group's fleet is entirely made up of Boeing aircraft. Although the Boeing 737 MAX 8 aircraft remains grounded, Comair continues to consult with Boeing which is confident that it will be able to restore confidence in the capabilities of the aircraft once the fixes and changes have been implemented. 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 that full support is provided for their aircraft types, both old and 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.



Drones pose a significant threat to aircraft when operated near airports.

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.

Training on Preventing Loss of Control

The Group incorporates in-flight loss of control 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 its 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; and
- At the request of the Board, and through the Audit and 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.

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 Executive Manager: Operations, monitors the Group's performance against defined objectives and the Board reviews the Aviation Safety Goal matrix at its quarterly Board meetings.

The Group's approach to aviation safety is one of oversight and audit.

Efficiency and Cost Effectiveness

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 and the kulula app which enables passengers to service their bookings, check in and store their boarding passes;
- 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; and
- Setting up its own catering department, Food Directions, 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

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; and
- 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.

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; and
- 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. Unfortunately, certain inputs made by the Group and the Airlines Association of Southern Africa ("AASA") were not incorporated into the draft Bill. The draft Bill has now been referred by the DoT to the Directors General Cluster for review. Thereafter, the draft Bill will be published for public comment when the Group will again make submissions on the issues.

The Group continued to participate in the 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. During 2018 a Cape Town Convention Workshop, 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 Cape Town 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 Cape Town Convention into domestic law and thereby obtain entry onto the Cape Town List. During the period under review, attorneys forming part of the South African Aviation Working Group consolidated inputs received from all stakeholders and prepared a revised draft amendment Bill. The revised Bill will be placed on the Parliamentary Legislative Programme.

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.

South African Civil Aviation Authority

The 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 proposed a change to the take-off minima requirements contained in the Civil Aviation Regulations ("CAR"). The proposal was supported at the Civil Aviation Regulations Committee ("CARCOM") and the change to the regulations should be promulgated shortly by the Minister of Transport. The Group also applied to the SACAA for a deviation from the regulatory requirement that Portable Electronic Devices ("PEDs") must be switched off during take-offs and landings. With research indicating that modern "PEDs", switched to flight mode, do not interfere with aircraft navigation systems, many aviation regulators have dispensed with the requirement that passengers switch off PEDs at take-off and landing. In March 2019, the SACAA granted approval allowing passengers on board the Group's aircraft to operate PEDs during take-offs and landings with flight mode selected instead of these devices having to be switched off. Regular monthly meetings take place between the Group's Operation Standards Department and the Group's assigned SACAA Principal Operations Inspector, 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. As has previously been reported, in 2017 the Group participated in an AASA led process to develop more friendly regulations for the carrying of passengers with special needs. These regulations were approved by CARCOM, but due to stakeholder objections being received just prior to promulgation by the Minister of

Transport, were never published. For the past 18 months there has been no progress with promulgating these regulations. In June 2019, at a meeting convened by the SACAA and attended by a wide range of stakeholders from Government, the disabled community and the aviation industry, it was agreed that AASA would withdraw its proposed regulations and another process would be initiated to draft new regulations for carrying passengers with special needs. It is expected that this process will take many years to complete.

Airports Company South Africa

Most large airports in South Africa are owned and operated by ACSA. At an operational level, the Group interacts with ACSA on a continuous basis and maintains a full-time 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.

ACSA is currently busy with the various processes to commence procurement and appoint service providers for its current CAPEX projects. These projects include the re-alignment of the runway, expansion of International Terminal and the Domestic Terminal at OR Tambo International Airport, changes at Cape Town International Airport with regard to the remote aprons, airside improvements at OR Tambo International Airport and various smaller projects at the other national airports.

The Group will participate in the consultations with ACSA for the next permission period prior to the end of 2019.

The Group applied to the SACAA for a deviation from the regulatory requirement that Portable Electronic Devices must be switched off during take-offs and landings.

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. ATNS is proceeding with its CAPEX programme in line with the approved Permission. The Group will participate in consultations with ATNS for the next Permission commencing 1 April 2021.

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 the Aircraft Collision Avoidance System (ACAS Version 7.1). The Group has supported AASA in a process initiated by the Airline Pilots Association of South Africa ("ALPA-SA") to amend the Flight Time and Duty Period Regulations for flight crew. During the period under review, the SACAA and ALPA-SA formulated a questionnaire designed to collect empirical data on the levels of fatigue amongst airline pilots. Prior to releasing the questionnaire, the authors requested comment on the relevance of the questions being asked. The Group, via AASA, provided feedback on the questionnaire from both a management and pilot body perspective, which hopefully will be considered by ALPA-SA when producing the final Fatigue Questionnaire. 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. In the period under review, no response has been received from the DoT on the 2017 submissions, nor has any further progress been made in finalising the Domestic Aviation B-BBEE Charter and Scorecard. The Group and other airlines continue to use the existing scorecard as the basis for their B-BBEE Verification audits.

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 of Transport was about to promulgate the draft regulations. Due to objections received from various stakeholders, the Minister held back on promulgating these new regulations whilst the DoT and SACAA decide on an appropriate way forward. As reported above, in June 2019, the SACAA convened a meeting with a wide range of stakeholders to discuss what should be done with the draft regulations. The consensus at the meeting was that AASA should withdraw its draft regulations and initiate a new process to draft a different set of regulations for carrying passengers with special needs.

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.

Namibian Civil Aviation Authority

With effect from 1 January 2019, the Namibian Civil Aviation Authority ("NCAA") introduced a new passenger safety charge payable by airlines operating into Namibia, based on the number of available seats on the aircraft and not the number of passengers flown. The methodology of this charge has resulted in a substantial increase in airline operating costs on Namibian routes. Various South African airlines, including the Group, have requested AASA and IATA to approach the NCAA for urgent consultations on the matter. It is expected that these consultations will take place towards the end of 2019.

The Group successfully underwent its seventh IATA IOSA audit in February 2018.

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 B-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 and YouTube. The corporate brand, as well as the sub-brands, each utilise a different combination of these platforms.

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 2 193 employees, to deliver a safe, secure, reliable and quality service. The composition of its employees is as follows:

Workforce composition by employment type

Employment type	2019 Financial year end	2018 Financial year end
Permanent employees	2 150	2 141
Temporary employees (PTE/Learners/LDC/Interns)	43	65

Workforce composition by gender

Gender	2019 Financial year end	2018 Financial year end
Male	803	804
Female	1 390	1 402

Workforce composition by age distribution

Age	2019 Financial year end	2018 Financial year end
Number of employees younger than 30	489	542
Number of employees between 30 and 50	1 498	1 485
Number of employees older than 50	206	179

While the Group does not maintain data on turnover rate by age group and gender, its staff attrition rate during the period under review was 10.4% as opposed to 4.8% in the prior reporting period. This turnover rate is considered to be acceptable.

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 Joint CEOs, 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; Comair has also launched a mobile app for Employee Self Service;
- Direct communication from the Joint CEOs – in the form of newsletters to employees known as Plane Talk, and 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; and
- 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 and behaviours 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 2019, the Group conducted its Think Vision survey and had a 71% participation rate which was a decrease in employee participation from 88% in 2018. The overall sentiment of the employees related to a perceived decline in the top line principle behaviours and there was a corresponding perception that there was an increase in the bottom-line principle behaviours in the business. This led to a decline in the overall Think Vision score.

The highest rated positive principles and behaviours that are perceived as being present in the Group include placing safety first, being financially sound and being accountable and responsible. The negative principles and behaviours included dishonesty, non-compliance, and damaging our reputation.

The Group is actively driving a high-performance culture through employee engagement and accountability. Employees are encouraged to participate in creating and implementing action plans that will contribute to an improved working culture and environment.

- **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 18 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 45 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, Ethics and Transformation Committee. During the period under review 22 calls/e-mails were received. All calls and e-mails were followed up by the Group and, where necessary, appropriate action was instituted. Seven calls/emails resulted in ongoing investigations and one call/email resulted in disciplinary action. 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.
- **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 contributes to enabling a high performing, collaborative and customer focused culture. It aims to ensure that all employees are able to deliver against the Cycle of Success and relevant strategic objectives. Comair has updated its performance process to ensure that it is still relevant to the ever changing environment and has focused on equipping managers to provide on the job coaching for improved performance. The Group will continue to drive continuous and rigorous feedback to support employee development and career progression. In addition, the practice of performance management is the basis for identifying 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. Part of this objective, being the development of leaders and talented management and employees, 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 departments.

The Group will renew its focus on monitoring and managing talent associated with positions identified as critical to achieving the relevant strategic and operational objectives of the Group. This will form the basis of the various talent strategies.

Recruitment and Retention of Skilled Staff

The recruitment and retention of the right 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 high performance in an intensely competitive and dynamic business environment.

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 previously disadvantaged individuals to obtain their Commercial Pilot Licence as well as gain flying experience. The cost to sponsor each cadet is approximately R600 000. Once the cadets graduate from the programme with the requisite number of hours, they are considered for employment by the Group. In addition, since each cadet has been sponsored to obtain their Commercial Pilot's Licence, trained to fly certain aircraft, and given the opportunity to accumulate flying hours, 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, validated and reliable 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.

Training and Skills Development

The Group's training programmes are focused on improving its human capital and business processes and procedures, maintaining and promoting quality service delivery, and alleviating identified skills shortages.

The Group has consolidated its existing training departments and expertise into a single administrative entity, the Altitude Training Academy Proprietary Limited ("the Alt.Academy"). The various training programmes within the Alt.Academy are delivered through specialised Comair entities including the Comair Training Centre, EPT Aviation Training Proprietary Limited, the Global Training College South Africa Proprietary Limited, previously Metaco Holdings Proprietary Limited, and the Learning and Development ("L&D") function. The establishment of the Alt.Academy is part of the Group's drive to become a significant contributor towards South Africa's human capital development efforts, which are necessary for the narrowing of the current and projected skills shortages in critical industry sectors such as Aviation, and includes the strengthening of the Group's own talent pipeline.

Employee Training

During the period under review, the Group invested 3% of payroll on training. This amount reflects a decrease of 1.75% on the prior year. The reduction in total training costs are due to Executive and Senior Management training costs not being included in this report and the significant development and cost reduction in converting courses into e-Learning computer-based courses which in turn reduced classroom training times and costs.

3% of payroll was invested on training this financial year.

The Group offers the following training programmes:

- **Harvard Management Mentor Programme:** 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

were identified from EXCO, HOD, management and specialist levels to complete the programme over a two-year period. The first cohort completed the two-year Harvard Management Mentor programme and the second phase will be rolled out in the last quarter of 2019.

- **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 Executive Manager: Flight Operations, and two (2) now being Captains. Some of the others have been employed by smaller airlines or air service operators 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. Currently there are three (3) cadets undergoing training through Loutzavia Flight School with two (2) cadets having acquired their instructors rating. There

are five (5) cadets flying on contract with Fly Awesome in order to achieve the requisite 1 500 hours before being considered for employment by the Group. One (1) cadet was dismissed from the programme at the end of May 2019.

- **Workplace Experiential Learning:**

During the period under review, the Group was involved with various tertiary education providers such as Durban University of Technology and the University of Johannesburg, 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 three (3) University of Johannesburg electrical engineering students.

- **Bursary Scheme:** The Group introduced the Comair Bursary scheme to Group employees and awarded twenty (20) 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 R11 million in the form of the Skills Levy, which was paid to the Department of Labour to further skills development in the country, as compared to approximately

R9 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. Since then there has been an 86% absorption rate of the learners as Customer Services Agents (CSA).

- **Supervisory Development Programme:**

This programme was developed for junior management (supervisors) at the airports, to develop to the next level of Management. Twenty-one (21) staff members attended the programme during the period under review, with two more programmes scheduled for the year ahead.

- **Alt.Academy:** The Alt.Academy comprises four distinct faculties, which include (a) Cabin Crew and Ground Handling Training; (b) Travel, Tourism and Hospitality; (c) Pilot Training; and (d) Leadership Development.

The Cabin Crew and Ground Handling Faculty offers a range of specially developed programmes designed to produce top performing crew, with the requisite technical expertise and inter-personal skills. The Travel, Tourism and Hospitality Faculty's objective is to support the tourism sector by providing talented, skilled and enthusiastic individuals, who will thrive in this ever-expanding industry. A team of highly qualified Comair instructors has been dedicated to the Pilot Training Faculty to deliver and facilitate a myriad of accredited and registered training programmes, which are necessary to refine required technical skills and build resilience and confidence in trainee pilots. Pilot training is conducted through industry leading facilities equipped with state-of-the art classrooms, electronic training platforms and modern fixed base, full flight simulators, and static aircraft evacuation trainers.

The Group's Cadet Pilot Programme sponsors previously disadvantaged individuals to obtain their Commercial Pilot Licence at a sponsorship cost of ±R600 000 per cadet.

- Training and Development:** In addition to the aforementioned, the Group has provided 13 641 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 19 128 hours, which translates into a monetary saving of approximately R1.5 million. Overall, 2 014 employees underwent training and development courses during the period under review.

Safety Management System Training was introduced to Group employees. Safety Management System Re-current e-Learning was implemented in July 2018 and 1 314 employees have completed

Code of Ethics e-Learning training. Corporate initiatives have been developed and implemented to include Performance Management, Remuneration and Benefits, Assessments and Talent Acquisition, among others.

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 81 to 84. Remuneration, recognition and reward guidelines create a platform for fair and transparent human resource practices, which 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 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 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 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; and
- All other employees: 4 weeks.

All employees enter into employment contracts with the Group. Certain employment contracts contain restraints depending on the role being performed.

The percentage of the Group’s employees represented by trade unions or collective bargaining agreements is reflected below.

Trade Unions

As at 30 June 2019, 51.03% (1 119 of 2 193) of the Group’s full-time, permanent employees were members of trade unions, compared with 47.46% (1 047 of 2 206 employees) as at 30 June 2018. 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.

NUMSA embarked on a strike on 18 April 2019 alleging that 21 staff were receiving salaries that differed from their colleagues, however the strike action was successfully interdicted in the Labour Court.

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

Comair does not accept any form of unfair discrimination based on gender, race, nationality or religion.

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 45 to 50 of this Report. During the period under review, no incidents of discrimination were observed or reported by employees.

As at 30 June 2019 compared with 30 June 2018, union membership was as follows:

Union	2019	2018
Solidarity	140	176
United Association of South Africa (“UASA”)	197	247
Comair Pilots Association (which is affiliated to the Airline Pilots Association of South Africa)	121	133
National Union of Metalworkers of South Africa (“NUMSA”)	629	373
South African Transport and Allied Workers Union (“SATAWU”)	4	4
National Transport Movement (“NTM”)	28	114

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

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.

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, 73 incidents were reported, as opposed to 27 in 2018. These included slipping, eardrum pressure on landing, back and knee strains, as well as other minor incidents. There was one incident of assault by a passenger who threw a bottle of water at a staff member. There were no fatalities during the period under review.

The Group's Joint CEOs ensure 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 in each department are 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 onsite 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, 1 036 engagements took place with ICAS, which included amongst others:

- 292 Telephonic counselling sessions;
- 221 Face-to-face counselling cases;
- 34 Cases at on-site clinics;
- 133 Legal consultations;
- 5 Family care cases;
- 22 Financial consultations; and
- 98 Individuals received services in Group settings.

Of the individuals who accessed the services:

- 412 were female;
- 159 were male;
- 511 were employees; and
- 60 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 2017–31 March 2018 and 1 April 2018–31 March 2019 were carried out by BDO Verification Services Proprietary Limited. The comparisons of the results of both audits are contained in the following table.

Elements	Weighting	Score 2018	Score 2019	Comparison
Ownership	20	19.36	20.57	+1.21
Management control	10	3.43	9.72	+6.29
Employment equity	15	4.52	7.14	+2.62
Skills development	15	11.23	12.11	+0.88
Preferential procurement	20	17.29	17.96	+0.67
Enterprise development	15	14.14	15.00	+0.86
Socio-economic development	5	4.35	5.00	+0.65
Total points	100	74.32	87.50	+13.18

The Annual Report for 2018 indicated that the Group achieved a total score of 75.18; however this was later amended in a SENS announcement to advise that the Enterprise Development score achieved was actually 14.14 and the total score was amended to 74.32.

The assessment for the year under review showed a significant overall improvement in all elements, with a total score of 87.50 as compared with the total score of 74.32 in 2018.

The B-BBEE recognition level for the Group improved by a total of 13.18 points year-on-year, which allowed the Group to progress to a Level 2 B-BBEE rating. A copy of the Group's verification certificate for the period 1 April 2018–31 March 2019 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 posttransaction 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 an increase in the number of Group shares held by Black people, resulting in an increase of 1.21 points from the previous reporting period.

The B-BBEE Shareholding as at 22 February 2019, reflected below, was used in the current rating period:

Black Ownership Economic Interest	27.07%
Black Women Ownership Economic Interest	10.58%
Black Designated BEE Groups Economic Interest:	3.03%
Black New Entrants Economic Interest	2.84%
Black Ownership Voting Rights	31.84%
Black Woman Ownership Voting Rights	10.93%

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 become dormant as a result of certain tax changes. The Group Shareholder Analysis is set out on pages 182 to 184 of this Report.

Management Control

The number of Black Directors on the Board during the period under review, as a percentage, increased from 26.68% to 38.46%, of whom 13.34% are Black females.

A full list of Board Directors can be viewed on pages 94 to 95.

The B-BBEE recognition level improved by 13.18 points allowing Comair Limited to become a Level 2.

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 2.62 points compared to the previous reporting period. The workforce profile, as at 30 June 2019, 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	0	0	0	2	2	0	1	0	1	2	0	0	0	4
Senior Management	2	1	0	7	10	0	0	0	1	1	0	1	1	12
Mid Management	15	2	3	154	174	8	3	11	42	64	4	2	6	244
Skilled	157	63	52	166	438	447	175	106	225	953	2	11	13	1 404
Semi-Skilled	124	23	11	10	168	221	51	37	29	338	1	1	2	508
Unskilled	1	0	0	0	1	17	0	0	0	17	3	0	3	21
Grand Total	299	89	66	339	793	693	230	154	298	1 375	10	15	25	2 193

The overall race distribution of the Group's employees in South Africa as at 30 June 2019 compared to 30 June 2018 is set out below:

Race Distribution (South African Employees)	At 30 June 2019	At 30 June 2018
White (females and males), including Foreign Nationals	662 Employees (constituting 30% of the total number of employees)	690 Employees (constituting 31% of the total number of employees)
African, Coloured, Indian (designated females and males)	1 531 Employees (constituting 70% of the total number of employees)	1 516 Employees (constituting 69% of the total number of employees)

Reflected below is the summarised Employment Equity Report ("EEA2") submitted online to the Department of Labour on 29 November 2018, as required in terms of Section 22 of the Employment Equity Act, 2003. The reporting period of the EEA2 ran from 1 August 2017 to 31 July 2018.

Summarised Employment Equity EEA2 Report

Workforce Profile as at 31 July 2018:

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	1	0	0	7	0	0	0	1	0	1	9
Middle Management	14	5	6	123	26	7	10	45	4	2	242
Junior Management	164	64	48	171	407	170	105	234	5	11	1 379
Semi-Skilled	104	28	15	37	235	51	31	40	0	4	545
Unskilled	2	0	0	1	16	1	0	1	0	0	21
Total Permanent	285	97	69	341	684	229	146	321	9	18	2 199
Temporary Employees	6	0	0	1	4	0	0	0	0	0	11
Grand Total	291	97	69	342	688	229	146	321	9	18	2 210

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	2	0	0	0	0	0	0	2
Junior Management	0	1	0	3	2	0	1	1	1	0	9
Semi-Skilled	0	0	0	1	0	0	1	0	0	0	2
Unskilled	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	0	1	0	6	2	0	2	1	1	0	13
Temporary Employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	0	1	0	6	2	0	2	1	1	0	13

- The Black pilot percentage increased from 4.17% in the previous reporting period to 8.30% (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 eight cadets in the Group's Cadet Programme of whom 100% are Black and 38% are Black females.
- Job profiling, job evaluation and grading – All positions in the Group have been profiled, evaluated and assigned job grades, which are regularly 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, together with the Remuneration Policy which is consistently applied to all positions in the Group, have significantly improved transparency with respect to recruitment and the filling of vacancies. 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 51 200 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 2017–2018, the Group made reasonable progress towards achieving its 2019 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; and
- 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 goals that it has set, are specified below:

Level	EE Goal	% SA Black Target	Budget Head Count	Male				Female				Foreign National		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 11.23 points in the previous reporting period to 12.11 points. The Group invested over R82 million, financial and non-financial, in Black employees, of which 56% was targeted towards Black females.

Preferential Procurement

As proof of its commitment to preferential procurement, the Group procured from 146 Exempted Micro Enterprises ("EMEs") and 202 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. The Group spent over R240 million on EME and QSE suppliers, over R400 million on purchases from suppliers that were 50% or more Black owned and over R56 million on suppliers that were at least 30% Black woman owned. In the period under review, the Group increased its B-BBEE Preferential Procurement score from 17.29 in the previous reporting period to 17.96 points.

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.

As proof of its commitment to preferential procurement, the Group procured from 146 EMEs and 202 QSEs.

Enterprise Development

During the period under review, the Group invested over R6 million to support Black Owned QSE and EME entities. The Group's points increased from 14.14 in the previous reporting period to achieving the full 15.00 points 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 100% Black owned academy that prepares unemployed school leavers for entry into the workplace	Interest free loan – outstanding amount from previous years	R3 902 175
Garnica Media 100% Black Female owned media company specialising in communication with EME and QSE entities in partnership with SEED Academy	Flight Tickets	R79 438
La Bonne Dining 100% Black owned Restaurant founded by the renowned "Chef Wandile" who is developing young Black female chefs to be trained in France in French Cuisine	Grant Interest free loan	R537 500 R1 500 000
Dlloyd Creative Enterprise 100% Black owned barcoding, digital design and digital print solutions Company.	Grant Loan	R120 000 R360 000
Cleaning Made Easy 100% Black Female owned household and commercial cleaning service provider.	Grant	R20 000
Kala Lifestyle 100% Black Female owned clothing manufacturer specialising in Corporate wear and uniform design.	Grant Loan	R50 000 R150 000

Socio-Economic Development

The Group scored the full 10 points for this element.

The Group invested over R3.5 million in the socio-economic development beneficiaries outlined below:

- Breadline Africa
- Cupcakes of Hope (Children with Cancer)
- Food and Trees for Africa
- Food Forward SA
- Help 2 Read
- Imbizo Yethu Foundation
- Knysna Initiative for learning and teaching
- Love Justice SA
- Mighty Tsianda Foundation
- Pioneer School for the Visually Impaired
- Primestars
- Protec
- Quadpara Association of SA
- Reach for a dream
- Red Cross – The Children's Hospital Trust
- Smile Foundation
- Sunfield Home School for Intellectually Impaired
- The Paying it Forward Foundation
- Urban Ruins
- Wings and Wishes

Further details on the Group's corporate social investment strategies and initiatives are dealt with on pages 51 to 54 of this Report.



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 children needing medical assistance at the Red Cross War Memorial Children's Hospital. The Group's contribution comprised R100 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 which was divided into two areas. R150 000 was allocated to the Oncology Upgrade Project (Mother and child room in the Oncology unit). The second R150 000 was donated to the Hospital RX Radio Programme.

R1.85 million
in air tickets and
travel credit
R1.5 million
in cash

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 R250 000 worth of air tickets to this worthy cause during the period under review.

Smile Foundation

The Group continued to put smiles on children's faces by donating R300 000 (in the form of air tickets) to the Smile Foundation, which is dedicated to transforming the lives of children requiring facial reconstruction. In addition, a cash donation of R90 000 was contributed to the Smile Foundation's Cyclethon fundraising event, through the participation of several Comair employees.

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 R150 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") along with a cash donation of R200 000 for the Independence and Mobility in Home Environment Project.

Breadline

The Group is still in partnership with Breadline Africa – a non-profit organisation that supplies converted shipping containers for poverty relief in Southern Africa. The Group donated R370 000 in cash to build two containers that were delivered to the Sizani Combined Primary School in Durban, providing the school and students with a library, including books, as well as a classroom. The library and the school are then partnered with a literacy partner to provide quality learning opportunities for the children at these schools.

