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In the migratory flight of birds,  
**every bird is integral to the success of the group.**

Each bird takes a turn to lead, so those following gain lift  
from the updraft of its wings.

**At Comair** we follow these fundamentals  
in our business: each part completes the whole.

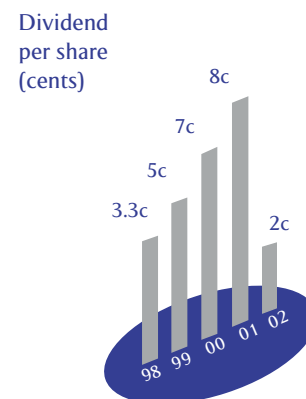
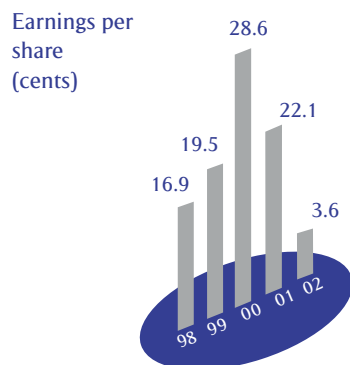
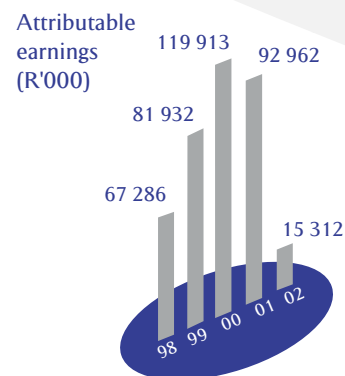
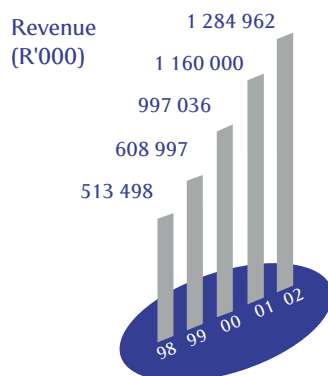


**Annual Report 2002**

# Financial Highlights

Revenue (R'000)  
 Profit from Operations (R'000)  
 Attributable earnings (R'000)  
 Earnings per share (cents)  
 Headline earnings per share (cents)  
 Dividend declared per share (cents)

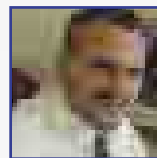
	Group JUN 02	Group JUN 01
Revenue (R'000)	1,284,962	1,160,000
Profit from Operations (R'000)	11,858	99,326
Attributable earnings (R'000)	15,312	92,962
Earnings per share (cents)	3.6	22.1
Headline earnings per share (cents)	3.6	22.1
Dividend declared per share (cents)	2.0	8.0



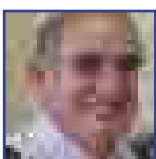
# Executive Management Team



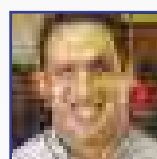
Dave Novick  
(B.Com, CA(SA))  
Chairman



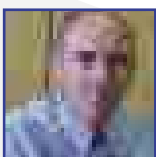
Glenn Orsmond  
(B.Com, CA(SA))  
Financial Director



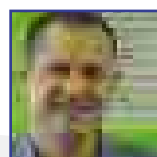
Martin Moritz  
(B.Com, LLB)  
Deputy Chairman



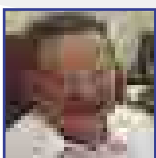
Derek Borer  
(B.Com, LLB)  
Corporate Legal Officer  
and Company Secretary



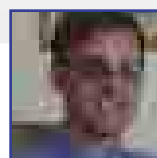
Piet van Hoven  
Managing Director



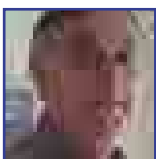
Gidon Novick  
(B.Com, CA(SA), MBA)  
Executive Manager: Marketing