Cupcakes of Hope

Cupcakes of Hope is a non-profit organisation dedicated to raising awareness of childhood cancer and raising funds for underprivileged families for children with cancer who need medical and financial assistance. The Group donated R50 000 cash for medical treatment, other day-to-day expenses and transport for hospital visits. In October 2018 kulula flew Cupcakes of Hope's first patient, Kegan Holl and his mother to Durban for his birthday. He had never flown before and is a survivor of cancer at 11 years old.

FoodForward SA

FoodForward is a non-profit organisation dedicated to reducing hunger in South Africa by safely and cost effectively securing quality food and making it available to those in need. The Group donated R100 000 in travel credit, making it possible for beneficiary co-ordinators and operational staff, who travelled on 33 national flights, to rescue food from major retailers, wholesalers, suppliers, farms and the Consumer Goods Council of SA. In addition, the Group donated R200 000 in cash which resulted in a contribution of 632 911 meals to FoodForward SA beneficiaries.

Help2Read

Help2Read is a non-profit organisation that supports learners, staff, volunteers and communities with literacy development for primary school students. The Group donated R5 000 towards the purchase of books for the children's book club, encouraging literacy in children.

Imbizo Yethu Foundation

The Group donated R20 000 to this non-profit organisation which is dedicated to empowering disadvantaged South African communities, focusing on orphaned and vulnerable children between the ages of 2 and 14 years old in the Newlands Westbury Community. The flight tickets supported the organisation in transporting Board members to seek further funding in the growth of the organisation for the benefit of children.

The Knysna Initiative for Learning and Teaching (KILT)

KILT is a non-profit organisation, based in the Western Cape, which is dedicated to supporting and assisting the education system in Knysna. The Group donated R100 000 for GIBS facilitators to travel to Knysna to deliver their pro-bono one-year Leadership and Management course for the KILT school heads and deputies.

Love Justice SA

Love Justice SA is a non-profit organisation dedicated to preventing human trafficking. The Group donated R100 000 to transport members of the organisation and potential victims/partners.

Mighty Tsianda Foundation

This organisation's request for support was applied for by an employee of the Group. A cash donation of R20 000 was made towards the purchase of school shoes, bags and uniforms for 200 needy children located in Tsianda Village in Limpopo. The Mighty Tsianda Foundation creates a platform for engagement on various issues, social cohesion, education and economic upliftment.

Pioneer School for the Visually Impaired

This foundation's request for sponsorship was made by another employee of the Group. The Group donated five return flight tickets to assist in fundraising initiatives, along with R25 000 in cash

which supported the cost of school fees and boarding expenses for some of the children attending this school in Cape Town.

Programme for Technological Careers (Protec)

The Group encourages education for children and through its partnership with Protec, which is dedicated to preparing learners for successful careers in Science, Technology, Engineering and Mathematics, made this possible. The Group donated R100 000 worth of travel tickets to transport students and members of the organisation, along with a further R150 000 cash donation which benefited the continuation of the organisation and operational costs.

Reach for a Dream

Reach for a Dream is dedicated to giving hope to children fighting life threatening illnesses by fulfilling their dreams. The Group helped to launch their first "Dream Room" at the Steve Biko Hospital in Pretoria with a cash donation of R300 000.

Sunfield Home School for Intellectually Impaired

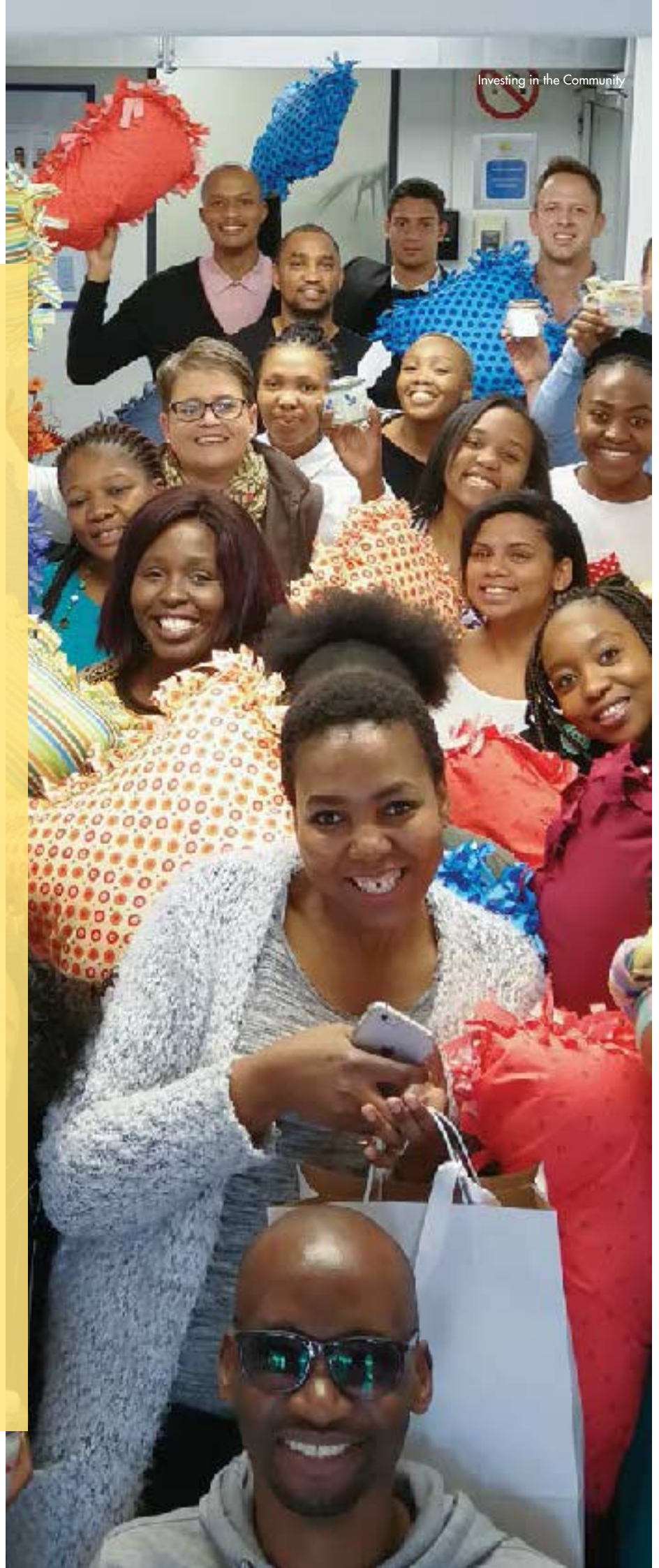
The Group was approached by the ground staff at King Shaka International Airport requesting support for the Sunfield Home School for the Intellectually Impaired in Durban. The Group donated R15 000 for the upgrade of the pottery room which is extensively used by the disabled learners as part of the Arts and Crafts Curriculum.

Mandela Day – The Paying it Forward Foundation

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 the making of comfort packs, a pillow making initiative for donation to Oliver's House in Benoni, and the cleaning and painting of the Rhodesfield High School IT classroom in Kempton Park.

Urban Ruins

This non-profit organisation is based in Boksburg, Gauteng and is dedicated to providing a free and safe child care centre to keep children off the streets. The Group donated R5 000 towards the purchase of two racing bicycles, following the theft of bicycles from the centre. Two teenagers were enrolled to attend the Telkom 94.7 race and after all their training would not have been able to attend the race without bicycles. With the aid of the Group the two were able to fulfil their dreams and complete the race.



ENVIRONMENTAL REPORT

Environmental Impact

Developments in society have a profound influence on the Group's business forecasts and its sustainability. Changes in behaviour are being driven by increasing awareness of social, ethical and moral responsibilities. Applying a responsible and sustainable approach to dealing with resources, the environment and employees secures not only long-term financial sustainability, but also acceptance for its business model, both inside and outside the Group, as well as a desirable choice for customers, employees, Shareholders and the various Stakeholders.

The Group seeks to balance aviation and customer growth with delivery of its services in an environmentally sustainable way. The Group has invested in new aircraft and technology while adopting the most efficient operational and commercial procedures to minimise the impact on the environment. Investments have been made into carbon neutral water and electricity consumption at the Groups' latest sites, including the Cape Town catering facilities. 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, reduces, reuses and recycles waste material, sustains a creative and innovative workforce and gives 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, by 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 which divides emissions into three main categories (scopes). 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 2018 to 30 June 2019
Base year	2011
Methodology	GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition)
Number of employees	2 193
Number of sites	19
Square meterage of facilities	27 154 m ² (17 363 m ² of total area is metered)
KPI: Passengers carried	5 981 803

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)		

Since 2000, the aviation industry’s fuel efficiency has improved by 32.8%

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, managing and minimising 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; and
- Responsibly managing and disposing of all waste.

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. The Group recycles paper

and water and uses solar power, where possible. Aircraft are sold for use by other operators after leaving the fleet at the end of their commercial lifespan or are dismantled and usable parts are marketed for further use. 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 Joint Chief Executive Officers are responsible for ensuring compliance with these goals and delegate 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

Although aviation is a relatively small industry, it has a disproportionate impact on the environment. The burning of fossil fuels such as oil, coal and gas, releases carbon dioxide, methane and other gases into the Earth’s atmosphere and oceans. Carbon dioxide is the greenhouse gas that is most responsible for global warming. Kerosene, the fuel used to power jet aircraft, is not only a scarce resource but also emits carbon dioxide. With projected growth in international aviation activities, there is a greater need and demand to examine ways to reduce the potential damaging impact of aviation on global warming. Significant resources are being invested internationally to address these environmental challenges

The international community aims to reduce the GHG concentrations in the atmosphere to around half of what they were in 2005,

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; and
- 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 climate and environmental responsibility as key 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.

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. At the 39th ICAO Assembly, held in 2016, the airline industry signed the world’s first truly global carbon emission offsetting and Reduction Scheme for International Aviation (“CORSIA”). Under the CORSIA, aeroplane operators will have to purchase and cancel “emission units” to offset the increase in CO₂ emissions covered by the Scheme. The CORSIA is only applicable to international civilian operation of aeroplanes, but states can choose to apply the CORSIA methodology domestically as well. The CORSIA will be implemented in phases. A voluntary first phase will run from January 2019 to December 2026 with the participation of states on a voluntary basis. Thereafter, from 2027 through to 2035, there will be a second phase with compliance becoming compulsory for all states, except the least developed who will be exempt from the offsetting requirements. As South Africa has not volunteered for the first phase, the CORSIA will only apply to the Group’s regional operations with effect from January 2027.

During the period under review, the Group in preparation for 2027 developed a CORSIA Emissions Monitoring Plan (“EMP”) for submission to the SACAA. The purpose of the EMP is to detail the methods to be used to monitor fuel use and calculate emissions so that a verifying agency can annually check this information. The SACAA approved the Group’s EMP in January 2019. The next milestone in preparing for CORSIA implementation will be the selection by the Group of a verification agency to check annual emission data. This process is under way at present. As there are currently no accredited CORSIA Verification Agencies in South Africa, the Group can only consider the credentials and costing proposals of foreign verification agencies.

Carbon Taxes

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.

The Carbon Tax Act (No. 15 of 2019) became effective from 1 June 2019. The Group will be subject to direct carbon taxation, based on aviation turbine fuel use, in accordance with a reporting methodology approved by the Department of Environmental Affairs. The first phase of the domestic aviation emissions tax is from 1 June 2019 to 31 December 2019 and the tax rate for the 2020 calendar year is estimated to be R128.04 per tonne of carbon dioxide emissions. Payment is due in July each year. The second phase will run from 2023 to 2030. The design of the taxation is largely determined by thresholds, with a basic threshold of 75% being in place during the first phase.

1. Technological development	2. Operational efficiencies	3. Improved infrastructure	4. Economic measures
New and more efficient aircraft and engine technologies	Efficient aircraft sizes and weight savings	Better use of airspace and streamlining routes to reduce flight time	A global, sensibly designed market-based system for reducing emissions to complement the other three pillars such as emission trading or carbon offsetting
Alternative fuels	Optimising fuel use, by single engine taxiing, idle reverse thrust, streamlining flight routes and air speeds Optimised processes for descent and traffic flow on the ground	Optimising airport layout	

The potential carbon tax exposure to the Group for the period 1 June 2019 to 31 December 2019 taking into consideration the possible tax free allowances of 75%, would amount to approximately R8 851 406 or R2.68 per passenger carried, calculated according to the number of passengers carried on domestic flights during the 2019 financial year. The Group will be liable to pay the carbon tax for the forthcoming 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 view is supported by the Group. The Carbon Tax Act, 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.

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 2018 financial year.

Inventory 2019

GHG Emission Source by Scope

Emission source by Scope	Metric tonne CO ₂ e	% Change from 2011	
Scope 1 direct emissions	548 906.75	▲	3%
Stationary fuel combustion	375.33	▲	479%
Mobile fuel consumption	548 531.42	▲	3%
Scope 2 indirect emissions	5 267.55	▼	27%
Purchased electricity	5 267.55	▼	27%
Total Scope 1 and 2 emissions	554 174.29	▲	2%
Scope 3 indirect emissions	107 273.11	Comparison not appropriate as Scope 3 emission sources were not measured in base year 2011	
Fuel- and energy-related activities	107 144.09		
Material use	26.62		
Water use	11.61		
Waste disposal	90.80		
Total Scope 1, 2 and 3 emissions	661 447.41		

Out of Scope Emissions

Out of Scope emissions from R22 refrigerant gas in air conditioning units have been excluded, as they are immaterial in the context of the Groups footprint.

Emission Intensities

GHG Emission Intensities

Emission intensities	t CO ₂ e	% Change from 2011	
Aviation fuel footprint per passenger	0.09	▼	21%
Scope 1 and 2 footprint per passenger	0.09	▼	21%
All scopes footprint per passenger	0.11	n/a ⁽¹⁾	
All scopes footprint per employee	301.62	n/a ⁽²⁾	
Scope 1 and 2 footprint per employee	252.70	▼	9%
Site-specific emissions per m ²	0.23	▼	14% ⁽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

Greenhouse Gas Emissions by Emission Source

Aviation fuel emissions remain 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.

Mobile fuel combustion emissions decreased compared to the previous financial year. Land-based emissions decreased by 14%, while aviation emissions decreased by 5%. Scope 3 well-to-tank emissions correlate closely with fuel usage and have shown a decrease of 4%.

With an increase in passengers carried and a decrease in aviation emissions, aviation emissions per passenger carried decreased by 8%.

As a result of an increase in LPG usage in the catering business, stationary fuel combustion emissions increased substantially by just less than 400% from the previous financial year.

Electricity emissions increased by 11% from the prior financial year. This increase is largely due to an increase in the Eskom grid emission factor and not from an increase in electricity use.

Paper usage emissions increased by 7% from the prior financial year driven by an 8% increase in paper use.

Water use emissions decreased by 27%. This decrease however is measured against unusually high usage in the previous financial year and does not represent historical emissions.

Waste disposal emissions increased significantly by 136%, however a comparison with the previous year is not relevant as additional waste collection data is being gathered at more of the sites compared to the limited data available during the previous year.

These changes in the smaller emission sources have had an immaterial impact on the Group’s total emissions trends.

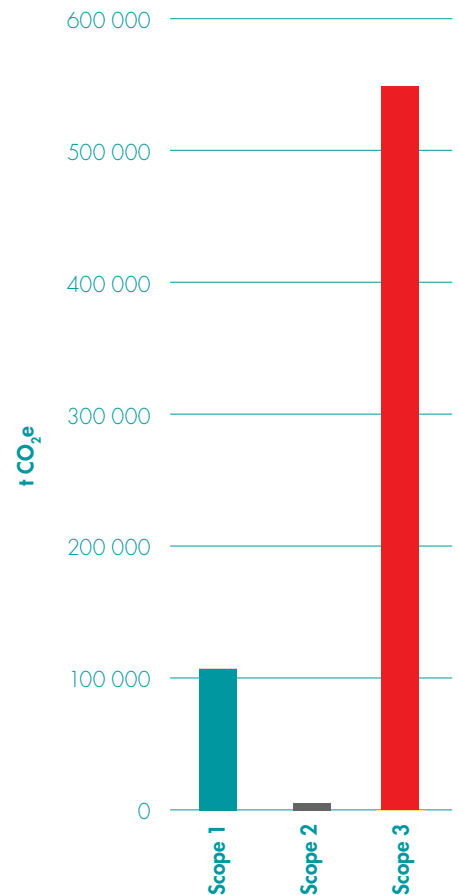
The total GHG Inventory of the Group for the 2018/19 financial year was 661 447.41 metric tonnes of CO₂e made up as follows:

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	126 801 002	548 014.44
Mobile fuel consumption: Vehicles	ℓ	Various	176 852	516.98
Stationary combustion: Generator fuel use and LPG fuel use	ℓ	Various	1 620	4.59
	kg		127 343	370.74
Total Scope 1 emissions				548 906.75

2018/19 GHG Inventory by Emission Source Tonnes of CO₂e



- Stationary fuel combustion
- Mobile fuel combustion
- Purchased electricity
- Fuel- and energy-related activities
- Material use
- Water use
- Waste disposal

The direct emissions reflected above are broken down as follows:

Detailed Breakdown of Mobile Fuel Combustion in Company Owned/Leased Aircraft/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	8 497		2 511.44	21 339.71
B737-800W	LTO cycle	33 019		2 811.21	92 823.34
Aviation turbine fuel	kg		126 759 486	3.42263	433 851.39
Diesel (100% mineral diesel)	ℓ		121 216	3.14939	381.76
Petrol (100% mineral petrol)	ℓ		55 636	2.43052	135.22
Total					548 531.42

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	1 620	2.83261	4.59
LPG	kg	127 343	2.91133	370.74
Total				375.33

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	5 064 949	1.04	5 267.55
Total				5 267.55

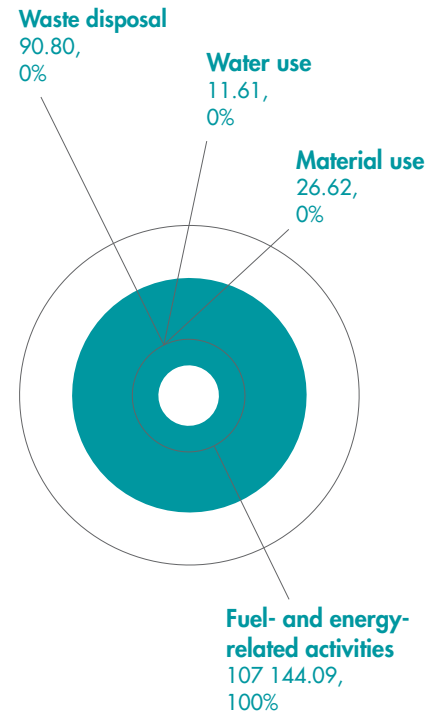
Note: Purchased electricity emissions are underestimated as electricity usage at the OR Tambo International Airport site is unavailable as it is included in the rental charges. The physical footprint of the OR Tambo International Airport site equates to approximately 13% of the Groups Scope 2 emissions footprint

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	1 620	0.62617	1.01
LPG	kg	127 343	0.36930	47.03
Mobile fuel combustion				
Aviation turbine fuel	kg	162 421 249	0.65870	106 986.88
Diesel (100% mineral diesel)	ℓ	121 216	0.62617	75.90
Petrol (100% mineral petrol)	ℓ	55 636	0.59792	33.27
Material use				
Copy paper	tonnes	27.94	952.6819	26.62
Water use				
Water supply	kℓ	33 747	0.3440	11.61
Waste disposal				
To landfill				
Mixed domestic waste	tonnes	150.10	586.5138	88.04
To recycling				
Paper	tonnes	96.58	21.3538	2.06
Scrap metal	tonnes	4.68	21.3538	0.10
Glass	tonnes	14.09	21.3538	0.30
Plastics	tonnes	11.68	21.3538	0.25
Tetra Pak	tonnes	2.39	21.3538	0.05
Total				107 273.11

Scope 3 Emission Sources



GHG Inventory 2017/18

The total GHG Inventory of the Group for the 2017/18 financial year was 693 388.10 metric tonnes of CO₂e made up as follows:

GHG Inventory	Scope 1	Scope 2	Scope 3	Total
Metric tonnes of CO ₂ e	576 826.10	4 765.51	111 796.48	693 388.10

Direct Emissions (Scope 1)

Scope 1 Emissions

Emission source	Unit of measure	Consumption	Tonnes of CO ₂ e
Mobile fuel consumption	ℓ/kg	169 549 822	576 750.71
Stationary fuel combustion	ℓ/kg	36 122	75.39
Total			576 826.10

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	169 344 989	576 149.76
Diesel	ℓ	Various	143 418	451.68
Petrol	ℓ	Various	61 415	149.27
Total				576 750.71

Detailed Breakdown of Stationary Fuel Combustion (Generator, Gas)

Emission source	Unit of measure	Emission factor	Consumption	Tonnes of CO ₂ e
Diesel	ℓ	Various	1 059	3.00
LPG	kg/ℓ	Various	35 063	75.39
Total				75.39

Indirect Emissions (Scope 2)

Detailed Breakdown of Electricity

Emission source	Unit of measure	Emission factor	Consumption	Tonnes of CO ₂ e
Purchased electricity	kWh	0.95	5 016 329	4 765.51

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	0.65890	169 344 989	111 581.41
Petrol	ℓ	0.59585	61 415	36.59
Diesel	ℓ	0.62564	143 418	89.73
Stationary fuel combustion				
Diesel	ℓ	0.62564	1 059	0.66
LPG	kg/ℓ	0.36940	35 065	8.87
Material use				
Paper	tonnes	955.6535	25.96	24.81
Water use				
Water supply	kℓ	0.34400	46 124	15.87
Waste disposal				
Paper/scrap metal/glass/plastics/Tetra Pak	tonnes	21.38420	137.54	38.54
Total				111 796.48

1.4%

reduction in fuel consumption across the fleet

27%

decrease in water use emissions

14.09

tonnes of glass recycled

In comparing our GHG Inventory for 2018/19 with that of 2017/18, it must be noted that:

- Overall, there were significant decreases in emissions;
- The aviation footprint per passenger carried during the financial period reduced by 8%, compared to 5% in the previous financial year;
- While stationary combustion emissions are immaterial, they did increase by just less than 400% year-on-year as a result of a huge increase in LPG use in the Groups catering business. However, when compared to the 2017/18 financial year, where there was a 5% increase in emissions, the current approximately 400% increase is quite insignificant when compared to the savings that have been achieved to date by the Group;
- As mentioned above, the increase in Scope 2 emissions can be attributed to an increase in Eskom’s grid emission factor and not an increase in electricity usage, where there was only a 1% increase; and

- Scope 3 emissions decreased when compared to the previous financial year but paper use increased by 8%. Waste disposal emissions increased significantly due to additional waste collection and recycling facilities implemented. Water use decreased when compared to the previous financial year it must be noted however, that changes in these smaller emission sources have an immaterial impact on the Group’s total emissions trends.

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 30kg 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, one pre-owned during the 2014 reporting period, three during the 2016 reporting period, one new and one leased B737-800 NG during the 2017 reporting period, one pre-owned and one leased during the 2018 reporting period in addition to a further leased B737-800 NG during the 2019 reporting period, as well as delivery of the first Boeing 737 MAX 8 aircraft.

- Approximately eight (8) 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; and
- 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.

This is the eighth 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, Tetra Pak, 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 was 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 measures 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.

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; 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 Code of Ethics provides 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, approved by the Social, Ethics and Transformation Committee and Board, sets out amongst other things, intolerance of 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. The Board endorses the principle of effective and ethical leadership and expects Management to maintain an ethical culture within the business. Material King IV practices underpin the Group's internal controls, policies and procedures governing corporate conduct. The Group has implemented an elearning programme to train all staff on the contents of the Code of Ethics.

Confidential Reporting Process

The Group recognises the need for its employees to have a confidential reporting process ("Whistleblowing") 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 22. 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 Audit and Risk Committee considers any material incidents of fraud and corruption. No incidents of corruption or fraud were brought to the attention of the Audit and Risk Committee 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; and
- 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. The development for phase three has been completed but not yet deployed.

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 045 to 046 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.

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

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) ("POPI"), has been passed in South Africa, but the date of implementation, apart from a few enabling sections, has yet to be determined. In preparation for the coming into operation of POPI the Group is pro-actively putting in place measures to ensure privacy of personal information, and 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.

Information and Technology Governance

The Group is dependent on Information Technology ("IT") systems for most of its business processes. In the period under review, the Group 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 (Nacelle). One of the core functions of Nacelle is to provide IT services to the Group, subject to the Group's Business Processes Department overseeing the implementation of effective controls to meet the governance standards and service levels required by the Group. Nacelle took over responsibility for the Group's IT services in September 2018.

A new governance framework in the form of a Technology and IT Governance Policy, compliant with King IV practices, was drafted and submitted to the Audit and Risk Committee for approval. The expectation is that this policy will be approved and implemented before the end of the 2019 calendar year.

The draft Technology and IT Governance Framework achieves the following:

- The strategic alignment of decision making for planning, policy and operations, in order to meet business objectives, ensure that risks are managed appropriately, and verify that resources are being used responsibly;
- The delivery of value, concentrating on optimising costs, and proving the intrinsic value of IT's promised benefits against the strategy;
- The management of resources through the monitoring and management of all service providers, but especially Sabre, Amadeus and Nacelle, and the development of efficient and appropriate business architecture; and
- The optimising of investment in, and the proper management of, critical IT resource applications, information, infrastructure and people.

To meet the governance objectives, the Group has in place the following governance structures:

- A Technology and Information Steering Committee. This committee is responsible for providing guidance to the Group on Technology and IT matters and is accountable for the implementation and development of the IT and technology strategy;
- A Technology and Information Project Steering Committee. This committee is responsible for managing the delivery of all investment decisions in technology and information, and reporting thereon to the Technology and Information Steering Committee; and

- A Group Investment Committee. This committee is responsible for reviewing business cases and pricing for technology and IT investments developed, in line with the Technology and Information Steering Committee methodology.

Key focus areas

During the period under review, the key focus areas were:

- Developing a new IT and Technology Policy;
- Setting up the outsourcing arrangement with Nacelle;
- Enhancing the administration and monitoring of IT platforms – Nacelle is providing real time monitoring of all systems, and alerts the Group whenever server storage capacity exceeds limits of 85%; and
- Installation of new systems – a system called Automate was implemented to monitor machines logging on and off the network. The installation of Office 365 was initiated to provide more user functionality.

Future areas of focus

Future focus areas include:

- Continuously improving the IT security posture and further de-risking the operating environment;
- Procuring a new telephone system to replace the current outdated one;
- Implementing measures to improve the speed of the network in areas such as the SLOW lounges;
- Further expansion of the Group's data storage and analytics capabilities;
- Replacing the current Intranet system; and
- Achieving PCI compliance maturity.

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 94 to 95. The roles of the Chairman and the Joint Chief Executive Officers, ("Joint CEOs") are separate. The Non-Executive Directors, with a strong independent element, are of sufficient number to ensure that no single individual has unfettered power of decision making and authority. As at 30 June 2019, the Board comprised seven (7) Independent Non-Executive Directors, one (1) Non-Executive Director and five (5) Executive Directors (including the Alternate Director) as required in the Listings Requirements of the JSE.

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 Nominations 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 Appointment of 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 five (5) 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 2019 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 ethical and effective leadership 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 Joint CEOs are set out in the Group's Board Charter, which is reviewed annually.

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 Joint CEOs, who report 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 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 Committees receive Board and 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 Director Manual containing 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 Joint CEOs, 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 an external formal evaluation of its performance once every three years and an internal evaluation in the other years. 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, technology and information management, internal controls and succession planning. The 2018 evaluation revealed that the Board is performing satisfactorily with an overall Board evaluation of 3.68 out of 4.00.

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

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 94 to 95 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, together with 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 CEOs and Executive Committee

The CEO, Mr Erik Venter, resigned on 30 July 2019 and was replaced by Ms Wrenelle Stander and Mr Glenn Orsmond as Joint CEOs on 31 July 2019. The Joint CEOs report to the Board and are 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.

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 Joint CEOs to fulfil their functions, an Executive Committee was formed. The Executive Committee meets weekly. 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, and King IV Code;

- Providing regular updates on effective and proposed changes to laws and regulations affecting the Group and/or its businesses; and
- 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 Joint CEOs 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 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 requirements (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 these structures add value to the business. The Board has created an Audit and Risk Committee (previously there was both an Audit Committee and a Risk Committee), Nominations Committee, Remuneration Committee and a Social, Ethics and Transformation 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, Ethics and Transformation 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 Social, Ethics and Transformation Committee, the Remuneration Committee and the 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 and Risk Committee

With effect from 17 September 2018 the Audit Committee and the Risk Committee were combined into one committee known as the Audit and Risk

Committee. The role of the Audit and Risk Committee is to provide independent oversight of the effectiveness of the Group's assurance functions and services, integrity of the Annual Financial Statements, and soundness of the Group's financial position. It also makes recommendations to the Board on all financial matters and internal controls, reviews the risks facing the Group's business and ensures compliance with all required legislation, regulations and codes affecting the business. The Committee further 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 the 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, Joint CEOs, Financial Director, Chief Audit Executive and external auditors attend the Audit and Risk Committee meetings by invitation. The Committee held three (3) meetings during the reporting period.

Composition of Committee and Attendance

Members	Appointed/ Resigned	Attendance
Mr N Maharajh (Chairman)		3/3
Dr PJ Welgemoed	Resigned 17 September 2018 Reappointed on 1 July 2019	1/1
Ms P Mahanye	Resigned 20 June 2019	3/3
Mr RS Ntuli	Resigned 30 June 2019	2/3
Mr SL Doyle	Appointed 18 September 2018 Resigned 1 February 2019	0/1
Ms NB Sithole	Appointed 18 September 2018	2/2
Mr MN Louw	Resigned from Risk Committee on 18 September 2018	1/1

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 and Risk 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 and Chief Audit Executive;
- 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;
- Annually review the Risk Management Policy for recommendation to the Board for approval;
- Monitor implementation of the Risk Management Policy;
- 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 Policy 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;
- 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; and
- Evaluate procedures and systems introduced and oversee the governance of information technology.

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 78 to 80. 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 Joint CEOs, in consultation with the Board Chairman, Remuneration Committee and Nominations Committee, are responsible for ensuring that adequate succession plans are in place.

As recommended by King IV, the Group's remuneration policy was approved by Shareholders at its last Annual General Meeting on 16 November 2018.

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

Composition of Committee and Attendance

Members	Appointed/ Resigned	Attendance
Mr P van Hoven (Chairman)		2/2
Mr JM Kahn	Resigned 17 September 2018	1/1
Mr MD Moritz		1/2
Dr P Welgemoed	Appointed 18 September 2018	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 Chairman, the Joint CEOs 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 Joint CEOs attend meetings by invitation only and are not entitled to vote. The Joint CEOs do not participate in discussions regarding their own remuneration. The Committee met three (3) times 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	1/1
Mr MD Moritz		1/3
Mr RC Sacks		1/3
Mr P van Hoven		3/3
Mr RS Ntuli	Appointed 18 September 2018 Resigned 30 June 2019	1/3
Dr PJ Welgemoed	Appointed 18 September 2018	2/2

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 81 to 84 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 92 to 98 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 16 November 2018, with 98.69% of the Shareholders present or entitled to vote at the Annual General Meeting voting in favour of the resolution, 1.31% voting against the resolution and 0.03% 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 Annual General Meeting to be held on 29 October 2019. 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, either through dialogue, by requesting written submissions, or through other suitable channels, in order to address Shareholders' concerns – always with due regard to 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 Joint CEOs; and
- 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; Annually review the general salary increase for all other employees.

Social, Ethics and Transformation 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 three (3) times during the period under review. The composition of the Committee and attendance at meetings are set out below:

Members	Appointed/ Resigned	Attendance
MD Moritz (Chairman)		1/3
ER Venter	Resigned 30 July 2019	2/3
DH Borer		3/3
KV Gorringe		3/3
N Maharajh		3/3
E Shipilana	Appointed 17 September 2018	2/2

The main responsibilities of the Social, Ethics and Transformation 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;
- Oversee and report on organisational ethics and Stakeholder relationships; and
- Perform the statutory functions of a Social, Ethics and Transformation 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 85.

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 internal audit and risk management functions, which have been delegated to the Audit and Risk Committee,

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 and Risk Committee.

While all internal control systems 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 if 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 and Risk 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 and Risk 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 and Risk 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 and Risk 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 Committee and have unrestricted access to the Chairmen of the Committee. The Audit and Risk Committee is responsible for nominating the Company's external auditors and determining their independence and terms of engagement.

Combined Assurance

The Audit and Risk Committee ensures that the Group maintains a combined assurance model that addresses the Company's key risks and material matters through the aggregated efforts of assurance providers. The combined assurance matrix is annually reviewed to ensure the adequacy, efficiency and effectiveness of the assurance provided.

Investor Relations

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

The Audit and Risk Committee ensures that the Group maintains a combined assurance model that addresses the Company's key risks and material matters.

King IV Application Register

During the period under review, the Group conducted a review of the company's application of the various King IV principles which indicates that all the principles as set out below are applied.

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, Ethics and Transformation Committee, is responsible for monitoring and governance of the ethics of the Group. This is contained in the Social, Ethics and Transformation 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, Ethics and Transformation 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 Committee assists the Board with the governance of risk and continuously monitors risks and ensures the implementation of various mitigating controls. This responsibility is contained in the Board terms of reference and the terms of reference of the Audit and Risk Committee.
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 committees i.e. the Audit and Risk, Nominations, Remuneration and Social, Ethics and Transformation Committees.
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 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.	The Board and its 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. The Audit and Risk 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. The Financial Director oversees the finance function and is assisted by suitably qualified staff. An effective internal audit function is in place. An assessment of the effectiveness of the Financial Director's performance is conducted annually by the Audit Committee, and confirmed in the Integrated Report.

Principle	Application/Explanation
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.	The Board and its Committees' terms of reference include the onus of annual assessments. Assessments of the performance of the Board, its Committees and the Company Secretary are conducted annually by way of an informal internal evaluation process, with a formal evaluation taking place once in every three (3) years.
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.	The Audit and Risk Committee assists 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 Committee implements processes by which the risks to the sustainability of the business are identified and managed within acceptable parameters. The Audit and Risk Committee delegates 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.
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 and Risk 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.	The Board, through the Social, Ethics and Transformation 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. No material penalties, sanctions or fines have been imposed for contravention of, or non-compliance with, regulatory obligations.
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.	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. This responsibility is contained in the terms of reference of the Nominations and Remuneration Committees.
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 and Risk 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 AND RISK COMMITTEE REPORT

Introduction

This report is presented by the Group's Audit and Risk Committee (the "Committee") and approved by the Board in respect of the financial year ended 30 June 2019. 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 2019.

Audit and Risk 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.

Composition and Meetings

As at 1 July 2019, the Committee consisted of three (3) Independent Non-Executive Directors and meets at least three (3) times during a financial year.

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

During the year the Committee held three (3) meetings.

The members who were in office during the financial year and details of Audit and Risk 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; CA(SA)	3	3/3
Dr PJ Welgemoed	28/03/1996	BCom (Hons); MCom; DCom	3	1/1
Mr RS Ntuli	05/06/2017	LLB	3	2/3
Ms P Mahanyele	01/10/2017	BA Economics, Executive Development Programme Harvard University	3	3/3
Mr S Doyle	18/09 2018	BCom; CIMA	3	0/1

Notes

- Dr PJ Welgemoed resigned as a member of the Committee on 17 September 2018 and was re-appointed to the Committee on 1 July 2019
- Mr S Doyle was appointed to the Committee on 18 September 2018 and resigned on 1 February 2019
- Mrs P Mahanyele resigned as a member of the Committee on 20 June 2019
- Mr RS Ntuli resigned as a member of the Committee on 30 June 2019

Abridged curricula vitae of the Audit and Risk Committee members appear on pages 178 to 180 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 65 to 77 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.

In addition, the Committee has considered the JSE's most recent report on proactive monitoring of financial statements, dated 20 February 2019, and has taken appropriate action where necessary to respond to findings as highlighted in the JSE General Proactive Monitoring letter dated 20 February 2019, in addition to a JSE Proactive Monitoring letter dated 20 May 2019 addressed to the Group, in preparing the Annual Financial Statements for the year ended 30 June 2019.

External Audit

During the period under review, Grant Thornton Johannesburg Partnership (Grant Thornton), the Company's external auditor in the previous reporting period merged with the firm BDO South Africa Inc, with the combined firm trading under the name BDO South Africa Inc ("BDO"). Grant Thornton, now BDO, has acted as external auditor for the Group for the last 52 years.

The Committee, during the period under review, nominated Grant Thornton and its successor BDO South Africa Inc as external auditor; 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 21 to the Financial Statements.

The Committee's terms of reference deal with the appointment of the Auditor to provide non-audit related services. During the period under review, the external auditor 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 auditor for such services was pre-approved by the Committee.

The Committee considered the documents submitted by BDO as part of the Committee's suitability assessment of BDO in terms of the JSE listing Requirements. On the basis of the assessment and the quality of the audit, the Committee recommends to the Board and Shareholders that BDO be appointed as the external auditor, with Ben Frey as the designated auditor for the 2020 financial year.

The appointment of BDO will be presented to Shareholders of the Group at the Annual General Meeting for approval. The resolution for the appointment of BDO appears on page 167 of the Notice of AGM.

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.

On 30 April 2019, Mr Ashley Ragunan resigned as Chief Audit Executive ("CAE") of the Group. Subsequent to year-end, GRIPP

Advisory ("GRIPP") was appointed on a 3-month assignment to provide management oversight of the Comair internal audit team and to act as CAE during the finalisation of the year-end audit.

The Audit and Risk Committee is satisfied that GRIPP possesses the appropriate expertise and experience to meet the responsibilities of the position and that the co-sourcing arrangement of GRIPP Advisory and the Comair internal audit team provides adequate resources and expertise to the internal audit function.

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; and
- Reviewed significant issues raised by the external audit process, including the manner in which they were resolved.

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; and
- Continuous professional development of senior members of the finance function.

In performing the review, the Committee obtained feedback from the Joint CEOs and external auditors.

The Financial Director is a permanent employee within the Group and serves as a full time Executive Director of the Group.

Risk Management

Details of the Group's risk management function can be found in the Corporate Governance Report and the Internal Control and Risk Management Report. 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 risk 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 system of internal controls. In term of a mandate from the Board, the Audit and Risk Committee monitors the risk management process as further detailed in this 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 Audit and Risk Committee monitors risk management process on behalf of the Board.

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 (including all significant Key Audit Matters), 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 were appropriately dealt with during the period under review.

Sustainability Reporting

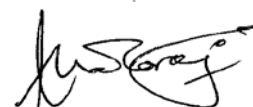
The Committee recommended to the Board the appointment of BDO Advisory

Services (Pty) Ltd, 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 and Risk Committee

16 September 2019

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. It also addresses the Group's performance for the year ended 30 June 2019.

During the year we took further 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.

This 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. I am 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.



Dr PJ Welgemoed

Chairman 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. This philosophy 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 and 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; and
- 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); and
- Long-term executive incentive scheme based on the Groups profits before tax and the Groups 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 an Executive Director 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, the Group 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 have, for many years, contributed 7% towards retirement funding. In the period under review, the Remuneration Committee recommended, which was approved by the Board, that the Comair Pension Fund accept staff employed on a cost-to-company basis by the Group and that the Pension Fund Rules be amended to allow contributions from staff that are lower as well as higher than the current 7%. The Group contributes 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 and Unionised Ground Staff

Pilots and unionised ground staff 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 ("STI"). 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%); and
- 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 may 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 and unionised ground staff, who are guaranteed a 13th cheque based on agreements reached with their unions.

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 and comprises two components namely a profit-linked component and a share price-linked component.

Executive Directors and designated Senior Managers who were in the employ of the Group on or prior to 1 July 2018 and who are still in the employ of the Group as at 30 September 2021, participate in this long term executive incentive scheme. Payment of the long-term incentives for this three year period will be made at the end of September 2021, if the targets, which comprise a profit-linked component and a share price-linked component, as set out below, are met.

Profit-linked Component (44.4%)

In terms of this component of the LTI, 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 2019, 2020 and 2021 financial years in excess of R1.2 million (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 (55.6%)

This component is based on the average share price of the Group weighted 10% for 2019, 20% for 2020 and 70% for 2021 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 R5.30, but capped to a maximum of R50 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 Joint CEOs, 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		Total guaranteed pay R'000	Short-term incentives	Long-term incentives	Remuneration Total remuneration R'000
	Base salary R'000	Benefits ⁽¹⁾ R'000		Performance bonus ⁽²⁾ R'000	⁽³⁾ R'000	
2019						
Executive Directors						
ER Venter	3 412	775	4 187	-	-	4 187
VD Stander	1 802	333	2 135	1 085	-	3 220
MN Louw	2 577	537	3 114	1 024	-	4 138
KE King	2 166	368	2 534	788	-	3 322
DH Borer	1 985	420	2 405	747	-	3 152
Prescribed Officers						
G Moritz	2 176	463	2 639	822	-	3 461
S Cochrane	2 027	392	2 419	828	-	3 247
I Meaker	2 314	470	2 784	966	-	3 750
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

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 Joint CEOs, 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, the general increase provided to the Group's employees is taken into account. 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 16 November 2018. The Non-Executive Directors' fees for the year ended 30 June 2019 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 2018 and 30 June 2019, as well as the proposed fee per meeting for the financial year ending 30 June 2020, are set out in the following table. It was suggested by the Remuneration Committee and approved by the Board, that Non-Executive Directors would receive no increases for the 2020 financial year. Members of the Committee are also remunerated for their participation as members of the various committees.

	Annual fee for the year ended 30 June 2020	Proposed annual fee for the year ending 30 June 2019	Annual fee for the year ended 30 June 2018
Board meetings	R	R	R
Main Board			
Chairman: Board	1 672 472	1 592 830	1 516 981
Vice Chairman: Board	487 805	464 576	442 453
Member: Board	209 059	199 104	189 623
	Proposed fee per meeting for the year ended 30 June 2020	Fee per meeting for the year ending 30 June 2019	Fee per meeting for the year ended 30 June 2018
Committees	R	R	R
Audit and Risk Committee			
Chairman	25 000	17 256	16 434
Member	9 059	8 628	8 217
Risk Committee			
Chairman	18 119	17 256	16 434
Member	9 059	8 628	8 217
Nominations Committee			
Chairman	18 119	17 256	16 434
Member	9 059	8 628	8 217
Social, Ethics and Transformation Committee			
Chairman	18 119	17 256	16 434
Member	9 059	8 628	8 217
Remuneration Committee			
Chairman	18 119	17 256	16 434
Member	9 059	8 628	8 217
Pension Fund			
Chairman	18 119	17 256	16 434

The above fees, which have not been increased, are effective from 1 July 2019 and, are subject to Shareholder approval at the Annual General Meeting on 29 October 2019. For the composition and information relating to the Remuneration Committee see page 73 of the Corporate Governance Report.



Dr PJ Welgemoed
Chairman: Remuneration Committee

16 September 2019

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Social, Ethics and Transformation 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 of the Committee and number of meetings held are set out in the Group’s Corporate Governance Report on page 74.

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; and
- 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 preparations for implementing CO₂ emission monitoring commencing from 01 January 2019 on international routes in terms of the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”). These preparations included the drafting of an Environmental Monitoring Plan (“EMP”) describing the processes and procedures used by the Group to monitor the amount of fuel used on international routes;
- Reviewed the content of a new Social Economic Development Strategy focused on a joint venture between the Comair Alt.Academy and the Department of

Education, aimed at supporting the Rhodesfield Technical High School;

- Reviewed the Group’s preparations for the future workforce (millennials). These preparations include immediate, medium- and long-term adaptations to make the workplace more comfortable for and suited to millennials;
- Reviewed the Group’s strategy for improving B-BBEE compliance in the areas of Social and Economic Development and Enterprise Development in order to progress to a Level 2 status. The Group achieved a Level 2 status, based on its latest audit.

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, Ethics and Transformation Committee

16 September 2019

INTERNAL CONTROL AND RISK MANAGEMENT

Overview

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk 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 behaviour are applied and managed within predetermined procedures and constraints.

The Board is ultimately accountable for the Group's risk management process and system of internal controls. In terms of a mandate from the Board, the Audit and Risk Committee monitors 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 and Risk Committee. For further information on the Group's internal controls, please refer to pages 74 to 75 of this Report.

Risk Management

As part of a continuous effort to refine and expand risk management within the Group, the Group purchased and implemented the BarnOwl Risk Management System. It is expected that this new system will further embed risk management within the Group and improve the assessment of risk control adequacy and effectiveness.

The key areas of focus for the period under review were:

- Implementing a risk champion network by appointing and training risk champions for each business unit;
- Revising the risk consequence criteria on the Risk Assessment Matrix to better suit the assessment of project risks;
- Considering, on a quarterly basis, the key organisational risks and associated controls implemented to mitigate these risks in line with the Group's risk appetite; and
- Reviewing all risk controls and rating the effectiveness thereof using BarnOwl.

Future areas of focus are:

- Producing risk bowties to map low probability/high impact risks;
- Embedding a robust project risk management framework; and
- Improving the inter-relational balance between key risks.

As part of a continuous effort to refine and expand risk management, the Group purchased and implemented the BarnOwl Risk Management System.

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 and potential future downgrades have 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 and Risk 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. The Group is due to undergo a further IATA Operational Safety Audit ("IOSA") in February 2020 to maintain its IOSA registration, thereby ensuring the implementation of global best practice in managing its operational safety, having passed all previous IOSA. The Group is also 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, Lufthansa Technik AG., and, on an *ad hoc* basis to the likes of Israeli Aircraft Industries Limited, GE Aviation Services, Koninklijke Luchtvaart Maatschappij NV 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. The Group's on-time performance was very poor during the first half of the financial year under review due to a number of factors including, but not limited to, technical breakdown of aircraft, the late return of aircraft by the maintenance provider following scheduled maintenance and an aircraft shortage caused by the grounding of the Boeing 737 MAX 8. During the last six (6) months of the financial year under review, the Group paid special attention to improving its on-time performance, which has to date been very successful. 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.

The current ACSA and ATNS Permissions became effective from 1 April 2018, and will remain in place until 30 March 2021. In terms of the Permission, for the period under review, ATNS was allowed an increase of 5.8%. Consultations regarding the next ATNS/ACSA Permissions i.e. commencing 1 April 2021, will begin prior to the end of 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 5.3% in the Passenger Safety Charge was implemented, effective from 1 May 2019. In the period under review the Passenger Safety Charge was R23.61 per passenger before rising to R24.86 per passenger with effect from 1 May 2019.

The Carbon Tax Act (No. 15 of 2019) became effective from 1 June 2019. The Group will be subject to direct carbon taxation, based on aviation turbine fuel use, in accordance with a reporting methodology approved by the Department of Environmental Affairs. The first phase of the tax is from 1 June 2019 to December 2022 with a tax rate of R120 (\$8.34) per tonne of carbon dioxide equivalent. Payment is due in July each year. The second phase will run from 2023 to 2030. Based on the Group's current direct emission figures, and taking into account the 75% thresholds, Comair can expect to pay approximately R28 million. The resulting increases in ticket prices will not benefit the airline and 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

The Group's brands have significant commercial value.

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 the SACAA, 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 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.

In March 2019, Part 111 of the Civil Aviation Regulations as well as the NASP were amended to include more stringent security requirements for airports, air traffic and navigation services and catering providers. The changes to Part 111 include a new requirement for ground handlers to draw up security procedures for their operations, which must align with the security programmes of the air carriers that they service. To achieve compliance with Part 111 in respect of its catering company, Food Directions, the Group is in the process of developing a security manual for implementation later in 2019.