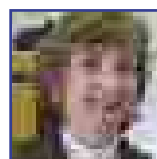
Peter Marx  
Flight Operations Director



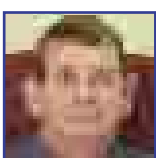
Erik Venter  
(B.Com, CA(SA))  
Executive Manager: Commercial



Bert van der Linden  
Service Delivery Director



Eve Liebetrau  
(BA, H.Dip.Ed.Ad, MBA)  
Executive Manager: Human Resources



Nic Vlok  
BSc (Elec) Eng, MBL  
Technical and IM Director

## Earnings Review

Comair did well to achieve R15,3 million attributable earnings translating to 3,6 cents headline earnings per share for the June 2002 financial year (prior year R93 million attributable earnings and 22.1 cents headline earnings per share). These earnings were achieved in a year of unprecedented challenges for the global airline industry exacerbated by conditions in Southern Africa linked to the collapse of the Rand and general market over capacity. The attributable earning included a R4.5 million tax credit in respect of an assessed tax loss asset.

Operating margins were eroded by the negative cost impact of the weaker Rand on fuel, maintenance, insurance and distribution costs. With half of Comair's operating costs linked directly to the US Dollar, the 34% weakening of the Rand increased unit costs by 17% for the year.

The 11% turnover growth achieved from R1,16 billion last year to R1,28 billion was largely attributed to the R162 million revenue generated by the kulula.com "no frills" air service launched in August 2001. The overall load factors for Comair improved from 60% last year to 63%, but yields remained under pressure.

Cash generated by operations was positive at R46 million contributing towards a healthy R175 million cash balance at financial year end, supporting the declaration of a final cash dividend of 2,0 cents per share (prior year 8.0 cents).

## Market Environment

The domestic air travel market has been characterised by over capacity, aggressive pricing and flat passenger demand in the traditional airline markets.

With kulula.com attracting a new travel market, Comair has however performed well with the combined British Airways and kulula.com brands achieving improved domestic market share. Regional routes growth was however, constrained by the fall in international travel and the continued turmoil in Zimbabwe.

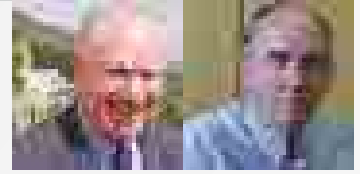
## Aircraft Fleet

The Company made further progress during the year towards implementing its fleet upgrade programme by replacing two Boeing 727 aircraft with two modern Stage III Boeing 737-400 aircraft.

Subsequent to year end, the Company has contracted with Safair to phase out the remaining fleet of Boeing B727 aircraft by December this year. These aircraft will be replaced by a third Boeing 737-400 aircraft and three Boeing 737-236 aircraft. Two non-standard Boeing 737-200 aircraft will also be replaced with two standard Boeing 737-236 aircraft.

The resultant fleet of seventeen standardised Boeing 737 aircraft will further improve operating efficiencies. The commitment to acquire a further two Boeing 737-400 aircraft from British Airways Plc, as noted in last year's annual report, has been deferred by agreement for a further three to five years.

# Joint Chairman and Managing Director's Report



## kulula.com Brand

kulula.com commenced operations in August 2001 and now offers expanded air services on the Johannesburg - Cape Town and Johannesburg - Durban routes.

A successful marketing campaign has entrenched the kulula.com brand in the "no frills" market niche. The introduction of the kulula.com cars sub-brand subsequent to year end underlines the potential to develop the brand further. kulula.com in conjunction with the Imperial Group will offer its passengers an opportunity to rent cars at attractive rates.

## British Airways Brand

The premium British Airways brand continues to perform well and was voted the best domestic airline for the third year in a row by the Association of South African Travel Agents (ASATA).

The key competitive advantage of the brand remains its focus on customer service. Further product innovations, including 40% extra legroom, newspapers for all passengers, and valet parking and lounge access for full fare Economy class

passengers will further entrench the brand. The British Airways Executive Club loyalty programme in Southern Africa continues to grow its active membership as a core element of the brand.

## Human Resources

The cadet pilot training programme introduced last year has proved successful with four cadet pilots selected from designated groups qualifying successfully as commercial pilots.