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 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 was 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 Group 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 lodged an appeal in respect of the judgment. The Group lodged a cross-appeal to recover the full amount of its damages and interest, which amounts to approximately R1.9 billion. The appeal was set down for hearing in February 2019. Just prior to the hearing of the appeal, the Group and SAA were able to settle the matter, which Settlement Agreement was made an order of Court. In terms of the Settlement Agreement, SAA is to pay a settlement amount in excess of one billion rand plus interest ("Settlement Amount") to the Group. Payment of

the settlement amount commenced on 28 February 2019 in accordance with a payment schedule forming part of the Settlement Agreement, and will terminate on 28 July 2022, or earlier should SAA elect to make payments earlier than agreed. In addition, SAA will pay Comair's taxed legal costs incurred to date. Thus far, SAA has met all its commitments in terms of the Settlement Agreement.

For more information regarding the Group's response to this risk, see the Joint CEOs' 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 environmental 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 a resolution was adopted to amend the Group's MOI to allow for the implementation of a 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.

Based on the June 2019 report received from Computershare and reports received thereafter, the Group's percentage of foreign Shareholder voting rights is approximately 17%, 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 PLC, 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. In addition, the Group 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.

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. Failure to adequately protect our customer and employee data could breach regulation and result in 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 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 sixth 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 most of the Group's 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 operation. This situation affected the Group's on-time performance very negatively.

To address this risk, the Group has entered into a maintenance agreement with Lufthansa Technik AG to perform line maintenance on the Group's B737-800 aircraft that have recently been introduced into service and will take over the line maintenance of the B737-800s currently being maintained by SAAT when the SAAT maintenance agreement expires. Heavy maintenance checks have been outsourced to foreign maintenance organisations.

In addition, the grounding of our first Boeing 737 MAX 8 aircraft and the delay in delivery of the second 737 MAX 8 aircraft following the Ethiopian Airline accident resulted in the Group not having sufficient aircraft to operate its flight schedule. To overcome this, the Group has had to wet-lease in aircraft to operate the schedule.

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, such as:

- Implementing a Cybersource fraud detection system that 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, which 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; and
- 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 latest version of Cybersource software was implemented in May 2018.

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 Audit and Risk Committee continues 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 B-BBEE compliance level. 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. As mentioned above, the Carbon Tax Act (No. 15 of 2019) became effective from 1 June 2019 and the Group will be subject to direct carbon taxation, based on aviation turbine fuel use, in accordance with a reporting methodology approved by the Department of Environmental Affairs.

From January 2019, the Group has had 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.

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

Effectiveness of the Risk Management Process and Systems of Internal Control

The Board, via the Audit and Risk Committee, regularly receives reports on and considers the activities of the internal and external auditors of the Group. The Board, via the Audit and Risk Committee, 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 2019.

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 including travel management services, information technology services, third-party flight simulator training and cabin crew training; operates airline lounges; and 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 25 aircraft flying to the destinations as set out on page 24 of this Report.

The Directors have performed the solvency and liquidity tests 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 104 to 164 of this Report for the year ended 30 June 2019.

Dividend

Notice is hereby given that a final gross cash dividend of 18.00000 cents per ordinary share has been approved and declared by the Board, which is payable to Shareholders for the financial year ended 30 June 2019. The dividend has been declared out of income reserves. The dividend will be subject to a local dividend tax rate of 20% or 3.60000 cents per ordinary share, resulting in a net dividend of 14.40000 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, 29 October 2019
Shares commence trading (ex-dividend)	Wednesday, 30 October 2019
Record date (date Shareholders recorded in books)	Friday, 1 November 2019
Payment date	Monday, 4 November 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 October 2019, and Friday, 1 November 2019, 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, Associates and Joint Venture

Details of the Group's subsidiaries, associates and joint venture are recorded in notes 5, 6 and 7 in this Integrated Annual Report on pages 125 to 131.

Subsequent Events

Subsequent to year end, steps have been taken to disinvest from the Group's poor performing acquisition, namely Metaco Holdings Proprietary Limited and its subsidiary, Metaco Coaching, Consulting and Training Proprietary Limited. As such the Group has impaired R29 million in goodwill at year-end in addition to a fair value adjustment on the contingent consideration amounting to R17.4 million,

as the conditions for the payment of future contingent consideration amounts can no longer be met.

Comair is in the process of acquiring 100% of the issued share capital of Star Air Cargo Proprietary Limited and Star Air Maintenance Proprietary Limited. Star Air Cargo specialises in the wet, dry or damp leasing on short- to medium-term leases to airlines in Africa; with Star Air Maintenance providing the maintenance requirements for its own fleet as well as for third-party aircraft.

The transaction is still subject to approval by the Competition Authorities as a condition precedent to the transaction which must still be fulfilled in order for it to take effect.

The purchase consideration is R75 million plus profit share payments but capped at R250 million. The R75 million is due to be paid as follows:

- R30 million within five business days of the fulfilment of all Conditions Precedent,
- R22.5 million on the first anniversary of the Completion Date subject to the aggregate net profit after tax of Star Air Maintenance and Star Air Cargo, as determined by their auditors, being positive for the 12 months preceding 30 June 2020 as stated in their annual financial statements, failing which none of the R22.5 million is payable; and
- R22.5 million on the second anniversary of the Completion Date, subject to the aggregate net profit after tax of Star

Air Maintenance and Star Air Cargo, as determined by their auditors, being positive for the 12 months preceding 30 June 2021 as stated in their annual financial statements, failing which none of the R22.5 million is payable.

The Company shall also pay the Sellers an amount equal to 83% of the net profit after tax (excluding Comair business) as stated in the annual financial statements of Star Air Cargo and Star Air Maintenance commencing after the effective date for a period of three years.

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.

Directors' Interest in Share Capital

The following Directors of the Group held direct and indirect interests in the issued share capital of the Group as at 30 June 2019, as set out below:

Director	2019					2018				
	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

Resigned on 30 July 2019

There has been no change in the Directors' interests in share capital between 30 June 2019 and the date of posting of this Integrated Annual Report.

Special Resolutions

Since its last Integrated Annual Report, the Group passed four (4) special resolutions at its Annual General Meeting held on 16 November 2018, namely:

1. A special resolution for approval of Non-Executive Directors' remuneration for 2017/18;
2. A special resolution for the approval of Non-Executive Directors' remuneration for 2018/19;
3. A special resolution giving the Group a general authority to repurchase its shares; and
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.

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 (three (3) meetings held)	Occupation
Pieter van Hoven Age: 75 (M) (W)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	Independent Non-Executive Chairman
Martin Darryl Moritz Age: 74 (M) (W) BCom; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	1 of 3	Non-Executive Director Joint Deputy Chairman
Rodney Cyril Sacks Age: 69 (M) (W) HDip. Law; HDip. Tax	South African	550 Monica Circle, Suite 201, Corona, CA 92880, USA	1 of 3	Independent Non-Executive Director
Dr Peter Johannes Welgemoed Age: 76 (M) (W) BCom (Honours); MCom; DCom	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	Independent Non-Executive Director
Martin Nicolaas Louw Age: 64 (M) (W) BMil	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	Director Operations Executive Director
Erik Rudolf Venter Age: 49 (M) (W) BCom; CA(SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	CEO Executive Director
Ronald Sibongiseni Ntuli Age: 49 (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	2 of 3	Independent Non-Executive Director Joint Deputy Chairman
Njabulo Bongekile Sithole Age: 46 (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: 48 (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
Kirsten Emily King Age: 41 (F) (W) BCom (Hons), Accounting (CTA Equivalent); CA(SA)	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	Financial Director
Phuti Mahanyele-Dabengwa Age: 48 (F) (B) BA Economics; Executive Development Programme (Harvard University)	South African	18 Acacia Road, cnr Protea and Chislehurst, Sandton	3 of 3	Independent Non-Executive Director
Naran Maharajh Age: 53 (M) (B) BAcc; Postgraduate Diploma in Accountancy; CA(SA)	South African	83 Ramsay Avenue, Berea, Durban, 4000	3 of 3	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 (three (3) meetings held)	Occupation
Wrenelle Doreen Stander Age: 53 (F) (W) BA (Hons); MBA	South African	53 Melrose Street, Unit 2 Cal Place, Melrose Est., 2196	2 of 2	Executive Director: Airline Operations Joint CEO effective 31 July 2019
Derek Henry Borer Age: 57 (M) (W) BCom; LLB	South African	1 Marignane Drive, Bonaero Park, Kempton Park, 1619	3 of 3	Alternate Director to Martin Nicolaas Louw and Rodney Cyril Sacks and Group Company Secretary
Carolina Sandra Martinoli Age 50 (F) (W)	Argentinian	Waterside, PO Box 365 Harmondsworth, UB7 0GB, UK	0 of 0	Independent Non-Executive Director

Directors' Appointments and Resignations

Appointments

- Ms NB Sithole, an Independent Non-Executive Director, was appointed as a member of the Audit and Risk Committee on 17 September 2018.
- Mr SL Doyle, an Independent Non-Executive Director, was appointed as a member of the Audit and Risk Committee on 17 September 2018.
- Ms WD Stander, was appointed as an Executive Director of the company, on 1 November 2018 and was appointed as Joint Chief Executive Officer with effect from 31 July 2019.
- Ms CS Martinoli, was appointed as an Independent Non-Executive Director of the Company, on 18 February 2019.
- Mr GW Orsmond, was appointed as Joint Chief Executive Officer and an Executive Director of the Company, with effect from 31 July 2019.
- Mr LP Ralphs, was appointed as a Non-Executive Director of the Company, on 1 July 2019 and has been appointed as Chairman with effect from the upcoming Annual General Meeting on 29 October 2019.
- Dr PJ Welgemoed, an Independent Non-Executive Director, was re-appointed as a member of the Audit and Risk Committee on 1 July 2019.

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.
- Dr PJ Welgemoed, an Independent Non-Executive Director, retired as a member of the Audit and Risk Committee on 17 September 2018.
- Mr SL Doyle resigned as an Independent Non-Executive Director (and his associated position on the Audit and Risk Committee) on 1 February 2019 after his appointment with Aer Lingus.
- Mrs P Mahanyele-Dabengwa resigned as an Independent Non-Executive Director (and her associated position on the Audit and Risk Committee) on 20 June 2019.
- Mr RS Ntuli resigned as an Independent Non-Executive Director (and his associated position on the Audit and Risk Committee) on 30 June 2019.
- Mr ER Venter resigned as Chief Executive Officer and Executive Director (and his associated position on the Social, Ethics and Transformation Committee) with effect from 30 July 2019.
- Mr P van Hoven will retire as Chairman immediately following the upcoming Annual General Meeting on 29 October 2019 and has been appointed as the Lead Independent Non-executive Director of the Board from this date.
- Dr PJ Welgemoed, an Independent Non-Executive Director, retired as a member of the Audit and Risk Committee on 17 September 2019.

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 2019 (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 2019 R'000
Executives										
Ms WD Stander	-	-	1 802	1 085	281	28	24	-	-	3 220
Mr ER Venter	-	-	3 412	-	624	114	37	-	-	4 187
Mr MN Louw	-	-	2 577	1 024	407	75	55	-	-	4 138
Mr DH Borer	-	-	1 985	747	308	57	55	-	-	3 152
Ms KE King	-	-	2 166	788	285	52	31	-	-	3 322
Sub-total	-	-	11 942	3 644	1 905	326	202	-	-	18 019
Non-Executives										
Mr MD Moritz	465	25	-	-	-	-	-	-	-	490
Mr RS Ntuli	465	25	-	-	-	-	-	-	-	490
Dr PJ Welgemoed	199	78	-	-	-	-	-	-	-	277
Mr JM Kahn	50	26	-	-	-	-	-	-	-	76
Mr P van Hoven	1 593	129	-	-	-	-	-	-	-	1 722
Ms N Sithole	199	17	-	-	-	-	-	-	-	216
Ms P Mahanyele	199	26	-	-	-	-	-	-	-	225
Mr N Maharajh	199	86	-	-	-	-	-	-	-	285
Sub-total	3 369	412	-	-	-	-	-	-	-	3 781
Share-based payment	-	-	-	-	-	-	-	-	1 027	1 027
Total	3 369	412	11 942	3 644	1 905	326	202	-	1 027	22 827

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 2019
- ³ Remuneration receivable by the Directors will not vary as a result of any proposed issue for cash or repurchase of shares

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

Further details regarding the Company's remuneration policies are set out in the Remuneration Report on pages 81 to 84 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 104 to 164, 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, BDO South Africa Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of Shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The Financial Statements, which appear on pages 104 to 164, were approved by the Board of Directors on 16 September 2019 and signed on its behalf.



Mr GW Orsmond
Joint CEO

16 September 2019



Ms WD Stander
Joint CEO

16 September 2019



Mr P van Hoven
Chairman

16 September 2019

CERTIFICATE OF THE 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

16 September 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Comair Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Comair Limited (the group and company) set out on pages 104 to 164, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, 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 Comair Limited as at 30 June 2019, 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 (IFRS) 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 and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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.

Key audit matter	How our audit addressed the key audit matter
<p>Aircraft componentisation, useful lives, residual values and impairment ('valuation of aircraft') in group and company (Notes 1.2, 1.13 and 3)</p> <p>Aircraft are componentised into their major parts, and useful lives and residual values are assigned by management to each identified part.</p> <p>Major inspections (referred to as C checks) are capitalised to the cost of aircraft and depreciated over management's best estimate of their useful life.</p> <p>The fleet is tested annually for impairment with reference to market values.</p> <p>At year end the group owns one Boeing 737 MAX 8 aircraft with an original cost of R750 million. This aircraft type was grounded globally during the year. A value-in-use calculation was performed by management on the aircraft at year end and no impairment has been recognised.</p> <p>We identified the valuation of aircraft as a key audit matter as significant judgment is required by management in making these determinations which has a significant impact on the financial results.</p> <p>Our focus was on the aircraft and related equipment category which had a carrying value amounting to R5.3 billion (2018: R4.5 billion) at year end.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We reviewed the processes performed by management to componentise the various parts of the aircraft and assign useful lives and residual values to determine that these were reasonable and in line with industry standards; • We have reviewed management's 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; • For C checks we tested that new inspections were appropriately capitalised and that previously capitalised C checks were derecognised accordingly. For maintenance that does not meet the capitalisation criteria we inspected that these costs have been appropriately expensed; • For all aircraft, we reviewed the impairment test performed by management which included obtaining market values for the fleet from an independent external source; • For the 737 MAX 8 we obtained a value-in-use calculation which included yield estimates, load factors and growth and discount rates. We have reviewed management's assessment of the value in use calculation and performed reasonability checks by comparing inputs to supporting information; and • We evaluated the adequacy and appropriateness of disclosures in the financial statements in terms of IFRS.
<p>Flight revenue in group and company (Notes 1.11 and 20)</p> <p>The group has adopted IFRS 15 in the current financial period and the requirements have been applied retrospectively with effect from 1 July 2018 without restating comparatives.</p> <p>Airline revenue comprises flight revenue on commercial passenger travel. Flight revenue is recognised at the time of flight and the unutilised ticket liability represents tickets sold but not yet flown.</p> <p>Flight revenue represents approximately 94% of total revenue and amounted to R6.7 billion (2018: R6.2 billion) for the year.</p> <p>The main components of individual transactions include the reservation of a flight, receipt of cash, and the recognition of revenue.</p> <p>The accounting for revenue is susceptible to management override through the recording of manual journal entries or the override of IT systems to accelerate revenue recognition.</p> <p>We identified this area as a key audit matter due to the significant volume of transactions in revenue, the potential for the override of controls and the adoption of IFRS 15 by the group during the year.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Through discussions with management, we identified key controls in the revenue recognition process; • We tested the design and operation of a sample of key controls in the passenger revenue processes; • Our IT specialists assessed the general IT controls to determine their effectiveness; • We verified a sample of passenger tickets to confirm that revenue was recognised in the correct period; • We re-performed the reconciliation of the unutilised ticket liability pertaining to the kulula 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 on a sample basis to statements obtained from British Airways International; • We identified and examined material manual postings to passenger revenue to determine that they were reasonable and appropriate; and • We evaluated the adequacy and appropriateness of disclosures in the financial statements in terms of IFRS.

Key audit matter	How our audit addressed the key audit matter
<p>Application of IFRS 9 Financial Instruments in group and company (Notes 1.7, 5, 8 and 11)</p> <p>The group adopted IFRS 9 in the current financial period and the requirements have been applied retrospectively with effect from 1 July 2018 without restating comparatives. The key changes that affected the group arising from the adoption of IFRS 9 were that credit losses are now based on an expected credit loss (ECL) rather than an incurred loss.</p> <p>The application of IFRS 9 is considered to be a key audit matter as it is a new standard that requires a significant level of judgement coupled with high levels of estimation uncertainty when determining the expected credit losses. These judgements include among others the stage in the impairment model in which the financial instrument is, the definitions of significant increase in credit risk and default, the assessment of the probability of default and the estimation of expected credit losses.</p> <p>No significant differences arose between previously reported carrying amounts and new carrying amounts of financial instruments as at 30 June 2018 and 1 July 2018 as a result of the assessment of expected credit losses.</p> <p>Our focus was on financial asset balances contained in notes 5, 8 and 11.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We reviewed the group's business model for managing its financial assets to determine that these are correctly classified; • We assessed the group's expected credit loss allowance policy and compared it with the requirements of IFRS 9 to determine its compliance with the standard; • We assessed the terms of significant financial assets to determine that the appropriate impairment method was applied; • With the assistance of our technical expert, we assessed the reasonability of management's definitions and assumptions relating to default, significant increase in credit risk and probability of default through discussions with management; • We reviewed managements overall calculation of expected credit losses to determine that it was reasonable; • We assessed the accuracy and appropriateness of the potential impacts on opening balances; and • We evaluated the adequacy and appropriateness of disclosures in the financial statements in terms of IFRS.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Comair Limited Integrated Annual Report 2019" for the year ended 30 June 2019, which includes the Report of the Directors, the Audit and Risk Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The 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 on the other information obtained, 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' use 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 BDO South Africa Incorporated has been the auditor of Comair Limited for 52 years.

BDO South Africa Inc

BDO South Africa Incorporated

Registered Auditors

B Frey

Director

Registered Auditor

17 September 2019

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

	Notes	Group		Company	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	6 314 910	5 509 614	6 122 704	5 315 954
Intangible assets	4	29 667	14 970	29 667	14 970
Investments in and loans to subsidiaries	5	-	-	173 821	184 059
Investments in associates	6	67 649	52 645	-	-
Investment in joint venture	7	2 845	-	-	-
Court awarded settlement	8	360 203	-	360 203	-
Goodwill	9	13 169	13 169	-	-
Deferred taxation	14	3 807	3 853	-	-
		6 792 250	5 594 251	6 686 395	5 514 983
Current assets					
Inventories	10	21 731	18 849	20 576	17 988
Trade and other receivables	11	527 960	324 628	499 780	317 671
Loans to subsidiaries	5	-	-	4 214	163
Court awarded settlement	8	267 977	-	267 977	-
Taxation		633	485	-	-
Cash and cash equivalents		536 204	685 437	475 149	630 624
		1 354 505	1 029 399	1 267 696	966 446
Total assets		8 146 755	6 623 650	7 954 091	6 481 429

	Notes	Group		Company	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Equity and liabilities					
Equity					
Share capital	12	4 651	4 651	4 693	4 693
Accumulated profits		2 566 518	1 774 220	2 411 514	1 648 836
Equity attributable to equity holders of the parent		2 571 169	1 778 871	2 416 207	1 653 529
Non-controlling interest		2 934	929	-	-
Total equity		2 574 103	1 779 800	2 416 207	1 653 529
Liabilities					
Non-current liabilities					
Interest-bearing liabilities	13	2 338 648	2 176 595	2 338 648	2 176 595
Deferred taxation	14	771 436	571 726	771 436	571 726
Share-based payments	15	1 027	-	1 027	-
		3 111 111	2 748 321	3 111 111	2 748 321
Current liabilities					
Trade and other payables	16	1 028 943	895 075	984 735	875 408
Unutilised ticket liability		286 111	312 244	286 111	312 244
Provisions	17	98 396	134 807	98 339	134 697
Loan from Share Incentive Trust	18	-	-	816	72
Loans from subsidiaries	5	-	-	10 008	5 374
Interest-bearing liabilities	13	1 046 764	741 896	1 046 764	741 896
Taxation		1 327	1 619	-	-
Share-based payments	15	-	9 888	-	9 888
		2 461 541	2 095 529	2 426 773	2 079 579
Total liabilities		5 572 652	4 843 850	5 537 884	4 827 900
Total equity and liabilities		8 146 755	6 623 650	7 954 091	6 481 429
Net asset value per share (cents)		553.5	382.7		

STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2019

	Notes	Group		Company	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Revenue	20	7 125 642	6 536 540	7 050 830	6 493 734
Operating expenses		(6 263 975)	(5 412 752)	(6 200 199)	(5 401 207)
Operating profit before depreciation, amortisation, property rental income, unrealised translation loss on dollar denominated loan, impairments and profit on sale of assets		861 667	1 123 788	850 631	1 092 527
Depreciation and amortisation		(558 079)	(443 237)	(554 922)	(442 335)
Property rental income		5 929	-	-	-
Impairment of subsidiary loans	5	-	-	(2 428)	(5 875)
Impairment of subsidiary investment	5	-	-	(30 294)	-
Impairment of goodwill	9	(28 989)	-	-	-
Unrealised translation loss on dollar denominated loan		(5 986)	(12 056)	(5 986)	(12 056)
Profit on sale of assets		9 264	2 085	9 264	1 656
Profit from operations	21	283 806	670 580	266 265	633 917
Court awarded settlement	8	1 276 866	-	1 276 866	-
IFRS 9 loss allowance on court awarded settlement	8	(284 857)	-	(284 857)	-
Remeasurement of contingent consideration on business combination	22	17 434	-	17 434	-
Dividend income	23	-	-	2 600	5 630
Interest income	24	46 328	36 611	43 777	33 869
Interest expense	25	(256 774)	(248 938)	(256 455)	(248 741)
Gain on remeasurement of non-current assets held for sale		-	12	-	12
Income from equity accounted investments	6, 7	20 449	12 979	-	-
Profit before taxation		1 103 252	471 244	1 065 630	424 687
Taxation	26	(206 443)	(145 633)	(199 699)	(136 683)
Profit for the year		896 809	325 611	865 931	288 004
Profit attributable to:					
Owners of the parent		894 804	324 537	865 931	288 004
Non-controlling interest		2 005	1 074	-	-
		896 809	325 611	865 931	288 004
Earnings and diluted earnings per share (cents)	27	192.4	69.8		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Profit for the year	896 809	325 611	865 931	288 004
Other comprehensive income:				
Other comprehensive income for the year net of taxation	-	-	-	-
Total comprehensive income for the year	896 809	325 611	865 931	288 004
Total comprehensive income for the year attributable to:				
Owners of the parent	894 804	324 537	865 931	288 004
Non-controlling interest	2 005	1 074	-	-
	896 809	325 611	865 931	288 004

STATEMENTS OF CHANGES IN EQUITY

as at 30 June 2019

	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 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
Total comprehensive income for the year	-	-	894 804	894 804	2 005	896 809
Dividend paid	-	-	(102 506)	(102 506)	-	(102 506)
Movement for the year	-	-	792 298	792 298	2 005	794 303
Balance at 30 June 2019	4 651	4 651	2 566 518	2 571 169	2 934	2 574 103
Notes	12					
Company						
Balance at 1 July 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
Total comprehensive income for the year	-	-	865 931	865 931	-	865 931
Dividend paid	-	-	(103 253)	(103 253)	-	(103 253)
Movement for the year	-	-	762 678	762 678	-	762 678
Balance at 30 June 2019	4 693	4 693	2 411 514	2 416 207	-	2 416 207
Notes	12					

STATEMENTS OF CASH FLOWS

as at 30 June 2019

	Notes	Group		Company	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash generated from operations	28	1 112 982	1 172 829	1 093 769	1 148 144
Interest paid	25	(273 481)	(255 847)	(273 162)	(255 650)
Interest received	24	21 158	36 611	18 607	33 869
Taxation (paid)/refunded	29	(7 127)	(7 308)	11	-
Net cash from operating activities		853 532	946 285	839 225	926 363
Cash utilised in investing activities					
Additions to property, plant and equipment		(590 212)	(706 364)	(588 509)	(622 007)
Proceeds on disposal of property, plant and equipment		12 278	8 836	12 278	7 056
Additions to intangible assets	4	(25 584)	(8 795)	(25 584)	(8 795)
Pre-delivery payments		(89 485)	(219 714)	(89 485)	(219 714)
Loan advanced from Share Incentive Trust	18	-	-	-	643
Loans advanced to subsidiaries	5	-	-	3 760	(75 056)
Business combination, net of cash acquired	36	(10 832)	(1 300)	-	-
Acquisition of subsidiaries	5	-	-	(12 861)	(6 376)
Dividend received from associates		2 600	5 630	2 600	-
Net cash from investing activities		(701 235)	(921 707)	(697 801)	(924 249)
Cash utilised in financing activities					
Raising of interest-bearing liabilities	30	257 685	240 989	257 685	240 989
Repayment of interest-bearing liabilities	30	(456 709)	(426 515)	(456 709)	(426 515)
Movement in loan from Share Incentive Trust	18	-	-	744	-
Loans received from subsidiaries	5	-	-	4 634	3 661
Dividends paid		(102 506)	(88 528)	(103 253)	(89 173)
Net cash from financing activities		(301 530)	(274 054)	(296 899)	(271 038)
Total cash movement for the year		(149 233)	(249 476)	(155 475)	(268 924)
Cash and cash equivalents at the beginning of the year		685 437	934 913	630 624	899 548
Cash and cash equivalents at end of the year		536 204	685 437	475 149	630 624

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.

At the beginning of the year, the Group adopted IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments. There was no significant impact from the adoption of these new accounting standards and therefore no transition adjustments have been processed. The adoption of the standards have, however, resulted in additional disclosure.

Other than the adoption of these standards, the principal accounting policies of the Group are consistent with those applied in the Audited Consolidated Financial Statements for the year ended 30 June 2018.

1.1 Consolidation

Basis of Consolidation

The Group Financial Statements consolidate those of the parent company and all of its controlled entities as of 30 June 2019. The parent controls an entity if it 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. 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.

Contingent consideration is included in the cost of the combination at fair value at the date of acquisition.

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 an 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.

Investment in Joint Venture

Joint ventures are those entities over which the Group has joint control. Joint control is the contractually agreed sharing of control, which exists when decisions about the relevant activities of the investee require the unanimous consent of the parties sharing control.

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

The carrying amount of the investment in a joint venture is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, 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 joint ventures, 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 entities controlled by the Group. Control is achieved where the Group 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
- Any costs already attributable to the purchase of the subsidiary.

The Group Share Incentive Trust is controlled by the Group and is accordingly consolidated.

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 component	Rate applied
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

Pre-owned aircraft are accounted for in the same way as new aircraft, but useful lives are assessed to be the life remaining in the aircraft to reach 25 years.

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.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values.

Computer software is amortised over 1 to 3 years.

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 25).

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 each 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 the 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.

Rental income is disclosed separately in the statements of 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.

For aircraft held under operating leases, the Group is contractually committed to return

the aircraft in a certain condition to the lessor at the end of the lease term. Accordingly, maintenance, in the form of major airframe overhauls, engine maintenance checks, and restitution of major life-limited parts, is required to be performed during the period of the lease. Supplementary usage based payments are made to the lessor on a monthly basis and recognised in Profit or Loss when incurred. A portion of the cumulative supplementary payments are available for reimbursement by the lessor on the performance by the Group of specific heavy maintenance events. Any reimbursements are recorded in Profit and Loss when the right to receive the reimbursement is determined.

1.7 Financial Instruments

1.7.1 IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments replaced IAS39 – Financial Instruments: Recognition and Measurement effective for the Group on 1 July 2018.

Classification

Financial instruments held by the Group are classified as follows:

- Financial assets which are debt instruments are classified at amortised cost. This category applies to instruments with contractual terms which give rise, on specified dates, to cash flows that are solely payments of principal and interest, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows. Loans to related parties, the court awarded settlement receivable, trade and other receivables which meet the definition of financial assets, and cash and cash equivalents are classified as financial assets at amortised cost.
- Financial liabilities are classified as follows:
 - a) At amortised cost. Interest bearing liabilities, trade and other payables which meet the definition of financial liabilities, and loans from related parties are classified as financial liabilities at amortised cost; and

- b) Mandatorily at fair value through profit and loss. This applies to contingent considerations arising on business combinations.

Note 19 presents the Group's financial instruments based on their specific classifications in more detail. It also sets out risks arising from financial instruments and the Group's risk management processes.

Initial Recognition

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.

They are initially recorded at fair value plus transaction costs, if any.

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 Related Parties, the Court Awarded Settlement Receivable and Trade and Other Receivables

These receivables are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative interest using the effective interest method, adjusted for any loss allowance. Interest income is

included in profit or loss. The application of the effective interest method to calculate interest income is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance;
- If a receivable is purchased or originated as credit impaired, then a credit adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit impaired; and
- If the receivable was not purchased or originated as credit impaired, but has subsequently become credit impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Group recognises a loss allowance for expected credit losses ("ECL") on receivables measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivable.

The simplified method is used for trade receivables as they have a maturity of 12 months or less. Accordingly, a lifetime ECL is recognised on all trade receivables. The general three step approach is applied for other receivables. This approach requires an assessment of whether there has been a significant increase in credit risk since initial recognition.

The Group measures the loss allowance at an amount equal to the lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, then the loss allowance for the receivable is measured at a 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a receivable. A 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a receivable that is possible within 12 months after the reporting date.

Significant Increase in Credit Risk

In assessing whether the credit risk on a receivable has increased significantly since initial recognition, both quantitative and qualitative information that is reasonable and supportable is considered. This includes both internal and external information and includes historical experience and forward-looking information that is available without undue cost or effort. This information includes, amongst others, where available:

- The financial position of the counterparty;
- Liquidity constraints such as problems servicing debt and renegotiation of debt;
- Re-organisations;
- Future prospects of the industries in which the counterparties operate; and
- Actual and forecast economic information.

Based on Management's assessment a credit rating is assigned as follows:

Internal credit grade	Description	Basis for recognising expected credit losses
Stage 1	Low risk of default and no amounts are past due	12-month ECL
Stage 2	Management has assessed an increase in credit risk since initial recognition	Lifetime ECL
Stage 3	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery	Lifetime ECL

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are sufficient to identify significant increases in credit risk before the amount becomes past due.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default, the loss rate on default and the exposure at default. The assessment of the probability of default and loss rate is based on historical data adjusted using forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date. Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Receivables are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the receivable, external credit ratings (if available), industry of counterparty, etc. The grouping is regularly reviewed by Management to ensure the constituents of each group continue to share similar credit risk characteristics. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, and *vice versa*. An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off

A receivable is written off when there is information indicating that the counterparty is in financial difficulty and there is no realistic prospect of recovery, for example, where the counterparty has been placed under liquidation. Receivables written off may still be subject to enforcement activities while recovery procedures are underway. Any subsequent recoveries made are recognised in profit or loss.

Trade and Other Payables

Trade and other payables are subsequently measured at amortised cost using the effective interest 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. They are subsequently measured at amortised cost using the effective interest rate method.

Loans from Related Parties and Interest-bearing Liabilities

These instruments 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.

Contingent consideration

Contingent consideration recognised on business combinations is subsequently measured at fair value.

1.7.2 IAS 39 – Financial Instruments Comparatives

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) Related Companies

These include loans to and from subsidiaries, associates the joint venture and the Share Incentive Trust 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 on loan receivables 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 related companies are classified as loans and receivables. Loans from related parties are classified as financial liabilities at amortised cost.

Loans receivable that are considered to form part of the net investment in a subsidiary are classified as non-current.

Trade and Other Receivables

These 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.

1.8 Inventories

Inventory is stated at the lower of cost and net realisable value. 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 costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventories mainly comprise staff uniforms as well as catering and on-board equipment. A 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 Option Valuation 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 obtain the present value of 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 provisions is included in the provisions note. The provisions relate to the Group's leave pay provision and bonus provisions.

1.11 Revenue Recognition

1.11.1 IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers and its related clarifications and interpretations replaced IAS 18 – Revenue and its related interpretations effective for the Group on 1 July 2018.

Revenue comprises all airline-related, Hospitality and Tourism revenue and other non-airline revenue earned. Airline related revenue comprises flight revenue on commercial passenger travel. Hospitality and Tourism revenue comprises services relating to lounge access, catering as well commission from the sale of holiday packages. Other non-airline revenue relates to services relating to simulator training and other training revenue.

To determine whether to recognise revenue, the Group follows a five step approach:

- Identifying the contract with the customer;
- Identifying the performance obligation;

- Determining the transaction price;
- Allocating the transaction price to the performance obligation; and
- Recognising revenue when performance obligations are satisfied.

Revenue is recognised to the extent that the performance obligations are satisfied and that the revenue can be reliably measured.

Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties such as Passenger Taxes and Value Added Tax.

While the introduction of IFRS 15 has provided significant new guidance, the timing of recognition under IAS 8 is still considered appropriate under IFRS 15, and there has been no material effect on the adoption of the Standard.

The performance obligation is met, in the case of flight revenue, at the time of flight. The unutilised ticket liability represents tickets sold but not yet flown.

In the case of Hospitality and Tourism revenue, the performance obligation is met:

- For lounge access – when the access is granted;
- For commissions earned on holiday packages – when the traveller commences their journey;
- For catering – when the catering is delivered.

In the case of other non-airline revenue the performance obligation is met:

- For simulator and other training – at the time the training is provided. If the training is provided over a period of longer than one month, the revenue is recognised on a straight-line basis over the period of the course. As the amount of work performed to perform the training does not vary significantly month-to-month, this straight-line method provides an accurate depiction of the transfer of services.

As the period of time between customer payment and performance by the Group

under the contract will always be one year or less, the Group applies the practical expedient and does not adjust the promised amount of consideration for the effects of financing. Customers are invoiced at the contract date and amounts are due either immediately or upon receipt by the customer of the service.

Loyalty programme revenue is recognised using the same accounting policy as that applied for airline revenue. Loyalty programmes refer to the BA Executive Club and On Business programmes run by BA International and the Avios-kulula programme by Avios Group Limited. Both loyalty programmes are run independently from the Group. While the programmes allow members to purchase services with points, the Group receives the full normal price and transactions are identical to any other full-fare paying customer. The Group does not fund the programmes and never undertakes any obligation to fulfil a future service because of the programmes.

1.11.2 IAS 18 – Revenue Comparatives

Revenue comprises all airline-related, hospitality and tourism revenue, and other 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 VAT.

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 VAT.

International loyalty programme revenue is income received from the 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 (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 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.

Refer to notes 15, 22 and 35 for more information on fair value estimations applied.

Impairment

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing 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 items such as future market conditions, the remaining life of the asset and projected disposal values.

Loans and Other Receivables

The Group assesses its loans and 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.

Impairment provisions are based on assumptions about risk of default and expected loss rates. Judgement is required in making these assumptions, selecting inputs into the calculation and in assessing probability rates. The Group uses past credit history, existing market conditions as well as forward-looking estimates to determine key inputs. Refer to the individual loan and receivable notes for further details.

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 a 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 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.

1.16 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.

1.17 Segmental Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the segments, has been identified as the Joint Chief Executive Officers.

At year end, the Group was organised into three operating segments:

- Airline;
- Tourism and Hospitality; and
- Non-airline, which comprises the property investments and training businesses.

From 1 July 2018, due to its relative significance, the Group created the Tourism and Hospitality segment as a third stand-alone reportable segment, now separated from the other non-airline businesses. The comparative information has been restated – refer to note 2.

NOTES TO THE FINANCIAL STATEMENTS

2. Segmental Information

	Airline R'000	Tourism and hospitality R'000	Other non-airline R'000	Other R'000	Total R'000
30 June 2019					
Revenue	6 700 872	409 160	67 302	(51 692)	7 125 642
Operating expenses	(5 980 185)	(290 877)	(57 357)	64 444	(6 263 975)
Operating profit before depreciation, amortisation, property rental income, unrealised translation loss on dollar denominated loan, impairments and profit on sale of assets	720 687	118 283	9 945	12 752	861 667
Depreciation and amortisation	(518 770)	(29 248)	(10 061)	-	(558 079)
Property rental income	-	-	18 681	(12 752)	5 929
Impairment of goodwill	(28 989)	-	-	-	(28 989)
Unrealised translation loss on dollar denominated loan	(5 986)	-	-	-	(5 986)
Profit on sale of assets	9 264	-	-	-	9 264
Profit from operations	176 206	89 035	18 565	-	283 806
Court awarded settlement	1 276 866	-	-	-	1 276 866
IFRS 9 loss allowance on court awarded settlement	(284 857)	-	-	-	(284 857)
Remeasurement of contingent consideration on business combination	17 434	-	-	-	17 434
Interest income	35 961	25 010	113	(14 756)	46 328
Interest expense	(264 507)	-	(7 021)	14 754	(256 774)
Income from equity accounted investments	-	5 695	14 754	-	20 449
Profit before tax	957 103	119 740	26 411	(2)	1 103 252
Segmental assets and liabilities					
Segmental assets	7 777 017	549 071	328 774	(508 107)	8 146 755
Segmental interest-bearing liabilities	(3 295 726)	-	(89 686)	-	(3 385 412)
Other segmental liabilities	(2 304 082)	(224 747)	(167 891)	509 480	(2 187 240)
Segmental net asset value	2 177 209	324 324	71 197	1 373	2 574 103
Segmental capital additions (excluding borrowing costs capitalised) during the year	1 055 035	6 999	34 705	-	1 096 739

	Airline R'000	Tourism and hospitality R'000	Other non-airline R'000	Other R'000	Total R'000
Restated* 30 June 2018					
Revenue	6 211 505	306 434	70 043	(51 442)	6 536 540
Operating expenses	(5 243 433)	(181 649)	(39 112)	51 442	(5 412 752)
Operating profit before depreciation, amortisation, unrealised translation loss on dollar denominated, loan, impairments and profit on sale of assets	968 072	124 785	30 931	-	1 123 788
Depreciation and amortisation	(416 439)	(20 879)	(5 919)	-	(443 237)
Unrealised translation loss on dollar denominated loan	(12 056)	-	-	-	(12 056)
Profit on sale of assets	1 656	-	429	-	2 085
Profit from operations	541 233	103 906	25 441	-	670 580
Gain on remeasurement of non-current assets held for sale	12	-	-	-	12
Interest income	18 329	17 680	602	-	36 611
Interest expense	(248 741)	-	(197)	-	(248 938)
Income from equity accounted investments	-	7 490	5 489	-	12 979
Profit before tax	310 833	129 076	31 335	-	471 244
Segmental assets and liabilities					
Segmental assets	6 145 831	499 623	314 448	(336 252)	6 623 650
Segmental interest-bearing liabilities	(2 918 491)	-	-	-	(2 918 491)
Other segmental liabilities	(1 900 215)	(179 126)	(177 026)	331 008	(1 925 359)
Segmental net asset value	1 327 125	320 497	137 422	(5 244)	1 779 800
Segmental capital additions (excluding borrowing costs capitalised) during the year	789 737	41 642	76 493	-	907 872

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.

* In 2019 the Tourism & Hospitality Segment was created as a stand-alone reportable segment and head office assets were included in Airline. The comparative information has therefore been restated to reflect this change.

3. Property, Plant and Equipment

	2019			2018		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Properties and buildings	290 483	(11 474)	279 009	276 643	(9 946)	266 697
Leasehold improvements	142 675	(81 426)	61 249	136 245	(56 552)	79 693
Aircraft and related equipment	6 845 308	(1 571 011)	5 274 297	5 772 417	(1 288 880)	4 483 537
Flight simulator equipment	134 340	(70 719)	63 621	113 685	(61 136)	52 549
Pre-delivery payments	551 357	-	551 357	564 002	-	564 002
Vehicles, furniture and equipment and computer equipment	225 648	(140 271)	85 377	165 976	(102 840)	63 136
Total	8 189 811	(1 874 901)	6 314 910	7 028 968	(1 519 354)	5 509 614

	2019			2018		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Company						
Properties and buildings	106 168	(11 474)	94 694	92 547	(9 946)	82 601
Leasehold improvements	134 186	(78 244)	55 942	128 552	(55 976)	72 576
Aircraft and related equipment	6 845 308	(1 571 011)	5 274 297	5 772 417	(1 288 880)	4 483 537
Flight simulator equipment	134 340	(70 719)	63 621	113 685	(61 136)	52 549
Pre-delivery payments	551 357	-	551 357	564 002	-	564 002
Vehicles, furniture and equipment and computer equipment	220 678	(137 885)	82 793	161 786	(101 097)	60 689
Total	7 992 037	(1 869 333)	6 122 704	6 832 989	(1 517 035)	5 315 954

Reconciliation of Property, Plant and Equipment – Group – 2019

	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	266 697	13 839	-	-	-	-	-	-	-	(1 527)	279 009
Leasehold improvements	79 693	6 429	-	-	-	-	-	-	-	(24 873)	61 249
Aircraft and related equipment	4 483 537	1 014 822	-	(3 014)	-	-	252 820	-	-	(473 868)	5 274 297
Flight simulator equipment	52 549	20 655	-	-	-	-	-	-	-	(9 583)	63 621
Pre-delivery payments	564 002	-	199 090	-	-	12 920	(252 820)	16 707	11 458	-	551 357
Vehicles, furniture and equipment and computer equipment	63 136	59 582	-	-	-	-	-	-	-	(37 341)	85 377
	5 509 614	1 115 327	199 090	(3 014)	-	12 920	-	16 707	11 458	(547 192)	6 314 910

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

Reconciliation of Property, Plant and Equipment – Company – 2019

	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	82 601	13 620	-	-	-	-	-	-	-	(1 527)	94 694
Leasehold improvements	72 576	5 635	-	-	-	-	-	-	-	(22 269)	55 942
Aircraft and related equipment	4 483 537	1 014 822	-	(3 014)	-	-	252 820	-	-	(473 868)	5 274 297
Flight simulator equipment	52 549	20 655	-	-	-	-	-	-	-	(9 583)	63 621
Pre-delivery payments	564 002	-	199 090	-	-	12 920	(252 820)	16 707	11 458	-	551 357
Vehicles, furniture and equipment and computer equipment	60 689	58 892	-	-	-	-	-	-	-	(36 788)	82 793
	5 315 954	1 113 624	199 090	(3 014)	-	12 920	-	16 707	11 458	(544 035)	6 122 704

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

A register of properties is available at the Company's registered office.

Boeing 737 MAX 8

At year end the Group owns one 737 MAX 8 aircraft, with an original cost of R750 million, which was in operation for part of the financial year. Depreciation on the aircraft was suspended from the date the aircraft type were grounded globally and will re-commence when the aircraft is returned to service on re-certification of the equipment type. A value-in-use calculation was performed on the aircraft at year end taking into account estimates of the possible re-introduction date. The calculated recoverable amount exceeds the carrying value and no impairment has been recognised. The key assumptions applied in this calculation are:

- A pre-tax discount rate of the Company's WACC of 11.96% was applied;
- A discounted cash flow valuation model was applied using five-year forecasts based on the approved budgets and management estimates. Since the asset has a finite life, further years were included in the model by extrapolating the budget using a flat long-term growth rate; and
- The assumptions most sensitive to change in underlying estimation are the load factors applied and the discount rate used. A 5% increase in discount rate or a 5% decrease in load factor would still result in the recoverable amount exceeding its carrying value.

Pre-delivery payments

Pre-delivery payments are payments made to the Boeing Company for three (3) of seven (7) remaining new 737 MAX 8 aircraft which are due to arrive in South Africa. The finance for these aircraft has been mandated to Investec Bank. Future capital commitments relating to the 737 MAX 8 are disclosed in note 31. Borrowing costs capitalised to the pre-delivery payments are incurred at a rate of 5.2% (2018: 4.85%) on a US Dollar-based facility concluded in 2017.

4. Intangible Assets

	2019			2018		
	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	115 801	(86 134)	29 667	90 217	(75 247)	14 970

Reconciliation of Intangible Assets – Group and Company – 2019

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	14 970	25 584	(10 887)	29 667

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

Other information

The intangible assets relate to the implementation of SABRE Airline Solutions which was fully operational from the 2012 financial year and Openjaw Travel Portal development costs.

The remaining useful life of the computer software is an average of 2 years (2018: 2 years).

5. Investments in and Loans to/from Subsidiaries

5.1 Interest in Subsidiaries

All subsidiaries have their principal place of business and are incorporated in South Africa other than Churchill Financial Services 23 Limited and WildX Mauritius Limited which are incorporated in Mauritius, and have the same year-end as the Company.

		Company			
Name of subsidiary	Principal activity	% ownership interest	% ownership interest	2019	2018
		2019	2018	R'000	R'000
Aconcagua 32 Investments Proprietary Limited	Property rental	100.00%	100.00%	16 732	16 732
Alooca Properties Proprietary Limited*	Property rental	100.00%	100.00%	-	-
Kulula Air Proprietary Limited*	Business Lounge	100.00%	100.00%	-	-
Comair Catering Proprietary Limited*	Catering services	70.00%	70.00%	-	-
Comair Retail Travel Services Proprietary Limited	Travel agency	100.00%	100.00%	2 593	2 593
Churchill Finance Services 23 Limited	Financing (company is currently dormant and in process of deregistration)	100.00%	100.00%	10	10
Comair Air Cargo Proprietary Limited*	Air freight (company is currently dormant)	100.00%	100.00%	-	-
Highly Nutritious Food Company Proprietary Limited**	Catering services	56.00%	56.00%	-	-
EPT Aviation Training Proprietary Limited	Cabin crew training academy	100.00%	100.00%	7 869	7 869
Global Training College South Africa Proprietary Limited	Ground-school and travel and tourism training academy	100.00%	100.00%	611	611
Zinpayne Investments Proprietary Limited	Dormant shelf company	100.00%	100.00%	10	10
Altitude Training Academy Proprietary Limited (formerly Crostyle Investments Proprietary Limited)	Training academy (company is currently dormant)	100.00%	100.00%	10	10
WildX Proprietary Limited*	Travel agency	100.00%	100.00%	-	-
WildX Mauritius Limited*	Travel agency	100.00%	100.00%	-	-
Metaco Holdings Proprietary Limited [^]	Leadership development academy	100.00%	0.00%	30 294	-
Metaco Coaching, Consulting & Training Proprietary Limited ^{^*}	Leadership development academy	100.00%	0.00%	-	-
				58 129	27 835
Impairment of investments					
Metaco Holdings Proprietary Limited [^]	Leadership development academy			(30 294)	-
Metaco Coaching, Consulting & Training Proprietary Limited ^{^*}	Leadership development academy			-	-
				27 835	27 835

* Investment less than R1 000.

Held via Comair Catering Proprietary Limited which holds 56% ownership interest in the Company.

[^] Investment in Metaco Holdings Proprietary Limited and Metaco Coaching, Consulting & Training Proprietary Limited was acquired on 1 July 2018. Subsequent to yearend, a decision has been made to divest from these businesses (refer to note 3.5). The investment has been impaired in full at yearend.

5.2 Loans to Subsidiaries

	Company	
	2019	2018
	R'000	R'000
Non-current		
Alooca Properties Proprietary Limited	145 209	156 224
Highly Nutritious Food Company Proprietary Limited	777	-
	145 986	156 224
Current		
Kulula Air Proprietary Limited	12 490	11 953
Kulula Air Proprietary Limited – loss allowance	(12 490)	(11 953)
Comair Catering Proprietary Limited	112	103
Comair Retail Travel Services Proprietary Limited	-	38
Comair Air Cargo Proprietary Limited	19	19
Zinpayne Investments Proprietary Limited	12	3
WildX Proprietary Limited	4 071	-
Metaco Holdings Proprietary Limited	1 891	-
Metaco Holdings Proprietary Limited – loss allowance	(1 891)	-
	4 214	163

All loans are unsecured, have no fixed repayment terms and are interest free.

Due to the nature of the loan to Alooca Properties Proprietary Limited, the Directors view the loan as non-current due to the continuous investment of funds and the long-term nature of the underlying property assets. The loan is therefore considered to form part of the net investment.

The loan to Kulula Air Proprietary Limited has been subordinated in favour of other creditors of the borrower, until such time as its assets, fairly valued, exceed its liabilities.

Exposure to Credit Risk

Loans receivable inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 – Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for Group loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses.