Comair's growth has created further jobs with a total staff complement of 1,052 at year end. Successful customer service training programmes were conducted during the year to ensure that our people remain our strongest competitive advantage.

## Flight Operations

Safety standards remain paramount and Comair once again received a favourable rating from a British Airways safety audit. The Boeing 737 flight simulator acquired last year has achieved further training efficiencies. The standardised Boeing 737 fleet to be achieved in the short term will

further achieve operational efficiencies which will also enhance the airline's overall safety management standards.

## Prospects

While trading conditions are expected to remain tough for the June 2003 financial year, the key determinants of performance remain yields, crude oil prices and a stable Rand. The objective however, remains to be profitable with continued emphasis on cash management.

The fleet changes to be implemented are expected to achieve further efficiencies. kulula.com is expected to continue to make a contribution to earnings in its first full year of operations.

## Area of Operation

The swiftest service imaginable transports passengers on more than 350 weekly flights throughout the sub-continent from Johannesburg to Cape Town, Durban, Port Elizabeth, Windhoek, Victoria Falls, Harare and Lusaka, and between Cape Town and Durban.

## Added Value

Our recently launched Full Economy Class can only be described as a heavenly world of local luxury. Full Economy Y-class domestic passengers can now enjoy the comfort of airport lounges and valet parking. There's Johnny Walker Black, fine wines from the bottle and a selection of complimentary English and Afrikaans newspapers. Not to mention the 40% extra legroom for all passengers.

## Promotional Sponsorship

We're proud to be the official carrier of the Springbok rugby team and also the Golden Lions, Natal Sharks, Western Province, Falcons and Blue Bulls rugby unions. We also support soccer at every level, and are the official carrier of the Amakhosi, the African Football Club of the year.

## Infrastructure and Training

Passengers travel the region in our state-of-the-art fleet of Boeings under the ministrations of our top quality pilots trained locally in our new 737 simulator. In 2001 we launched the Cadet Pilot Bursary Training Scheme, aimed at redressing the inequality of race and gender in South African aviation. Our aim is to uplift the previously disenfranchised by sponsoring flight training for four selected aspirant pilots, inclusive of accommodation, board, flight instruction and tuition.

Voted the Best Domestic Airline  
three years running

BRITISH AIRWAYS



In July 2001 the South African air travel market was changed forever with the birth of kulula.com. This no-frills airline brought a brand new era of affordable travel, with lower fares, a single cabin, no free in-flight meals or pre-seating and an online booking service. Positioning itself as easy to book, easy to afford and easy to fly, kulula.com took off in spectacular fashion.

## Everyone is flying

More than 300 000 passengers flew on the airline in kulula.com's first year of operation. Affordable travel not only opened the skies to cost-sensitive fliers, but first-time fliers too. Many exciting innovations have been introduced, including a unique in-flight magazine called kulula.comic, a larger range of onboard food and drinks items for purchase and even branded merchandise. Another first was the introduction of contemporary, functional unisex uniforms.

## Now you can get anywhere

In August 2002 kulula.com expanded and introduced kulula.com/cars. kulula.com/cars is a no-frills car rental service and is a joint venture with a reputable car rental company.



[kulula.com](https://www.kulula.com)

# Five-Year Review for the year ended 30 June 2002

	2002	2001	2000	1999	1998
	R'000	R'000	R'000	R'000	R'000
<b>Group income statement</b>					
Revenue	1,284,962	1,160,000	977,036	608,997	513,498
Operating profit	11,858	73,843	151,807	98,883	87,243
Profit on disposal of aircraft	-	25,483	1,970	-	-
Profit from operations	11,858	99,326	153,777	98,883	87,243
Net investment (expense) / income	(1,085)	8,706	12,863	34,743	9,498
Profit before taxation	10,773	108,032	166,640	133,626	96,741
Taxation	4,539	(15,070)	(46,735)	(40,059)	(34,834)
Profit for the year	15,312	92,962	119,905	93,567	61,907
Sun Air investment written off	-	-	-	(11,627)	-
Share of associate company income	-	-	-	-	5,377
Outside shareholders income	-	-	8	(8)	2
Earnings attributable to ordinary shareholders	15,312	92,962	119,913	81,932	67,286

## Group balance sheet at 30 June

### Assets

Property, plant and equipment	334,304	309,989	186,600	185,733	108,989
Loan to share incentive trust	14,040	14,000	15,120	15,120	15,120
Unlisted investments	96,226	80,493	67,331	56,823	17,877
Current assets	344,894	372,881	383,834	264,574	157,870
	789,464	777,363	652,885	522,250	299,856

### Equity and liabilities

Share capital and reserves	383,933	402,221	338,659	239,747	174,240
Outside shareholders' interest	-	-	-	507	39
Interest-bearing liabilities	171,460	181,237	135,490	133,261	6,584
Deferred taxation	26,629	31,168	28,284	20,158	11,159
Current liabilities	207,442	162,737	150,452	128,577	107,834
	789,464	777,363	652,885	522,250	299,856

### Salient features

Operating margin	0.9%	6.4%	15.5%	16.2%	17.0%
Earnings margin	1.2%	8.0%	12.3%	13.5%	13.1%
Earnings per share (cents)	3.6	22.1	28.6	19.5	16.9
Headline earnings per share (cents)	3.6	22.1	28.6	22.3	16.9
Dividends per share (cents)	2.0	8.0	7.0	5.0	3.3
Weighted ordinary shares issued ('000)	420,000	420,000	420,000	420,000	399,000

Note: Share capital, reserves and current liabilities have been restated to record dividends in the year paid in accordance with AC 107

# Group Value Added Statement for the year ended 30 June 2002

	2002	%	2001	%
	R'000		R'000	
<b>Wealth created</b>				
Group revenue	1,284,962	-	1,160,000	-
Cost of materials and services	1,126,126	-	916,190	-
Value added	158,836	-	243,810	-
Income from investments	31,389	-	37,114	-
Total value added	190,225	100%	280,924	100%
<b>Wealth distributed</b>				
<b>Employees</b>				
Salaries, wages and related benefits	146,722	77%	129,782	46%
<b>Providers of capital</b>				
Interest on loans	32,474	17%	28,408	10%
Dividends to shareholders	8,400	4%	33,600	12%
<b>Government</b>				
Taxation	(4,539)	-2%	15,070	5%
<b>Re-invested in the group</b>				
Depreciation	25,456	-	14,702	-
Profit (utilised) / retained	(18,288)	-	59,362	-
	190,225	100%	280,924	100%

# Corporate Governance

## Corporate Governance

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

## Financial Statements

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

## Audit Committee

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

The audit committee consider the annual financial statements to assess compliance with generally accepted accounting standards.

**Chairman:** Peter Welgemoed

**Members:** Rodney Sacks  
David Hyde  
Dawn Mokhobo

## Remuneration Committee

The remuneration committee, comprising of three non-executive directors, review and approve the remuneration and terms of employment of executive directors and executive management.

**Chairman:** Rodney Sacks

**Members:** David Hyde  
Meyer Kahn

## Board of Directors

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

## Non-executive Directors

Non-executive directors offer independent judgement of executive management and, apart from their fees and in some cases, shareholding, there are no extraneous factors that materially

affect their judgement. Their fees are paid under a laid-down tariff that reflects their committee time and levels of responsibility.

## Executive Directors

Executive directors do not have service contracts. Performance is measured annually in terms of agreed key performance indicators.

## Employment Equity

Comair is committed to achieving the goals of employment equity legislation and has incorporated the principle of employment equity into its strategic vision and business strategy.

## Code of Ethics

A Code of Ethics has been implemented as part of the corporate governance of the Group. The code commits the Group to the highest standards of behaviour when dealing with all stakeholders.

## Risk Management

The Board of Directors is reviewing the Company's risk management policy comprising financial risks, safety risks, information technology risks, environment risks and insurance risks. The risk management policy prescribes principles, areas of responsibility and corporate governance procedures.