The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

In determining the amount of expected credit losses, the Company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the Company has applied IFRS 9. Loans receivable were previously impaired only when there was objective evidence that the loan was impaired. The impairment was previously calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There were no changes to the loss allowance quantum on any of these financial assets between IAS39 and IFRS9 and there has been no retrospective adjustment in the statements of changes in equity.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The Company does not hold collateral or other credit enhancements against group loans receivable.

Credit Rating Framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period in accordance with the Group's accounting policy under note 1.7.1.

Credit Loss Allowances

The following table sets out the carrying amount, loss allowance and measurement basis of expected credit losses for loans receivable by credit rating grade:

Instrument	Internal credit rating	Basis of loss allowance	Gross carrying amount	Loss allowance	Amortised cost
			R'000	R'000	R'000
Alooca Properties Proprietary Limited	Stage 3*	Lifetime ECL	145 209	-	145 209
Highly Nutritious Food Company Proprietary Limited	Stage 1	Not credit impaired	777	-	777
Kulula Air Proprietary Limited	Stage 3	Lifetime ECL (credit impaired)	12 490	(12 490)	-
Comair Catering Proprietary Limited	Stage 1	Not credit impaired	112	-	112
Comair Air Cargo Proprietary Limited	Stage 1	Not credit impaired	19	-	19
Zinpayne Investments Proprietary Limited	Stage 1	Not credit impaired	12	-	12
WildX Proprietary Limited	Stage 1	Not credit impaired	4 071	-	4 071
Metaco Holdings Proprietary Limited	Stage 3	Lifetime ECL (credit impaired)	1 891	(1 891)	-
			164 581	(14 381)	150 200

* No credit loss allowance has been recognised after an assessment by management of the realisable value of the underlying properties in Alooca Properties Proprietary Limited.

5.3 Reconciliation of Investments in and Loans to Subsidiaries

	Company	
	2019 R'000	2018 R'000
Non-current		
Investments in subsidiaries net of impairment	27 835	27 835
Loans to subsidiaries net of impairment	145 986	156 224
	173 821	184 059
Current		
Loans to subsidiaries net of impairment	4 214	163
	4 214	163

5.4 Loans from Subsidiaries

	Company	
	2019	2018
	R'000	R'000
Current		
Aconcagua 32 Investments Proprietary Limited	4 838	3 270
EPT Aviation Training Proprietary Limited	2 104	2 104
Comair Retail Travel Services Proprietary Limited	3 066	-
	10 008	5 374

All loans are unsecured, have no fixed repayment terms and are interest free.

5.5 Cash Flow Information

	Company	
	2019	2018
	R'000	R'000
Investments in subsidiaries		
Movement in investments in subsidiaries	-	(6 376)
Non-cash movement – impairment of subsidiaries recognised	(30 295)	-
Non-cash movement – remeasurement of contingent consideration recognised	17 434	-
	(12 861)	(6 376)
Loans to subsidiaries		
Movement in loans to subsidiaries	6 188	(56 429)
Non-cash movement – loss allowances recognised	(2 428)	(5 875)
	3 760	(75 056)
Loans from subsidiaries		
Movement in loans from subsidiaries	4 634	3 661
	4 634	3 661

6. Investments in Associates

The following table lists all of the associates in the Group:

Name of company	% ownership interest	% ownership interest	Carrying amount	Carrying amount
	2019	2018	2019	2018
			R'000	R'000
Commuter Handling Services Proprietary Limited held by Comair Limited	40.00%	40.00%	26 037	16 728
OR Tambo Hospitality Proprietary Limited held by Aconcagua 32 Investments Proprietary Limited	49.90%	49.90%	41 612	35 917
Comair Mozambique Limitada held by Comair Limited	49.00%	49.00%	-	-
			67 649	52 645

The summarised financial information in respect of the Group's associates is set out below.

Summarised Financial Information of Material Associates

2019

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	7 242	79 485	86 727	57 556	29 171	86 727
OR Tambo Hospitality Proprietary Limited	42 970	38 872	81 842	81 342	500	81 842

Summarised statement of comprehensive income	Revenue R'000	Profit from continuing operations R'000	Total comprehensive income R'000
Commuter Handling Services Proprietary Limited	359 085	29 773	29 773
OR Tambo Hospitality Proprietary Limited	15 592	11 412	11 412
	374 677	41 185	41 185

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

Reconciliation of Summarised Financial Information to the Carrying Amount of the Group's Investment in Associates 2019

	Total assets R'000	Total liabilities R'000	Net assets R'000	Comair's ownership interest	Comair's share of net equity of investee R'000	Goodwill R'000	Total R'000
Commuter Handling Services Proprietary Limited	86 727	29 171	57 556	40.00%	23 022	3 015	26 037
OR Tambo Hospitality Proprietary Limited	81 842	500	81 342	49.90%	40 590	1 022	41 612

2018

	Total assets R'000	Total liabilities R'000	Net assets R'000	Comair's ownership interest	Comair's share of net equity of investee R'000	Goodwill R'000	Total 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

7. Investment in Joint Venture

The following table lists all of the joint ventures in the Group:

Name of company	% ownership interest 2019	% ownership interest 2018	Carrying amount 2019 R'000	Carrying amount 2018 R'000
Nacelle Proprietary Limited held by Comair Limited	50.00%	0.00%	2 845	-

The summarised financial information in respect of the Group's joint venture is set out below.

2019

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
Nacelle Proprietary Limited	1 030	30 261	31 291	5 690	25 601	31 291

	Revenue R'000	Profit from continuing operations R'000	Total comprehensive income R'000
Summarised statement of comprehensive income			
Nacelle Proprietary Limited	116 746	5 690	5 690
	116 746	5 690	5 690

Reconciliation of Summarised Financial Information to the Carrying Amount of the Group's Investment in Associates 2019

	Total assets R'000	Total liabilities R'000	Net assets R'000	Comair's ownership interest	Comair's share of net equity of investee R'000	Total R'000
Nacelle Proprietary Limited	31 291	25 601	5 690	50.00%	2 845	3 309

8. Court Awarded Settlement

The Company's claim against South African Airways SOC Limited ("SAA") 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 capped additional amount of R554 million being awarded in respect of interest, resulting in total damages award of R1.1 billion. SAA lodged an appeal against this judgement. Comair lodged a cross appeal to recover the full amount of the damages sustained plus interest on the total amount.

On 15 February 2019, the parties agreed to enter into a full and final settlement agreement which was made an Order of Court on the same date by the Supreme Court of Appeal ("SCA"). In terms of the Settlement Agreement, SAA will pay Comair a settlement amount of R1.1 billion plus interest from the judgement date to the settlement date of R168 million ("Settlement Amount"). The Settlement Amount will be paid in accordance with a payment schedule commencing on 28 February 2019 and terminating on 28 July 2022, or earlier should SAA elect to make payments earlier than agreed. As a consequence of settlement, both Comair and SAA have withdrawn the appeal and cross-appeal currently pending before the SCA. Interest is charged at the ruling 3-month JIBAR for the period of the payment term. Should SAA fail to make any payment in accordance with the provisions of the settlement agreement, the Company will be entitled to demand settlement of the full outstanding amount.

The settlement amount has been disclosed separately on the face of the statement of profit and loss under the heading "Court awarded damages". The interest accrued from the settlement date has been accounted for under interest income in note 24.

The balance outstanding at year-end comprises the following:

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Non-current	360 203	-	360 203	-
Gross	616 574	-	616 574	-
IFRS 9 loss allowance	(256 371)	-	(256 371)	-
Current	267 977	-	267 977	-
Gross	296 463	-	296 463	-
IFRS 9 loss allowance	(28 486)	-	(28 486)	-
	628 180	-	628 180	-

Exposure to Credit Risk

Receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

The receivable is subject to the impairment provisions of IFRS 9 – Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk is considered to have increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses.

In determining the amount of expected credit losses, the Company has taken into account current default experience and current available information as it relates to potential future risk on the receivable.

The maximum exposure to credit risk is the gross carrying amount of the receivable as presented above. The Company does not hold collateral or other credit enhancements against the receivable.

Credit Rating Framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of the receivable at the end of the reporting period in accordance with the Group's accounting policy under note 1.7.1.

Credit Loss Allowances

The following table sets out the carrying amount, loss allowance and measurement basis of expected credit losses for the receivable by credit rating grade:

Instrument	Internal Credit Rating	Basis of loss allowance	Gross carrying amount	Loss allowance	Amortised cost
			R'000	R'000	R'000
Court awarded settlement receivable	Stage 2	Lifetime ECL	913 037	(284 857)	628 180

The credit loss has been determined based on a range of possible default rates occurring over the life of the receivable and estimated credit losses that could be incurred should default occur.

9. Goodwill

	2019			2018		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group						
Gross amount and carrying value	42 158	(28 989)	13 169	13 169	-	13 169

Reconciliation of Goodwill

	Opening balance R'000	Additions through business combinations R'000	Impairment of goodwill R'000	Total R'000
Reconciliation of goodwill – Group – 2019	13 169	28 989	(28 989)	13 169
Reconciliation of goodwill – Group – 2018	6 615	6 554	-	13 169

Details of the goodwill arising in 2019 is set out under note 36.

The net book value of goodwill has been allocated to the following cash-generating units (CGUs):

	Group	
	2019 R'000	2018 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	6 554
	13 169	13 169

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. The WACC applied to all CGUs is 11.96% (2018: 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.

Impairment Recorded During the Year

In July 2019, the Group disinvested itself in full from its 100% held subsidiary, Metaco Holdings Proprietary Limited. The goodwill arising on the investment of R28.9 million was impaired at year-end (refer to note 35).

10. Inventory

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Catering equipment and consumables	22 958	20 369	21 803	19 508
Allowance for obsolete stock	(1 227)	(1 520)	(1 227)	(1 520)
	21 731	18 849	20 576	17 988
Carrying value of inventory carried at net realisable value	21 731	18 849	20 576	17 988

11. Trade and Other Receivables

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Trade and other receivables consist of the following:				
Trade receivables	293 001	205 075	288 599	215 881
Loss allowance	(14 374)	(14 260)	(37 185)	(31 048)
Trade receivables at amortised cost	278 627	190 815	251 414	184 833
Deposits	153 407	133 813	152 449	132 838
VAT	95 926	-	95 917	-
Non-financial assets	249 333	133 813	95 917	-
	527 960	324 628	499 780	317 671

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.

Exposure to Credit Risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Company only deals with reputable customers with consistent payment histories. Major customers are analysed individually for creditworthiness before terms and conditions are offered.

The standard credit period is 30 days from statement. The average age of the trade receivables is 13 days (2018: 12 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.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 – Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of the past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The loss allowance is determined as follows:

	Estimated gross carrying amount	Loss allowance (lifetime ECL)
	R'000	R'000
Group		
90 days -	278 627	-
90 days +	14 374	(14 374)
	293 001	(14 374)
Company		
90 days -	253 585	(2 171)
90 days +	35 014	(35 014)
	288 599	(37 185)

Allowances for expected credit losses are calculated by identifying specific credit impaired financial assets where tangible evidence is available, which indicates that amounts might not be recoverable. The ECL above includes certain specific impaired financial assets as well as an overlay of appropriately developed historical loss rate, which has been applied to the remaining population of financial assets at year-end to address the risk of default that is inherent in financial assets.

The trade receivables population of each subsidiary within the population was assessed and where specific trade receivables were identified these have been specifically provided for.

The residual population was assessed to address the inherent risk of default applicable to trade receivables through formulating and applying historical loss rates for each aged category of trade receivable in relation to the category's payment history.

Similar assumptions and considerations were applied to the opening balance financial assets as required by IFRS 9.

There were no changes to any of these financial assets and as such there has been no retrospective adjustment in the statements of changes in equity.

The movement for allowance for credit losses is presented as follows:

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance	14 260		31 048	
Loss allowance on receivables recognised	114		6 137	
Closing balance	14 374		37 185	

Credit Risk Disclosures for Comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Trade and other receivables which are less than five (5) months past due are not considered to be impaired. Included in the Group's 2018 trade receivables balance are debtors with a carrying value of R13.9 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Trade and other receivables past due but not impaired				
120 days -		7 091		7 091
120 days +		6 759		6 759
		13 850		13 850
Trade and other receivables impaired				
120 days -		-		3 750
120 days +		14 260		27 298
Reconciliation of allowance for impairment of trade and other receivables				
Opening balance		12 397		23 510
Allowance for impairment raised		1 863		7 538
		14 260		31 048

12. Share Capital

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Authorised				
1 000 000 000 Ordinary shares of 1 cent each	10 000	10 000	10 000	10 000
75 000 000 'A' class shares of 1 cent each	750	750	750	750
1 000 000 Preference shares of 1 cent each	10	10	10	10
	10 760	10 760	10 760	10 760
Issued				
Opening balance – ordinary shares of 1 cent each	4 693	4 693	4 693	4 693
Adjustment in respect of consolidation of Share Incentive Trust 4 244 464 (2018: 4 244 464)	(42)	(42)	-	-
	4 651	4 651	4 693	4 693
Reconciliation of number of shares issued				
469 330 865 (2018: 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 Incentive Trust 4 244 464 (2018: 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Rand Merchant Bank				
Aircraft instalment sale agreement	114 131	146 659	114 131	146 659
Less: Finance raising fees	(4 962)	(6 414)	(4 962)	(6 414)
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 8.3% (prior year: 8.2%). The current instalment is R10 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R261 million (prior year: R274 million).				
Aircraft instalment sale agreement	114 111	146 634	114 111	146 634
Less: Finance raising fees	(4 846)	(6 300)	(4 846)	(6 300)
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 8.3% (prior year: 8.2%). The current instalment is R10 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R256 million (prior year: R269 million).				
Aircraft instalment sale agreement	100 777	131 713	100 777	131 713
Less: Finance raising fees	(4 373)	(5 754)	(4 373)	(5 754)
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 8.3% (prior year: 8.2%). The current instalment is R10 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R236 million (prior year: R250 million).				
This loan was prepaid in full on 1 August 2019, with the associated aircraft being refinanced on the same date with Absa Bank for an amount of R341.1 million.				
Private Export Funding Corporation				
Aircraft instalment sale agreement	194 976	241 571	194 976	241 571
Less: Finance raising fees	(5 049)	(6 527)	(5 049)	(6 527)
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 R267 million (prior year: R278 million).				

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Investec Limited				
Working capital loan – VAT facility	120 096	25 202	120 096	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 9.25%. The facility ends in November 2020.				
Boeing 737 MAX 8	267 468	298 980	267 468	298 980
A facility for pre-delivery payments required for three new 737 MAX 8 aircraft on order. The facility is secured 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 USD and earns at a variable interest rate monthly – currently 5.2% (prior year: 4.8%). The next two aircraft are scheduled for delivery in February 2020 and June 2020 respectively (re-certification of the aircraft type dependant).				
Working capital loan	120 088	-	120 088	-
The available facility is R180 million. The monthly remittance from British Airways PLC stands security for this loan. There are no repayment terms and interest is charged monthly at a variable rate – currently 8.8%. The facility ends in June 2020. R70 million of capital was repaid on this loan in August 2019.				
Hybrid facility				
<i>Mortgage finance agreement – Anchor Industrial Park</i>	48 541	51 528	48 541	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 R75 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% (prior year: 9.8%). This loan forms part of a hybrid facility granted by Investec.				
<i>Aircraft instalment sale agreement</i>	168 762	192 135	168 762	192 135
Aircraft instalment sale agreement payable in 84 monthly instalments with the final payment due on 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.				
This loan forms part of a hybrid facility granted by Investec.				

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
<i>Mortgage finance agreement – Simulator Building</i>	25 965	-	25 965	-
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 R75 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 and a Special Notional Bond registered against the A320 Simulator. Interest is charged at a variable rate – currently 10.3%. This loan forms part of a hybrid facility granted by Investec.				
<i>Mortgage finance agreement – A320 Simulator</i>	15 180	-	15 180	-
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 R75 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 and a Special Notional Bond registered against the A320 Simulator. Interest is charged at a variable rate – currently 10.3%. This loan forms part of a hybrid facility granted by Investec.				
Nedbank				
Aircraft instalment sale agreement	319 941	371 320	319 941	371 320
Less: Finance raising fees	(19 389)	(22 576)	(19 389)	(22 576)
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 R20 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R445 million (prior year: R465 million).				
Aircraft instalment sale agreement	364 124	420 354	364 124	420 354
Less: Finance raising fees	(21 645)	(25 109)	(21 645)	(25 109)
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on 8 October 2025. Interest is charged at a fixed rate of 9.4%. The current instalment is R22 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R495 million (prior year: R518 million).				

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Aircraft instalment sale agreement	430 882	495 612	430 882	495 612
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on 11 February 2026. Interest is charged at a fixed rate – currently 10.5% (prior year: variable rate 11.6%). The current instalment is R27 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R613 million (prior year: R643 million).				
Aircraft instalment sale agreement	413 923	469 463	413 923	469 463
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on 30 November 2026. Interest is charged at a fixed rate – currently 10.6% (prior year: variable rate 11.4%). The current instalment is R25 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R599 million (prior year: R628 million).				
Citibank				
Aircraft instalment sale agreement	658 107	-	658 107	-
Less: Finance raising fees	(31 396)	-	(31 396)	-
Aircraft instalment sale agreement payable in 40 quarterly instalments with the final payment due on 25 February 2029. Interest is charged at a variable rate – currently 7.5%. The current instalment is R29 million.				
One aircraft mortgage serves as collateral covering security with a net book value of R751 million.				
Sub-total	3 385 412	2 918 491	3 385 412	2 918 491
Less: current portion	(1 046 764)	(741 896)	(1 046 764)	(741 896)
Non-current portion	2 338 648	2 176 595	2 338 648	2 176 595
Total value of interest-bearing liabilities	3 385 412	2 918 491	3 385 412	2 918 491
Future finance charges	967 228	919 091	967 228	919 091
Total interest-bearing liability commitments	4 352 640	3 837 582	4 352 640	3 837 582

Maturity Analysis

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Total repayments for year one	1 239 896	953 586	1 239 896	953 586
Total repayments for years two to five	2 203 708	2 048 869	2 203 708	2 048 869
Total repayments after year five	909 036	835 127	909 036	835 127
Total repayments	4 352 640	3 837 582	4 352 640	3 837 582
Capital repayments for year one	1 046 764	741 896	1 046 764	741 896
Capital repayments for years two to five	1 741 173	1 460 478	1 741 173	1 460 478
Capital repayments after year five	597 475	716 117	597 475	716 117
Allocation of present valued amounts	3 385 412	2 918 491	3 385 412	2 918 491

14. Deferred Taxation

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Deferred tax liability	(771 436)	(571 726)	(771 436)	(571 726)
Deferred tax asset	3 807	3 853	-	-
Net deferred tax liability	(767 629)	(567 873)	(771 436)	(571 726)

On Temporary Differences Arising from:

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Plant, equipment and intangible assets	(1 098 198)	(882 990)	(1 101 988)	(886 812)
Staff obligations and accruals	43 984	54 732	43 967	54 701
Doubtful debt allowance on court awarded settlement	23 522	-	23 522	-
Unutilised ticket liability	80 111	87 428	80 111	87 428
Pre-payments	(4 906)	(4 995)	(4 906)	(4 995)
Calculated tax loss	187 858	177 952	187 858	177 952
	(767 629)	(567 873)	(771 436)	(571 726)

Reconciliation of Deferred Tax Asset/(Liability)

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
At beginning of year	(567 873)	(431 141)	(571 726)	(435 043)
Accelerated capital allowances on plant, equipment and intangible assets	(215 208)	(188 699)	(215 176)	(188 646)
Staff obligations and accruals	(10 748)	6 469	(10 734)	6 466
Doubtful debt allowance on court awarded settlement	23 522	-	23 522	-
Unutilised ticket liability	(7 317)	(2 902)	(7 317)	(2 902)
Pre-payments	89	1 580	89	1 579
Increase in tax loss available for set-off against future taxable income	9 906	46 820	9 906	46 820
	(767 629)	(567 873)	(771 436)	(571 726)

Recognition of Deferred Tax Asset

There are unrecognised deferred taxation assets in Kulula Air Proprietary Limited and Metaco Holdings Proprietary Limited amounting to R8.5 million (2018: R4.8 million) on calculated assessed losses amounting to R30.5 million (2018: R17.2 million). Deferred tax assets have not been recognised on these amounts as it is not probable that the temporary difference will reverse in the foreseeable future.

15. Share-based Payments

2021 Long-term Incentive Scheme

On 1 November 2018, 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 November 2018 and who are still in the employ of the Group as at 30 September 2021, participate in this long-term executive incentive scheme, with payment being made relating to both components of the scheme at the end of September 2021.

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 R5.30 per share in each of the 2019, 2020 and 2021 financial years. These differences are further weighted at 10% for 2019, 20% for 2020 and 70% for 2021.

Details of the liability arising from the share appreciation rights were as follows:

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Balance as at 1 July	-	-	-	-
Current employee costs recognised in profit or loss	1 027	-	1 027	-
Balance as at 30 June	1 027	-	1 027	-

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

	2019		2018	
	Number of share options	VWAP Rand	Number of share options	VWAP Rand
Outstanding at the beginning of the year	-	-		
Granted during the year	13 000 000	4.91		
Forfeited during the year	-	-		
Outstanding at the end of the year	13 000 000	4.91		
Exercisable at the end of the year	-			

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

	2019		2018	
	Number of share options	VWAP Rand	Number of share options	VWAP Rand
ER Venter*	1 876 311	4.91		
WD Stander	1 358 532	4.91		
MN Louw	1 355 105	4.91		
DH Borer	1 099 085	4.91		
KE King	1 042 391	4.91		
Total	6 731 424			
Exercisable at the end of the year	-			

* Resigned 30 July 2019. Following his resignation, the 1 876 311 options allocated to ER Venter have been forfeited in the 2020 financial year.

The fair value of the share-based payment has been measured using the 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
VWAP	R4.19		R4.19	
Strike price	R5.30		R5.30	
Vesting period	36 months		36 months	
Risk-free rate	8.8%		8.8%	
Dividend yield	4.52%		4.52%	

2018 Long-term Incentive Scheme

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 were still in the employ of the Group as at 30 September 2018, participated in this long-term executive incentive scheme, with payment made relating to both components of the scheme at the end of September 2018.

The share price-linked component applicable to the SARs was 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 differences were 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Balance as at 1 July	9 888	5 032	9 888	5 032
Current employee costs recognised in profit or loss	-	4 856	-	4 856
Paid to directors	(9 888)	-	(9 888)	-
Balance as at 30 June	-	9 888	-	9 888

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

	2019		2018	
	Number of share options	VWAP Rand	Number of share options	VWAP Rand
Outstanding at the beginning of the year			13 000 000	4.69
Forfeited during the year*			(971 214)	5.78
Outstanding at the end of the year			12 028 786	5.62
Exercisable at the end of the year			12 028 786	

* Options forfeited during the year related to the retirement of a senior manager who participated in the long-term incentive scheme, on 31 March 2018.

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

	2019		2018	
	Number of share options	VWAP Rand	Number of share options	VWAP Rand
ER Venter			1 924 606	5.62
MN Louw			1 389 993	5.62
DH Borer			1 069 225	5.62
KE King			1 069 225	5.62
Total			5 453 049	
Exercisable at the end of the year			5 453 049	

The fair value of the share-based payment was measured using the 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 arose 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
VWAP		R5.62		R5.62
Strike price		R4.50		R4.50
Vesting period		36 months		36 months
Risk-free rate		8.73%		8.73%
Dividend yield		3.23%		3.23%

16. Trade and Other Payables

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Financial Liabilities at Amortised Cost				
Trade payables	984 486	839 937	943 591	820 587
Non-financial Instruments				
VAT	3 099	17 397	-	17 131
Other payables	41 358	37 741	41 144	37 690
	1 028 943	895 075	984 735	875 408

Other payables relate to payroll accruals. Trade creditor terms vary, depending on the agreements in place, but are on average 30 days from statement.