# Report of the Independent Auditors

## To the Members of Comair Limited

We have audited the annual financial statements and group annual financial statements of Comair Limited set out on pages 16 to 30 for the year ended 30 June 2002. These financial statements are the responsibility of the Company's directors. Our responsibility is to report on these financial statements based on our audit.

## Scope

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

- \* Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- \* Assessing the accounting principles used and significant estimates made by management; and
- \* Evaluating the overall financial statement presentation.

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

## Audit Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2002, and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Companies Act.



Fisher Hoffman PKF (JHB) INC  
Chartered Accountants (SA)  
Registration number 1994/001166/21  
Registered Accountants and Auditors

Johannesburg  
2 September 2002

# 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 16 to 30, have been prepared in accordance with generally accepted accounting practice, and include amounts based on judgements and estimates made by management.

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

The financial statements have been audited by the independent accounting firm, Fisher Hoffman PKF(JHB) INC, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements which appear on pages 16 to 30 were approved by the Board of Directors on 2 September 2002 and signed on its behalf.



Managing Director  
2 September 2002



Chairman  
2 September 2002

## Statement of Company Secretary

I, Derek Henry Borer, being the Company Secretary of Comair Limited, certify that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



D H Borer  
Company Secretary  
2 September 2002

# Report of the Directors

The directors have pleasure in presenting their report which forms part of the audited financial statements of the Company and the Group for the year ended 30 June 2002.

## Nature of the Business

Comair Limited provides domestic and regional air services in the Southern African market, trading under the premium British Airways brand and the "no frills" kulula.com brand. The airline operates a fleet of seventeen jet aircraft.

## Financial Results

Full details of the financial results are set out on pages 16 to 30 for the year ended 30 June 2002.

## Dividends

The Directors of Comair have resolved to declare a dividend of 2,0 cents per share to all shareholders. The last day to trade ("cum" dividend) in order to participate in the dividend will be Thursday, 19 September 2002. Shares will commence trading ex-dividend from the commencement of trading on Friday,

## Share Incentive Scheme

Executive directors participate in a share incentive scheme with the following allocation as at 30<sup>th</sup> June 2002.

Name	Shares Allocated	Average Price
P van Hoven	1,092,498	88c
B J van der Linden	697,054	88c
P R Marx	589 815	88c
N Vlok	382 039	88c
G W Orsmond	388 741	88c

No shares were allocated or delivered for the year under review.

## Directors Interest in Share Capital

The directors of the Company had the following direct and indirect interest in the issued share capital of the Company at 30 June 2002:

	Direct Beneficial		Indirect Beneficial		Total Shares	
	2002	2001	2002	2001	2002	2001
D Novick	-	-	73 679 123	73 679 123	73 679 123	73 679 123
MD Moritz	-	4 361 270	73 679 123	69 317 853	73 679 123	73 679 123
P van Hoven	3 049 097	3 049 097	6 155 550	6 155 550	9 204 647	9 204 647
PR Marx	43 800	43 800	-	-	43 800	43 800
N Vlok	68 500	68 500	-	-	68 500	68 500
PJ Welgemoed	104 200	104 200	-	-	104 200	104 200
<b>TOTAL:</b>	<b>3 265 597</b>	<b>7 626 867</b>	<b>153 513 796</b>	<b>149 152 526</b>	<b>156 779 393</b>	<b>156 779 393</b>

20 September 2002 and the Record Date will be Friday, 27 September 2002. Dividend cheques will be posted or electronic dividend payments will be made to certificated shareholders on Monday, 30 September 2002.

Shareholders who have dematerialised their share certificates will have their bank accounts, which are linked to their safe custody accounts held at their CSDP or broker, credited on Monday, 30 September 2002.

In the case of certificated shareholders, notice of any change of address must reach the transfer secretaries by no later than 16:00 on Thursday, 19 September 2002.

Share certificates may not be dematerialised or rematerialised from Friday, 20 September 2002 to Friday, 27 September 2002, both days inclusive.

## Share Capital

There have been no changes in the authorised share capital, issued share capital, or the share premium account during the year under review.

## Subsidiaries

Details of the Company's sole subsidiary, Commuter Handling Services (Pty) Limited, are recorded in the notes to the annual financial statements. The subsidiary provides airport ramp handling services for Comair at cost.

## Adoption of new articles of association to the Comair Share Incentive trust

Shareholders will be requested to approve the adoption of a new set of Articles of Association and to approve certain amendments to the Comair's Share Incentive Trust. Explanatory notes and resolutions, for shareholders' consideration, are provided in the enclosed Notice of Annual General Meeting.

These documents will lie for inspection at the Company's Principle Place of Business from the date of posting of the 2002 Annual Report until the date of the Annual General Meeting.

## Directors

The following directors served for the year under review:

D Novick (Chairman), M D Moritz (Deputy-Chairman), P van Hoven (Managing Director), R C Sacks, B J van der Linden, Dr PJ Welgemoed, N Vlok, P R Marx, G W Orsmond, D N M Mokhobo, J M Kahn, D Hyde. R M Wyatt resigned 15 November 2001.

## Directors' Remuneration

	Directors Fees (1) R'000	Package (2) R'000	Performance Related (3) R'000	Pension & Medical (4) R'000	Total R'000
<b>Executives</b>					
P van Hoven	-	950	194	166	1,310
B J van der Linden	-	732	182	96	1,010
P R Marx	-	662	148	46	856
N Vlok	-	670	153	95	918
G W Orsmond	-	669	152	101	922
<b>Non-Executives</b>					
P J Welgemoed	49	-	-	-	49
J M Kahn	40	-	-	-	40
D N M Mokhobo	40	-	-	-	40
	129	3,683	829	504	5,145

## Notes

1. "Directors' Fees" relates to services as directors and related committee work.
2. "Package" includes the regular payments made in respect of the financial year while actively employed: cash salary, entertainment and vehicle allowances, and the deemed tax value of Company-owned vehicles provided as prerequisites.
3. "Performance related" refers to incentive rewards in respect of the previous financial year and paid in August of each year.
4. "Pension and Medical" relates to company contributions for pension fund, medical aid contributions and risk benefits.

## Events Subsequent to Year End

Comair has entered into an agreement with Safair (Pty) Limited to phase out its fleet of leased Boeing 727 aircraft to be replaced with five leased Boeing 737-236 aircraft and one leased Boeing 737-400 aircraft. The aircraft will be acquired under Rand based operating leases over the next five months.

Comair and British Airways Plc have agreed to defer the delivery of two Boeing 737-400 aircraft, for three to five years. These aircraft were originally scheduled for delivery in May and June 2002. Subsequent to year end, Comair lodged with British Airways an additional US\$ 2 million in deposits to secure Comair's obligation in this regard. Should Comair elect not to acquire the two aircraft, these deposits will be forfeited. Should the aircraft not be offered to Comair in the three to five year period, these deposits will be refunded to Comair. The future purchase price of the two aircraft will be at agreed depreciated rates off the original purchase price.

# Balance Sheets at 30 June 2002

	Group		Company		
	2002	2001	2002	2001	
	R'000	R'000	R'000	R'000	
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	1	334,304	309,989	327,679	307,961
Loan to share incentive trust	2	14,040	14,000	14,040	14,000
Unlisted investments	3	96,226	80,493	101,990	81,738
		444,570	404,482	443,709	403,699
<b>Current assets</b>					
Inventory	4	14,734	8,391	14,734	8,391
Accounts receivable		111,947	87,907	111,959	87,905
Aircraft deposits		30,900	-	30,900	-
Taxation		11,703	9,355	11,703	9,355
Cash and cash equivalents		175,610	267,228	174,093	266,984
		344,894	372,881	343,389	372,635
		789,464	777,363	787,098	776,334