17. Provisions

Reconciliation of Provisions – Group – 2019

	Opening balance R'000	Raised R'000	Utilised R'000	Total R'000
Leave pay provision	64 372	14 626	(24 389)	54 609
Bonus provision	70 435	78 358	(105 006)	43 787
	134 807	92 984	(129 395)	98 396

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 – Company – 2019

	Opening balance	Raised	Utilised	Total
	R'000	R'000	R'000	R'000
Leave pay provision	64 372	14 626	(24 389)	54 609
Bonus provision	70 325	78 277	(104 872)	43 730
	134 697	92 903	(129 261)	98 339

Reconciliation of Provisions – Company – 2018

	Opening balance	Raised	Utilised	Total
	R'000	R'000	R'000	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

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).

18. Loan from Share Incentive Trust

	Group		Company	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Loan from Share Incentive Trust	-	-	816	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 389c (2018: 470c).

Cash flow information

Movement in loan from Share Incentive Trust	-	-	744	-
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19. 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 risks. 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

2019

	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments	Total
	R'000	R'000	R'000	R'000
Assets				
Non-current assets				
Property, plant and equipment	-	-	6 314 910	6 314 910
Intangible assets	-	-	29 667	29 667
Investments in associates	-	-	67 649	67 649
Investment in joint venture	-	-	2 845	2 845
Court awarded settlement	360 203	-	-	360 203
Goodwill	-	-	13 169	13 169
Deferred taxation	-	-	3 807	3 807
Current assets				
Inventories	-	-	21 731	21 731
Trade and other receivables	278 627	-	249 333	527 960
Court awarded settlement	267 977	-	-	267 977
Taxation	-	-	633	633
Cash and cash equivalents	536 204	-	-	536 204
Total assets	1 443 011	-	6 703 744	8 146 755

2019

	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments	Total
	R'000	R'000	R'000	R'000
Equity and liabilities				
Capital and reserves				
Share capital	-	-	4 651	4 651
Accumulated profit	-	-	2 566 518	2 566 518
Non-controlling interest	-	-	2 934	2 934
Non-current liabilities				
Interest-bearing liabilities	-	2 338 648	-	2 338 648
Deferred taxation	-	-	771 436	771 436
Share-based payment	-	-	1 027	1 027
Current liabilities				
Trade and other payables	-	984 486	44 457	1 028 943
Unutilised ticket liability	-	-	286 111	286 111
Provisions	-	-	98 396	98 396
Interest-bearing liabilities	-	1 046 764	-	1 046 764
Taxation	-	-	1 327	1 327
Total equity and liabilities	-	4 369 898	3 776 857	8 146 755

2018

	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
	R'000	R'000	R'000	R'000
Assets				
Non-current assets				
Property, plant and equipment	-	-	5 509 614	5 509 614
Intangible assets	-	-	14 970	14 970
Investments in 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
Total assets	876 252	-	5 747 398	6 623 650

2018

	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
	R'000	R'000	R'000	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
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 liabilities	-	3 758 428	2 865 222	6 623 650

Financial assets are substantially the same for the Group and the Company, however, loans to subsidiaries amount to R150.2 million (2018: R156.3 million) and are classified as financial assets at amortised cost (2018: Loans and receivables).

Financial liabilities are substantially the same for the Group and the Company, however, there are loans from subsidiaries and the Share Incentive Trust amounting to R10.8 million (2018: R5.4 million) and are classified as financial liabilities at amortised cost.

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 that follows.

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. Refer to notes 5, 7, 8 and 11 for more information on Risk Management Procedures.

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:

2019

	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	2 338 648	3 112 744	-	2 203 708	909 036	-
Secured short-term borrowings	1 046 764	1 239 896	1 239 896	-	-	-
Trade and other payables	984 486	984 486	984 486	-	-	-
Total financial liabilities – Group	4 369 898	5 337 126	2 224 382	2 203 708	909 036	-

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	-

The liquidity risk analysis for Group and Company is substantially the same with the exception that the Company's trade and other payables amount to R944 million (2018: R821 million).

Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currencies, 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.

	2019	2018
Exchange rates used for conversion of foreign items were:		
USD (spot at 30 June)	14.069	13.711
GBP (spot at 30 June)	17.863	18.118

Approximately 46% of operating costs are incurred and approximately 34% 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 USD5 586 437 (2018: USD6 536 892) and GBP1 687 041 (2018: GBP1 670 676) and net short-term receivables of GBP4 367 445 (2018: GBP4 830 079).

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 that follows 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. The exposure for Group and Company is substantially the same.

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.

Group – 2019

	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							
Court awarded settlement	628 180	-	-	-	913 037	18 261	(18 261)
Trade and other receivables	278 627	9 241	(462)	462	-	-	-
Cash and cash equivalents	536 204	233 232	(11 662)	11 662	536 204	10 724	(10 724)
Impact of financial assets on:							
- profit before tax			(12 124)	12 124	-	28 985	(28 985)
- profit after tax			(8 729)	8 729	-	20 869	(20 869)
Financial liabilities							
Interest bearing liabilities	3 385 412	457 395	22 870	(22 870)	3 385 412	(67 708)	67 708
Trade and other payables	1 028 943	108 730	5 437	(5 437)	-	-	-
Impact of financial liabilities on:							
- profit before tax			28 307	(28 307)	-	(67 708)	67 708
- profit after tax			20 381	(20 381)	-	(48 750)	48 750
Overall impact on profit after taxation			11 652	(11 652)	-	(27 881)	27 881

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

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 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 2019 and 2018 were as follows:

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Total liabilities, excluding deferred taxation	4 801 216	4 272 124	4 766 448	4 256 174
Less: Cash and cash equivalents	(536 204)	(685 437)	(475 149)	(630 624)
Net debt	4 265 012	3 586 687	4 291 299	3 625 550
Adjusted equity	2 574 103	1 779 800	2 416 207	1 653 529
Adjusted capital ratio	1.64:1	2.02:1	1.76:1	2.19:1

20. Revenue

Revenue from Contracts with Customers

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
The Group disaggregates revenue from customers as follows:				
Flight revenue	6 669 626	6 172 897	6 669 626	6 172 897
Rendering of services	384 470	285 553	323 124	261 617
- Lounges and catering	327 050	234 069	285 713	227 982
- Simulators and other training	57 420	46 398	37 411	33 635
- Property rental income*	-	5 086	-	-
Commissions received	62 108	65 265	54 753	52 773
- Travel agency commissions	61 942	64 304	54 587	51 812
- Airline commissions	166	961	166	961
Other	9 438	12 825	3 327	6 447
	7 125 642	6 536 540	7 050 830	6 493 734

* Due to the adoption of IFRS 1.5 the property rental income was moved out of revenue as the amount is no longer revenue as defined. Refer to the Statements of Profit or Loss for details of current year rental income.

21. Profit from Operations

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Operating expenses are stated after incorporating the following items:				
Auditors remuneration	1 323	1 941	1 172	1 848
Managerial, technical, administrative and secretarial services	98 149	62 817	98 149	62 283
Directors' remuneration (included in total staff costs)				
- for services as Directors and related committee work	3 781	3 762	3 781	3 762
- for managerial and other services	15 586	15 586	15 586	20 417
- retirement and medical benefits	2 433	1 901	2 433	1 901
- long-term incentive profit component	-	3 661	-	3 661
- share-based payments – 2021 Scheme	1 027	-	1 027	-
- share-based payments – 2018 Scheme	-	4 483	-	4 483
	22 827	34 224	22 827	34 224

Only Directors are considered key management. A comprehensive breakdown per Director is included in the Report of Directors on pages 92 to 98.

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Rentals under operating leases				
Property				
- Straight-lined amounts	41 812	42 293	46 505	45 006
Equipment and vehicles				
- Straight-lined amounts	5 671	4 987	5 384	4 877
Aircraft leases				
- Straight-lined amounts	412 561	243 738	412 561	243 738
	460 044	291 018	464 450	293 621
Employment costs	1 107 942	1 052 582	1 090 528	1 047 500
Contributions to defined contribution funds	81 583	80 256	81 583	80 256
Total staff costs	1 189 525	1 132 838	1 172 111	1 127 756
Number of employees	2 193	2 206		
Profit on exchange differences	36 790	25 129	36 790	25 129
Share-based payment expense	1 027	4 856	1 027	4 856

22. Fair Value Measurement

Financial instruments measured at fair value in the consolidated statements of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

Refer to note 19 for the categorisation of financial instruments by category. The contingent consideration recognised on the Metaco Holdings Proprietary Limited business combination (see note 36) is defined under level 3 of the fair value hierarchy.

As a consequence of the divestment by the Group of this previously 100% held subsidiary in July 2019, no performance guarantee amounts will become payable under the original agreement. Accordingly the contingent consideration previously recognised has been reduced to Rnil and the remeasurement accounted for in the statement of profit and loss.

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Remeasurement of contingent consideration on business combination	17 434	-	17 434	-

23. Dividend Income

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Investment in associate	-	-	2 600	5 630
	-	-	2 600	5 630

24. Interest Income

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash	21 158	36 611	18 607	33 869
Bank interest	17 460	36 611	18 607	33 869
South African Revenue Service	3 698	-	-	-
Non-cash				
Court awarded settlement	25 170	-	25 170	-
	46 328	36 611	43 777	33 869

25. Interest Expense

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Total interest paid	273 481	255 847	273 162	255 650
Bank interest	256 464	248 938	256 455	248 741
Other interest	310	-	-	-
Interest capitalised to pre-delivery payments	16 707	6 909	16 707	6 909
Less: amount capitalised as borrowing costs (See note 3)	(16 707)	(6 909)	(16 707)	(6 909)
	256 774	248 938	256 455	248 741

26. Taxation

Major Components of the Tax Expense

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Current				
Local income tax – current period	6 698	8 902	-	-
Local income tax – prior periods	(11)	-	(11)	-
Deferred tax – current	218 357	136 731	218 311	136 683
Deferred tax – prior year adjustment	(18 601)	-	(18 601)	-
	206 443	145 633	199 699	136 683

Reconciliation of the Tax Expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Exempt income				
Income from equity accounted investments	(0.52%)	(0.77%)	-	-
Dividends received	(0.07%)	(0.33%)	(0.07%)	(0.37%)
Capital portion of court awarded settlement	(14.07%)	-	(14.56%)	-
Disallowable expenditure				
Disallowable portion of loss allowance on court awarded settlement	4.39%	-	4.54%	-
Impairment of goodwill	0.74%	-	-	-
Consulting and legal fees – capital expenditure	1.47%	2.46%	1.52%	2.73%
Depreciation on leasehold improvements	0.57%	1.19%	0.59%	1.32%
Other	(0.11%)	0.36%	0.47%	0.50%
Deferred tax – prior year adjustment	(1.69%)	-	(1.75%)	-
	18.71%	30.91%	18.74%	32.18%

No provision has been made for tax in 2019, as the Company has no taxable income. The estimated tax loss available for set off against future taxable income is R670.9 million (2018: R701.9 million).

27. Earnings per Share

	Group	
	2019 R'000	2018 R'000
Reconciliation of profit or loss for the year to basic earnings		
Earnings attributable to ordinary Shareholders	894 804	324 537
Less: IAS 16 profit on disposal of property, plant and equipment	(9 264)	(2 085)
Add: taxation effect of profit on disposal	2 594	584
Add: IAS 36 impairment of goodwill	28 989	-
Less: taxation effect of impairment of goodwill	-	-
Less: IFRS 5 reversal of impairment on remeasurement of non-current assets held for sale	-	(12)
Add: taxation effect of IFRS 5 reversal of impairment on remeasurement of non-current assets held for sale	-	3
Headline earnings attributable to ordinary Shareholders	917 123	323 027
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)	192.4	69.8
Headline earnings per share (cents)	197.2	69.5
Diluted earnings per share (cents)	192.4	69.8
Diluted headline earnings per share (cents)	197.2	69.5
Dividends per share paid (cents)	22.0	19.0

28. Cash Generated from Operations

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Profit before taxation	1 103 252	471 244	1 065 630	424 687
Adjustments for:				
Depreciation and amortisation	558 079	443 237	554 922	442 335
Profit on sale of assets	(9 264)	(2 085)	(9 264)	(1 656)
Income from equity accounted investments	(20 449)	(12 979)	-	-
Interest and dividends income	(46 328)	(36 611)	(46 377)	(33 869)
Interest expense	256 774	248 938	256 455	248 741
Impairment of investments in and loans to subsidiaries	-	-	32 723	5 875
Unrealised foreign exchange gains and losses	5 986	12 056	5 986	12 056
Gain on remeasurement of non-current assets held for sale	-	(12)	-	(12)
Non-cash movement in provisions	(36 411)	17 972	(36 358)	17 892
Non-cash share-based payments movement	1 027	4 856	1 027	4 856
IFRS 9 loss allowance on court awarded settlement	284 857	-	284 857	-
Impairment of goodwill	28 989	-	-	-
Remeasurement of contingent consideration on business combination	(17 434)	-	(17 434)	-
Other non-cash flow items	13 780	12 414	13 780	12 414
Changes in working capital:				
Inventories	(2 882)	2 637	(2 588)	3 009
Trade and other receivables	(215 034)	(71 455)	(195 029)	(72 154)
Court awarded settlement	(887 867)	-	(887 867)	-
Trade and other payables	95 907	82 617	73 306	83 970
	1 112 982	1 172 829	1 093 769	1 148 144

29. Taxation (Paid)/Refunded

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Balance at beginning of the year	(1 134)	460	-	-
Current tax for the year recognised in profit or loss	(6 687)	(8 902)	11	-
Balance at end of the year	694	1 134	-	-
	(7 127)	(7 308)	11	-

30. Reconciliation of Interest-bearing Liabilities Arising from Financing Activities

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Opening balance	2 918 491	2 697 791	2 918 491	2 697 791
Long-term	2 176 595	2 344 926	2 176 595	2 344 926
Short-term	741 896	352 865	741 896	352 865
Raised	1 064 244	603 594	1 064 244	603 594
Cash	257 685	240 989	257 685	240 989
Non-cash deposit	-	12 689	-	12 689
Non-cash	806 559	349 916	806 559	349 916
Repayment	(868 853)	(682 362)	(868 534)	(682 165)
Capital only	(456 709)	(426 515)	(456 709)	(426 515)
Non-cash (pre-delivery payment facility refinanced into senior debt on delivery)	(138 663)	-	(138 663)	-
Interest	(273 481)	(255 847)	(273 162)	(255 650)
Interest	273 481	255 847	273 162	255 650
Cash	273 481	255 847	273 162	255 650
Non-cash	-	-	-	-
Remeasurement – non-cash	(1 951)	43 621	(1 951)	43 621
Revaluation of USD aircraft loan	5 986	12 056	5 986	12 056
Revaluation of pre-delivery payment facility	11 044	19 392	11 044	19 392
(Raising)/amortisation of finance raising fees	(18 981)	12 414	(18 981)	12 414
Other	-	(241)	-	(241)
	3 385 412	2 918 491	3 385 412	2 918 491
Closing balance	3 385 412	2 918 491	3 385 412	2 918 491
Long-term	2 338 648	2 176 595	2 338 648	2 176 595
Short-term	1 046 764	741 896	1 046 764	741 896

31. Commitments and Contingencies

Group and Company Capital Commitments and Contingencies

Boeing 737 MAX 8

We have confidence that Boeing, together with the various authorities, will succeed in re-certifying the MAX globally. The 737 MAX 8 is more fuel efficient than a 737-800 and will deliver significant unit cost savings relative to the Boeing Classic and New Generation equipment types. However, as a consequence of delayed deliveries due to the grounding of the aircraft, currently committed future payments have been amended to reflect a delayed delivery schedule.

Boeing reported a USD4.9 billion after tax charge for 'potential concessions and other considerations to customers for disruptions related to the 737 MAX grounding'. We have had preliminary communications with Boeing regarding compensation for damages due to the MAX grounding. We have not reached any conclusions regarding these matters and no compensation amounts from Boeing have been included in our financial results.

Pre-delivery Payments

Comair made pre-delivery payments of R239 million in the current year (prior year: R368 million), in addition to R234 million in preceding years towards the purchase of eight 737 MAX 8 aircraft, the first of which was delivered in February 2019, with the remaining seven due for delivery from 2020 onwards. At year-end, the Group had a remaining commitment to Boeing of R5.2 billion (prior year: R5.5 billion), payable from 2019 to 2024. The funding of this pre-delivery payment finance has been mandated to Investec Bank.

Expected Cash Flows in Relation to Commitments

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Financial year 2019	-	1 428 371	-	-
Financial year 2020	1 090 376	948 671	1 090 376	1 428 371
Financial year 2021	311 980	1 454 471	311 980	948 671
Financial year 2022	410 386	1 717 011	410 386	1 454 471
Financial year 2023	1 599 679	-	1 599 679	-
Financial year 2024	1 752 969	-	1 752 969	1 717 011
	5 165 390	5 548 524	5 165 390	5 548 524

Operating Lease Commitments

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Aircraft and flight simulators				
Commitments for year one	487 382	296 989	487 382	296 989
Commitments for years two to five	1 320 030	1 285 852	1 320 030	1 285 852
Commitments after year five	340 962	336 971	340 962	336 971
	2 148 374	1 919 812	2 148 374	1 919 812

Leasing Arrangements – Aircraft

Generally Medium-Term (Five-year) Leasing Agreements on Aircraft

The Group has eight USD denominated leases averaging USD196 000 per month, which have no escalation clauses. The Group has entered into four additional leases, three of which have been delivered in July 2019 and August 2019 respectively with the last one to arrive in September 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. Supplemental amounts for maintenance costs arising in accordance with lease contracts are not included in the above table as they are based on usage which is variable.

Guarantees

The Company has guaranteed R12.5 million (2018: R12.5 million) in favour of the Air Traffic and Navigation Services, R638 000 (2018: R638 000) in favour of the SA Insurance Company, USDnil (2018: USD19 000) in favour of the Indian Air Force, GBPnil (2018: GBP 500 000) in favour of St Helena Island and USD1 million (2018: USD1 million) in favour of Lufthansa Technik AG.

32. Share Incentive Trust

There are no options outstanding or available as at 30 June 2019.

33. Related Parties

Subsidiaries	Inspect note 5 for investments in subsidiaries
Associates	Inspect note 6 for investments in associates
Joint venture	Inspect note 7 for investment in joint venture
Share Incentive Trust	Inspect note 18 for the details
Directors	Inspect Directors remuneration on pages 96 to 97 of the Report of Directors

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Loan accounts – Owning (to)/by related parties				
Related party balances				
Alooca Properties Proprietary Limited	-	-	145 209	156 224
Aconcagua 32 Investments Proprietary Limited	-	-	(4 838)	(3 270)
Kulula Air Proprietary Limited – net of impairment	-	-	-	-
Comair Share Incentive Trust	-	-	(816)	(72)
Comair Retail Travel Services Proprietary Limited	-	-	(3 066)	38
Comair Catering Proprietary Limited	-	-	112	103
Comair Air Cargo Proprietary Limited	-	-	19	19
EPT Aviation Training Proprietary Limited	-	-	(2 104)	(2 104)
Highly Nutritious Food Company Proprietary Limited	-	-	777	-
Zinpayne Investments Proprietary Limited	-	-	12	3
WildX Proprietary Limited	-	-	4 071	-
Metaco Holdings Proprietary Limited – net of impairment	-	-	-	-
Amounts included in trade receivables (trade payables) regarding related parties				
Kulula Air Proprietary Limited	-	-	25 608	19 359
Kulula Air Proprietary Limited – impairment allowance	-	-	(25 608)	(19 359)
Kulula Air Proprietary Limited	-	-	(51)	(31)
Comair Catering Proprietary Limited	-	-	1 439	-
Comair Retail Travel Services Proprietary Limited	-	-	(40 828)	(31 134)
Related Party Transactions				
Rent paid to related parties				
Aconcagua 32 Investments Proprietary Limited	-	-	2 433	2 212
Alooca Properties Proprietary Limited	-	-	10 119	7 274
Dividends paid to related parties				
Comair Share Incentive Trust	-	-	747	645
Dividends received from related parties				
Commuter Handling Services Proprietary Limited	-	-	2 600	5 630
Catering costs paid to related parties				
Highly Nutritious Food Company Proprietary Limited	-	-	10 777	6 246
Comair Catering Proprietary Limited	-	-	1 382	-
Service recovery				
Kulula Air Proprietary Limited	-	-	(1 617)	(3 092)
Information technology				
Nacelle Proprietary Limited	99 682	-	99 682	-

34. Retirement Benefits

Post-retirement Benefits

The Group contributes to the Old Mutual Superfund which is governed by the Pension Funds 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.

35. Subsequent Events

Subsequent to year-end, steps have been taken to disinvest from the Group's poor performing acquisition, namely Metaco Holdings Proprietary Limited and its subsidiary Metaco Coaching, Consulting and Training Proprietary Limited. As such the Group has impaired R29 million in goodwill at year-end in addition to derecognising the fair-value of the contingent consideration amounting to R17.4 million at year-end, as the conditions for this contingent consideration can longer be met.

Comair is in the process of acquiring 100% of the issued share capital of Star Air Cargo Proprietary Limited and Star Air Maintenance Proprietary Limited. Star Air Cargo specialises in the wet, dry or damp leasing on short- to medium-terms leases to airlines in Africa; with Star Air Maintenance providing the maintenance requirements for its own fleet as well as for third-party aircraft.

The transaction is still subject to approval by the Competition Authorities as a condition precedent to the transaction which must still be fulfilled in order for ownership to take effect from the effective date.

The purchase consideration is R75 million plus profit share payments but capped at R250 million. The R75 million is due to be paid as follows:

- R30 million within five business days of the fulfilment of all Conditions Precedent;
- R22.5 million on the first anniversary of the Completion Date subject to the aggregate net profit after tax of Star Air Maintenance and Star Air Cargo, as determined by their auditors, being positive for the twelve months preceding 30 June 2020 as stated in their annual financial statements, failing which none of the R22.5 million is payable; and
- R22.5 million on the second anniversary of the Completion Date, subject to the aggregate net profit after tax of Star Air Maintenance and Star Air Cargo, as determined by their auditors, being positive for the twelve months preceding 30 June 2021 as stated in their annual financial statements, failing which none of the R22.5 million is payable.

The Company shall also pay the Sellers an amount equal to 83% of the net profit after tax (excluding Comair business) as stated in the annual financial statements of Star Air Cargo and Star Air Maintenance for a period of three years commencing after the effective date.

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.

36. Business Combinations

2019

Metaco Holdings Proprietary Limited

On 1 July 2018, the Group acquired 100% of the share capital of the leadership development consultancy company, Metaco Holdings Proprietary Limited and its subsidiary Metaco Coaching, Consulting and Training Proprietary Limited. This business was acquired for an aggregate estimated purchase consideration of R30.3 million, on which an upfront cash payment of R12.9 million was made. The remaining amount of R17.4 million was based on the cumulative net profit after tax for the period from the effective date until the sixth anniversary of the effective date, less 25%, being the deemed profit share to Comair ("the contingent consideration"). The contingent consideration was calculated based on Management's best estimate of the projected profits for the performance guarantee period. The liability is categorised under level 3 in the fair value hierarchy.

The acquired business contributed revenue of R3.8 million and a net loss after tax of R3.8 million to the Group since acquisition.

These amounts have been calculated in accordance with the Group's accounting policies.

The accounting for this acquisition has now been finalised as allowed in terms of IFRS 3 – Business Combinations, the applicable accounting standard, and contains no changes to the provisional amounts as included in the Group's Interim Results for the period ended 31 December 2018.

The below table summarises the amount of assets acquired and liabilities assumed at the acquisition date:

	Group
	2019
	R'000
Purchase consideration	30 295
The provisional assets and liabilities arising from the acquisitions are as follows:	
Other financial assets	952
Trade and other receivables	315
Cash and cash equivalents	2 029
Current tax	(520)
Trade and other payables	(992)
Shareholder loans	(478)
Fair value of net assets	1 306
Goodwill	28 989
Total purchase consideration	30 295
Purchase consideration	(30 295)
- Settled in cash	(12 861)
- Settled in amount payable	(17 434)
Cash and cash equivalents in subsidiaries acquired	2 029
Cash outflow on acquisition	(10 832)

The goodwill arose from the expected synergies from the acquisition.

Metaco is a service business providing leadership development consulting services. For this reason the value is seen to lie in the skill and experience of the trainers and the training methodologies employed. The entity was acquired to provide synergies within the Group as part of the Group's overall strategy for diversification. For this reason, the excess of the purchase price was allocated to goodwill.