## Equity and Liabilities

<b>Capital and reserves</b>					
Share capital	5	4,200	4,200	4,200	4,200
Share premium		8,456	8,456	8,456	8,456
Accumulated profits		371,277	389,565	371,263	389,549
		383,933	402,221	383,919	402,205
<b>Non-current liabilities</b>					
Interest-bearing liabilities	6	171,460	181,237	171,460	181,237
Deferred taxation		26,629	31,168	26,629	31,168
		198,089	212,405	198,089	212,405
<b>Current liabilities</b>					
		207,442	162,737	205,090	161,724
		789,464	777,363	787,098	776,334

# Income Statements for the year ended 30 June 2002

		Group		Company	
		2002	2001	2002	2001
		R'000	R'000	R'000	R'000
Revenue		1,284,962	1,160,000	1,283,987	1,158,458
Operating profit	7	11,858	73,843	11,550	73,782
Profit on disposal of aircraft		-	25,483	-	25,483
Profit from operations		11,858	99,326	11,550	99,265
Net investment (expense) / income	8	(1,085)	8,706	(775)	8,762
Profit before taxation		10,773	108,032	10,775	108,027
Taxation	9	4,539	(15,070)	4,539	(15,070)
Attributable earnings		15,312	92,962	15,314	92,957
Headline earnings per share (cents)	10	3.6	22.1		
Earnings per share (cents)	10	3.6	22.1		

# Statement of Changes in Equity for the year ended 30 June 2002

	Share Capital R'000	Share Premium R'000	Accumulated Profits R'000	Total R'000
<b>Group</b>				
Balance at 1 July 2000	4,200	8,456	326,003	338,659
As previously stated	4,200	8,456	296,603	309,259
Adjusted	-	-	29,400	29,400
change in retained earnings in respect of a change in accounting policy AC 107				
Profit for the year	-	-	92,962	92,962
Dividends paid	-	-	(29,400)	(29,400)
Balance at 30 June 2001	4,200	8,456	389,565	402,221
Profit for the year	-	-	15,312	15,312
Dividends paid	-	-	(33,600)	(33,600)
Balance at 30 June 2002	4,200	8,456	371,277	383,933

## Company

Balance at 1 July 2000	4,200	8,456	325,992	338,648
As previously stated	4,200	8,456	296,592	309,248
Adjusted	-	-	29,400	29,400
change in retained earnings in respect of a change in accounting policy AC 107				
Profit for the year	-	-	92,957	92,957
Dividends paid	-	-	(29,400)	(29,400)
Balance at 30 June 2001	4,200	8,456	389,549	402,205
Profit for the year	-	-	15,314	15,314
Dividends paid	-	-	(33,600)	(33,600)
Balance at 30 June 2002	4,200	8,456	371,263	383,919

# Cash Flow Statements for the year ended 30 June 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
<b>Cash from operating activities</b>	(784)	17,117	(3,238)	17,626
Cash receipts from customers	1,254,812	1,121,294	1,253,821	1,119,889
Cash paid to suppliers	(1,208,940)	(1,051,574)	(1,210,714)	(1,049,719)
Cash generated by operations	11 45,872	69,720	43,107	70,170
Net investment (expense) / income	12 (10,708)	2,160	(10,397)	2,217
Taxation paid	13 (2,348)	(25,363)	(2,348)	(25,361)
Cash available from operating activities	32,816	46,517	30,362	47,026
Dividends paid	(33,600)	(29,400)	(33,600)	(29,400)
<b>Cash utilised in investing activities</b>	(81,017)	(112,610)	(79,836)	(112,441)
Additions to property, plant and equipment	(50,117)	(152,146)	(48,968)	(151,977)
Proceeds on disposal of property, plant and equipment	14 -	39,536	4,549	39,536
Deposits paid on aircraft	(30,900)	-	(30,900)	-
Investments	-	-	(4,517)	-
<b>Cash generated by financing activities</b>	(9,817)	46,867	(9,817)	46,867
(Increase) / decrease in loan to share incentive trust	(40)	1,120	(40)	1,120
Increase / (decrease) in interest bearing liabilities	(9,777)	45,747	(9,777)	45,747
<b>Net decrease in cash and cash equivalents</b>	(91,618)	(48,626)	(92,891)	(47,948)
<b>Cash and cash equivalents at the beginning of the year</b>	267,228	315,854	266,984	314,932
<b>Cash and cash equivalents at the end of the year</b>	175,610	267,228	174,093	266,984

# Accounting Policies

## Accounting Policies

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies in compliance with Generally Accepted Accounting Practice in South Africa.