As disclosed in the subsequent events note, the Group has decided to disinvest from this investment after year-end (refer to note 35).

37. New Accounting Pronouncements

Standard	Details of amendments	Annual periods beginning on or after	Expected impact
IFRS 3 Business Combinations	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	The Group has adopted the amendment with effect from 1 July 2019. 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.
	Definition of a Business: The amendments: <ul style="list-style-type: none"> - confirmed that a business must include inputs and a process, and clarified that: <ul style="list-style-type: none"> - the process must be substantive; and - the inputs and process must together significantly contribute to creating outputs. - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. 	1 January 2020	It is unlikely that the amendment will have a material impact on 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	The Group has adopted the amendment with effect from 1 July 2019. 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 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.
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 re-measure previously held interests in that business.	1 January 2019	The Group has adopted the amendment with effect from 1 July 2019. 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.

Standard	Details of amendments	Annual periods beginning on or after	Expected impact
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> <p>IFRS 16 supersedes the following Standards and Interpretations:</p> <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. 	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>The cumulative effect method will be applied on transition, resulting in no restatement of comparative numbers. The asset will be recognised in terms of paragraph C8(b)(i) of IFRS 16 calculated as if the standard had been applied from the commencement date of the respective leases. On 1 July 2019, the Group is expected to recognise a right-of-use asset of approximately R620 million, a corresponding lease liability of approximately R766 million, with the difference processed as an opening balance equity adjustment. The incremental borrowing rate applied is the rate the Group is paying on borrowings of the same asset type as the leased assets at the effective date.</p> <p>Consequently, for the year ended 30 June 2020, it is anticipated that the Group will incur additional depreciation of approximately R310 million on the right-of-use asset recognised, in addition to incurring additional interest expense of R142 million on the lease liability.</p> <p>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 R460 million, resulting in a net change to profit before tax of R10 million.</p> <p>However, it should be noted that 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. Furthermore, the foreign exchange differences that will arise on the restatement of the lease liabilities cannot be accurately determined at this stage and will have a potentially significant effect on foreign exchange gains and losses recognised in Profit or Loss.</p>
IAS 1 Presentation of Financial Statements	Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020	It is unlikely that the amendment will have a material impact on the Group's Financial Statements.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020	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
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	The Group has adopted the amendment with effect from 1 July 2019. 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.
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	The Group has adopted the amendment with effect from 1 July 2019. 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.
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 Group has adopted the amendment with effect from 1 July 2019. 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.
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	The Group has adopted the amendment with effect from 1 July 2019. 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.
Interpretations	Details of Interpretations	Annual periods beginning on or after	Expected impact
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	The Group has adopted the interpretation with effect from 1 July 2019. 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.

38. Going Concern

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. Management further monitors the Group's cash flow and liquidity requirements on an ongoing basis along with all debt covenant requirements. Where necessary, decisions are made to finance assets to ensure that there is sufficient cash resources within the Group. The Financial Statements support the viability of the Company and the Group.

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") require 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 licenced 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 exceeds 24.99%, or (ii) the total number of votes cast by or on behalf of foreign Shareholders at such a meeting exceeds 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 ("MOI") 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 Tuesday, 29 October 2019 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, 20 September 2019, 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 AGM.

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 2019. 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 may participate in the AGM by way of telephone conference call ("teleconference facility").

Please note that the teleconference facility will only allow Shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using the teleconference facility. Should such Shareholders wish to vote, they must either:

- complete the proxy form and return it to the transfer secretary in accordance with paragraph below; or
- contact their CSDP or broker in accordance with paragraph below.

Shareholders or their proxies who wish to participate in the AGM via the teleconference facility must notify the Company by emailing the Company Secretary, derek.borer@comair.co.za, by no later than 12h00 on 25 October 2019. The Company Secretary will first validate such requests and confirm the identity of the Shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the teleconference facility. Only a total of 15 telecommunication lines will be available for such participation, which will be allocated on a first-come-first-served basis.

The cost of the participant's phone call will be for his/her own expense and will be billed separately by his/her own telephone service provider.

The Company cannot guarantee that there will not be a break in communication which is beyond the control of the Company.

The participant acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the AGM.

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 and Risk Committee of the Company and the Group for the year ended 30 June 2019, 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 and Risk Committee of the Company and the Group for the year ended 30 June 2019.

2. Re-appointment of External Auditors

Ordinary Resolution Number 2

RESOLVED THAT, the re-appointment of BDO South Africa Inc. ("BDO") as nominated by the Company's Audit and Risk 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 BDO as the auditors of the Company to hold office until the conclusion of the next AGM as required by the Companies Act. The Company's Audit and Risk 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 Naran Maharajh, an Independent 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 Martin Nicholas Louw, 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.

Directors Appointed During the Year

Ordinary Resolution Number 3.3

RESOLVED THAT Ms Carolina Sandra Martinoli, who was appointed to the Board as an Independent Non-Executive Director with effect from 18 February 2019, 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. 3.4

RESOLVED THAT Ms Wrenelle Doreen Stander, who was appointed to the Board as an Executive Director with effect from 1 November 2018, 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 Lindsay Peter Ralphs, who was appointed to the Board as a Non-Executive Director with effect from 1 July 2019, 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.

Ordinary Resolution No 3.6

RESOLVED THAT Mr Glenn Wayne Orsmond, who was appointed to the Board as an Executive Director with effect from 31 July 2019, 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 3.6

The reason for and the effect of Ordinary Resolution Numbers 3.1 to 3.6 is to re-elect, by way of separate resolutions, Mr Naran Maharajh, Mr Martin Nicolas Louw, Ms Carolina Sandra Martinoli, Ms Wrenelle Doreen Stander, Mr Lindsay Peter Ralphs and Mr Glenn Wayne Orsmond as Directors of the Company.

In terms of Article 41 of the Company's MOI, and as required by the JSE Listings Requirements and Companies Act, to the extent applicable, 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 178 to 180 of the Integrated Annual Report of which this notice forms part.

4. Election of Members of the Audit and Risk 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 and Risk Committee for the financial year ending 30 June 2020.

Ordinary Resolution Number 4.2

RESOLVED THAT Ms Njabulo Bongekile Sithole, who is an Independent Non-Executive Director of the Company, be and is hereby elected as a member of the Company's Audit and Risk Committee for the financial year ending 30 June 2020.

Reasons for and Effect of Ordinary Resolution Numbers 4.1 and 4.2

The reason for and the effect of Ordinary Resolution Numbers 4.1 and 4.2 is to elect, by way of separate resolutions, Mr Naran Maharajh and Ms Njabulo Bongekile Sithole as members of the Audit and Risk Committee of the Company, as required by the Companies Act.

A brief CV of each of the Directors mentioned above is included on pages 178 to 180 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 and Risk Committee has the required qualifications and/or experience to fulfil his/her duties.

5. Non-binding Endorsement of Company Remuneration Policy

Ordinary Resolution Number 5

RESOLVED THAT the Shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out on pages 81 to 82 of this 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

Ordinary Resolution Number 6

RESOLVED THAT the Company's Implementation Report with regard to the Remuneration Policy, as set out on pages 81 to 84 of this Integrated Annual Report, be and is hereby endorsed by way of a non-binding vote. 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, either through dialogue, by requesting written submissions, or through other suitable channels, in order to address Shareholders' concerns – always with due regard to meeting the Group's stated business objectives, while being fair and responsible towards both employee and Shareholder.

Reason for and Effect of Non-binding Advisory Vote

King IV recommends that the implementation report and the remuneration policy on a company's remuneration be tabled for a non-binding advisory vote by Shareholders at each AGM 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 – 2018/19

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 781 000 for the financial year ended 30 June 2019 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 2019. The fees payable to Non-Executive Directors are based on a fixed annual retainer. The Chairman 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 and Ms Martinoli. Mr van Hoven, in addition to being the Chairman 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 16 November 2018. 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 092 to 098, and in the Remuneration Report on 081 to 084 of the Integrated Annual Report of which this notice forms part.

8. Approval of Non-Executive Directors' Remuneration – 2019/20

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 2020.

	30 June 2020	30 June 2019
Chairman of the Board	R1 672 472	R1 592 830
Deputy Chairman (2)	R487 805	R464 576
Non-Executive Directors (5)	R209 059	R199 104
Chairman of the Audit and Risk Committee, per sub-committee meeting held	R25 000	R17 256
Chairman of each sub-committee, per sub-committee meeting held	R18 119	R17 256
Members of each sub-committee, per sub-committee held	R9 059	R8 628
Chairman of Pension Fund Board	R18 119	R17 256

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 2020. The fees payable to Non-Executive Directors are based on a fixed annual retainer. The Chairman 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 and Ms Carolina Martinoli. Mr van Hoven, in addition to being Chairman 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 pages 81 to 84 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) 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; and
- 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 182;
- Share Capital of the Company – page 136.

Directors' Responsibility Statement

The Directors, whose names are given on pages 94 to 95 of this Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

No Material Change

Other than the facts and developments reported 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 5 on pages 125 to 128 of the Integrated Annual Report of which this notice forms part.

11. Amendment to the Company's Mol to Provide for the Retirement of Non-Executive Directors who Served for a Period of Nine Years or Longer to Retire on an Annual Basis, but being Eligible can Stand for Re-election

Special Resolution Number 5

11.1 RESOLVED THAT in terms of Article 6 of the Company's Mol and in accordance with sections 16(1)(c)(i) and (ii) read together with section 16(5)(b) of the Companies Act, the Company's Mol be and is hereby amended with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission, as follows:

11.2 The existing Article 42 is deleted in its entirety and replace with the following new Article 42:

"42. RETIREMENT OF DIRECTORS IN ROTATION

42.1 No Director shall be appointed for life or for an indefinite period and the Directors shall retire and rotate in accordance with the following provisions –

42.1.1 at the Annual General Meeting held in each year, 1/3 (one-third) of the non-executive (as such term is defined in the Listings Requirements) Directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than 1/3 (one-third) shall retire from office, provided that in determining the number of Directors to retire, no account shall be taken of any Director why by reason of the provisions of clause 39.2;

42.1.2 the non-executive Directors to retire at each Annual General Meeting shall be:

42.1.2.1 firstly those retiring in terms of clause 41.12;

42.1.2.2 secondly those referred to in terms of clause 43.1.7; and

42.1.2.3 lastly those who have been longest in office since their last election or appointment;

42.1.3 as between Non-Executive Directors of equal seniority, the non-executive Directors to retire shall, in the absence of agreement, be selected from amongst them by lot, provided that notwithstanding anything herein contained, if, at the date of any annual meeting any non-executive Director who will have held office for an aggregate period of 9 (nine) years or more since his first election or appointment, shall retire at such meeting, either as one of the Directors to retire in pursuance of the foregoing or additionally thereto (the "Long Term Non-Executive Director"), provided that the Board will be entitled to recommend the re-election of the retiring Long Term Non-Executive Director, if the Board has conducted a rigorous review of such Long Term Non-Executive Director and determined that no relationships and circumstances exist that are likely to affect, or appear to affect, such Long Term Non-Executive Director's judgment and independence of character suitable for re-election and the Long Term Non-Executive Director shall only be entitled to be eligible to be re-elected as a Director of the Company for a term of no longer than 1 (one) year at a time;

42.1.4 a retiring Non-Executive Director shall act as a Director throughout the meeting at which he retires. The length of time a non-executive Director has been in office shall, save in respect of Directors appointed or elected in terms of the provisions of clause 41.9, be computed from the date of his last election or appointment;

- 42.1.5 subject to clause 42.1.3 above, retiring Directors shall be eligible for re-election. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any Annual General Meeting unless, not less than 7 (seven) Business Days or more than 14 (fourteen) Business Days before the issue date for the notice of the meeting, there shall have been given to the Company Secretary notice in Writing by a Holder or Holders duly qualified to be Present and vote at the Meeting for which such notice is given of the intention of such Holder or Holders to propose such person for election and also notice in Writing signed by the person to be proposed of his willingness to be elected;
- 42.1.6 subject to clause 42.1.5, the Company in general meeting may fill the vacated offices by electing a like number of persons to be directors and may fill any other vacancies; and
- 42.1.7 if at any Annual General Meeting, the place of any retiring Director is not filled, he shall if willing, continue in office until the dissolution of the Annual General Meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such Meeting not to fill such vacancy."

Reason for and Effect of Special Resolution Number 5

The reason for and effect of Special Resolution Number 5 is to amend the Company's MoI and to require that non-executive directors who have served for longer than 9 years be required to retire on an annual basis, but being eligible can stand for re-election.

Ordinary Resolution

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

Ordinary Resolution Number 7

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

13. To Transact any Other Business that May be Transacted at Annual General Meetings

Approvals Required for Resolutions

Ordinary Resolution Numbers 1 to 7 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 5 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, 18 October 2019. Accordingly, the last day to trade in order to be eligible to attend and vote at the meeting is Tuesday, 15 October 2019.

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, 25 October 2019 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 AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any Shareholder rights at the AGM.

Any Shareholder who completes and lodges a Form of Proxy will nevertheless be entitled to attend and vote in person at the AGM. Any Forms of Proxy not received by this time must be handed to the Chairman 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 AGMs 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

A handwritten signature in black ink, appearing to be 'Derek H Borer', written in a cursive style.

Derek H Borer

Company Secretary

Date: 17 September 2019

Place: Bonaero Park

DIRECTORS STANDING FOR ELECTION OR RE-ELECTION

1. Mr Naran Maharajh (Board and Audit Committee)

(Age: 53)

BAcc; CA(SA); Postgraduate Diploma in Accountancy

Naran is a 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 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 of the South African Civil Aviation Authority, Mercedes Benz South Africa Ltd and Masonite Africa Ltd.

2. Mr Martin Nicolaas Louw (Board)

(Age: 64)

BMill

Martin started his career with the South African Air Force in January 1973, as a pupil pilot. He spent 22 years in the SAAF as a fighter pilot, flight instructor, staff officer and project officer for airborne weapons systems, rising to the rank of Lieutenant Colonel. In 1994 he resigned from the SAAF and joined Kentron as international marketer and later IST as project manager. He joined Comair as a first officer in 1996 and has since served as Chief Training Captain and Fleet Captain on B727, before becoming an Executive Manager and Director Operations until 31 May 2019. Martin still serves as an Executive Director for Comair, seconded to Nacelle as Managing Executive: Airlines and flies actively as a captain on the B737.

3. Ms Carolina Sandra Martinoli (Board)

(Age: 50)

Business Management and Administration Degree

Carolina joined British Airways as the airline's Brand and Customer Experience Director in August 2017 from its sister airline Iberia, where she held the role of Chief Customer Officer.

She joined Iberia in 2011 after the merger with British Airways and led the rebranding and customer experience redesign. At BA she is responsible for brand, marketing, customer experience, loyalty programme, research and insight, supply chain and customer service.

Carolina is also a non-executive director of Avios Group Limited.

She previously held positions in marketing, customer experience and business development at Telefonica Group, Parmalat and Imperial Chemical Industries.

Carolina has a degree in Business Management and Administration from Fundação Getúlio Vargas, São Paulo.

4. Ms Wrenelle Doreen Stander (Board)

(Age: 53)

BA (Hons); MBA

Wrenelle has over 25 years of work experience in the aviation and energy industries, of which over 15 years have been at executive leadership level.

She recently joined Comair Limited as the Executive Director: Airline Division, where she runs the airlines British Airways and kulula.

Before joining Comair Limited, she held several positions within the Sasol Limited Group, including Senior Vice President: Corporate Affairs and Managing Director: Sasol Gas.

Wrenelle has also held a range of executive leadership positions within the South African civil aviation industry, including those of:

- Managing Director: Air Traffic and Navigation Services Company;
- Deputy Chief Executive Officer: South African Civil Aviation Authority; and
- Chief Director: Aviation and Maritime Regulation.

She has extensive board experience and serves as an Executive Director on the Comair Limited Board (JSE listed); as a non-executive director for Sishen Iron Ore Company Pty Ltd; and as a Trustee of Christel House, a Cape Town based NGO, working to improve the lives of young people.

She holds an MBA from Oxford Brookes University in the United Kingdom, as well as a BA (Hons) degree from the University of Cape Town.

5. Mr Lindsay Peter Ralphs (Board)

(Age: 63)

BCom; BAcc; HDip Acc; CA(SA)

Lindsay Peter Ralphs completed his studies at the University of the Witwatersrand in 1980 graduating with a B.Com, H.DIPP.ACC and a B.ACC. He qualified as a CA.SA in 1981, and completed his Articles of Clerkship with Price Waterhouse in the same year. Lindsay spent a year on contract with a mining house and then spent a year travelling overseas. On his return he joined E.W. Tarry and progressed through the ranks of this listed company to become Joint Managing Director. In 1992 Lindsay joined the Bidvest Group Limited as Operations Director and later moved on to the position of Chief Executive Officer of the Bidserv Group (a division of The Bidvest Group). After a Group restructure, Lindsay became the Chief Executive Officer of Bidvest South Africa in charge of all the Bidvest divisions excluding the Food Division.

In May 2016 Lindsay was appointed Chief Executive of The Bidvest Group Limited after the unbundling of the Bidvest Foodservice division. Lindsay is the Chairman of the seven operating divisions of The Bidvest Group Limited and is the Chairman of Namibia Limited. Lindsay is a non-executive director of Adcock Ingram Holdings since 30 November 2016.

6. Mr Glenn Wayne Orsmond (Board)

(Age: 57)

BCom (Rhodes University); Post-Graduate Diploma in Accounting (University of Port Elizabeth); CA(SA)

Glenn Orsmond has nearly 30-years' experience in the aviation sector, including having served as CEO and Financial Director for two JSE-listed airlines.

He held the position of Financial Director at Comair from 1995 to 2003, playing a key role in introducing the British Airways franchise to South Africa in 1996; successfully listing Comair Limited on the JSE (JSE: COM); and launching kulula.com, South Africa's first low-fare airline in 2001.

Effective 31 July 2019, Glenn assumed the role of Joint CEO and Executive Director at Comair (JSE: COM). Before joining Comair again, he held the position of CFO at Star Air Cargo, an MRO, as well as wet and dry aircraft lessor.

7. Ms Njabulo Bongekilo Sithole (Audit Committee)

(Age: 46)

B. Pedagogics, M Educational Psychology, MSC Executive Global Masters in Management (LSE)

Njabulo is the CEO of Oname Investments (Pty) Ltd, a multidivisional investment company that is wholly black female owned. During her tenure the company has created a diversified portfolio of Investments, spanning from infrastructure projects through Public Private Partnership (PPP's) in Facilities Management to Pharmaceuticals, Aluminium Processing, Mining, Food Processing to name a few. In the group she is also CEO of, The Resilience Institute of South Africa, part of the Resilience Institute International founded in 2002 which offers professional resilience training for corporate wellness.

As a great promoter of economic transformation her company Oname Investments (Pty) Ltd has created 400 job opportunities within their operational businesses thus contributing towards reducing unemployment, poverty alleviation and women participation in the mainstream economy. She is also a founder of the Women of Resilience, a social purpose company aimed at inspiring, connecting and equipping women, youth and communities with Resilience skills thus assisting in alleviating psychosocial illnesses through building a resilient mindset.

She holds an MSC Executive Global Masters in Management from the London School of Economics and Masters in Ed. Psychology from University of KwaZulu Natal. In addition, she has a Diploma in Company Direction and Diploma in Management Accounting and Finance.

Njabulo is currently serving as a Board Member to a number of industries including 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 (BMF), KZN Manager of the Year Award. She is also a member of the Institute of Directors in South Africa.

SHARE PRICE PERFORMANCE

	2019	2018
	c	c
Market price (cents per share)		
Closing (30 June)	389	470
High	575	675
Low	365	451
Closing price/Earnings ratio	7.3	6.9
Number of shares in issue at year end (millions)	469	469
Weighted average (millions)	465	465
Volume of shares traded (millions)	37	37
Volume of shares traded to number in issue at year end	8%	8%

SHAREHOLDER ANALYSIS

Shareholder Spread

Bands	Number of shareholdings	%	Number of shares	%
1–1 000 Shares	3 562	67.40	758 217	0.16
1 001–10 000 Shares	1096	20.74	4 203 257	0.90
10 001–100 000 Shares	430	8.14	14 085 710	3.00
100 001–1 000 000 Shares	146	2.76	48 864 925	10.41
1 000 001 Shares and over	51	0.96	401 418 756	85.53
Total	5 285	100.00	469 330 865	100.00

Distribution of Shareholders

Type of Shareholder	Number of shareholdings	%	Number of shares	%
Banks/Brokers	29	0.55	20 183 470	4.30
Close Corporations	29	0.55	799 711	0.17
Endowment Funds	10	0.19	1 723 627	0.37
Individuals	4 770	90.26	20 728 699	4.42
Insurance Companies	14	0.26	4 027 700	0.86
Investment Companies	1	0.02	296 369	0.06
Medical Schemes	3	0.06	2 168 924	0.46
Mutual Funds	58	1.10	123 420 211	26.30
Other Corporations	18	0.34	63 840	0.01
Private Companies	72	1.36	234 021 303	49.86
Retirement Funds	83	1.57	44 160 215	9.41
Share Trust	1	0.02	4 244 464	0.90
Trusts	197	3.73	13 492 332	2.87
Total	5 285	100	469 330 865	100

Beneficial Shareholders Holding 3% or More as at 30 June 2019

The following Shareholders hold more than 3% of the issued share capital of the Company as at 30 June 2019:

	Number of shares	% Shareholding
BB Investment Company (Pty) Ltd	126 320 151	26.91
Allan Gray* (Unit Trusts Grouped)	70 454 416	15.01
Britair Holdings Limited	53 966 623	11.50
Innercreek Investments (Pty) Limited	50 000 000	10.65
Nedbank Group#	14 425 000	3.07
Total	315 925 492	67.14

* *Allan Gray*

<i>Allan Gray Balanced Fund</i>	24 478 322	5.22
<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 Life Global Balanced Fund</i>	4 011 479	0.85
<i>Allan Gray Domestic Equity Portfolio</i>	3 649 030	0.78
<i>Allan Gray Global Absolute Portfolio</i>	3 187 772	0.68
<i>Allan Gray Domestic Absolute Portfolio</i>	1 732 426	0.37
<i>Allan Gray SA Equity Fund</i>	1 497 038	0.32
<i>Allan Gray Domestic Optimal Portfolio</i>	1 470 380	0.31
<i>Allan Gray Domestic Balanced Portfolio</i>	1 315 918	0.28
<i>Allan Gray Global Balanced Portfolio</i>	637 123	0.14
<i>Allan Gray Tax Free Balanced Fund</i>	184 898	0.04
<i>Allan Gray Life Hedged Domestic Equity Portfolio</i>	106 062	0.02
Total	790 454 416	15.01

Nedbank Group

<i>Nedgroup Investments Opportunity Fund</i>	11 400 000	2.43
<i>Nedgroup Investments Entrepreneur Fund</i>	3 025 000	0.64
Total	14 425 000	3.07

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 (5 197)	206 274 195	43.96	-	-	206 274 195	43.96
Non-resident (74)	-	-	25 373 181	5.40	25 373 181	5.40
Total	389 991 061	83.10	79 339 804	16.90	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 29 October 2019 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 6			
1. Consideration of the Annual Financial Statements			
2. Re-appointment of External Auditors			
3. To re-elect the following Directors:			
3.1 N Maharajh			
3.2 MN Louw			
3.3 CS Martinoli			
3.4 WD Stander			
3.5 LP Ralphs			
3.6 GW Orsmond			
4. To elect the following Directors to the Audit and Risk Committee:			
4.1 N Maharajh			
4.2 NB Sithole			
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 5			
7. Approval of Non-Executive Directors' Remuneration 2018/19			
8. Approval of Non-Executive Directors' Remuneration 2019/20			
9. General Authority to repurchase shares			
10. General Authority to provide financial assistance to related and inter-related companies and corporations			
11. Amendment to the Company's Mol to provide for the retirement of Non-Executive Directors who served for a period of nine years or longer to retire on an annual basis, but being eligible can stand for re-election			
Ordinary Resolution 7			
12. 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 _____ 2019

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, 29 October 2019 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 Chairman 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 his/her legal capacity are produced or have been registered by the Company's Transfer Secretaries.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy.
11. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
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)

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