## Basis of Consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the Company and its subsidiaries. The subsidiary, Commuter Handling Services (Pty) Ltd of which the Company has 100% shareholding, has been consolidated. All material intragroup transactions and balances are eliminated on consolidation.

## Revenue

Revenue comprises all airline related revenue earned and is recognised when the transportation service is provided.

## Foreign Currency

Foreign currency transactions are recorded at the exchange rate ruling on the transaction dates. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the balance sheet date.

## Deferred Taxation

Deferred taxation is provided using the balance sheet liability method. Full provision is made for all temporary differences between the taxation base of an asset or liability and its balance sheet carrying amount. Deferred taxation assets are raised in respect of computed tax losses where it is probable

that future taxable profits will be available in the foreseeable future.

## Property, Plant and Equipment

Freehold land and buildings are stated at cost and are not depreciated. Aircraft and related equipment, vehicles, furniture, computers and other equipment are depreciated on a systematic basis, which is estimated to amortise the assets to their anticipated residual values over their planned useful lives.

## Depreciation Rates

Aircraft and related equipment	4%
Motor vehicles	20%
Furniture and equipment	10%
Computer equipment	20%

## Leased Assets

Leases involving aircraft and equipment whereby the lessor provides finance to the Group with the asset as security and where the Group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the instalments is charged against income over the lease period.

Leases of assets to the Group under which all the risks and benefits 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.

## Investments

Investments, other than the subsidiary, are stated at cost and only written down when there is a permanent impairment in value.

## Inventory

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

## Aircraft Maintenance

Aircraft maintenance is charged to the income statement based on the contracted comprehensive maintenance rate per hour flown as charged by the maintenance provider. Aircraft modifications are capitalised only to the extent that they materially improve the value of the aircraft asset.

## Financial Instruments

In terms of the Company's risk management policy, the Company utilises forward exchange contracts to manage exposure to foreign currency fluctuations. Exposure to crude oil price fluctuations is managed by utilising fuel hedging instruments including swaps, options and zero cost collars.

## Retirement and Medical Funds

Current contributions to the Group's defined contribution retirement funds are based on current service and current salary and are recognised in the results for the year. Post-retirement medical aid contributions are charged against income in the year they become payable.



# Notes to the Annual Financial Statements for the year ended 30 June 2002

	Group		Company	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
<b>1. Property, plant and equipment</b>				
<b>Property and buildings</b>				
Cost	8,627	6,736	8,542	6,574
Accumulated depreciation	(838)	(761)	(759)	(661)
Book value	7,789	5,975	7,783	5,913
<b>Aircraft and related equipment</b>				
Cost	377,272	329,510	369,750	327,642
Accumulated depreciation	(59,842)	(38,431)	(58,349)	(37,497)
Book value	317,430	291,079	311,401	290,145
<b>Vehicles and equipment</b>				
Cost	24,390	27,466	19,353	22,390
Accumulated depreciation	(15,305)	(14,531)	(10,858)	(10,487)
Book value	9,085	12,935	8,495	11,903
<b>Total property, plant and equipment</b>	<b>334,304</b>	<b>309,989</b>	<b>327,679</b>	<b>307,961</b>
<b>Property, plant and equipment - Reconciliation of carrying value</b>				
<b>Property and building</b>				
Carrying value at the beginning of the year	5,975	5,792	5,913	5,792
Additions	1,968	230	1,968	146
Depreciation	(154)	(47)	(98)	(25)
Carrying value at the end of the year	7,789	5,975	7,783	5,913
<b>Aircraft and related equipment</b>				
Carrying value at the beginning of the year	291,079	172,894	290,145	171,794
Additions	48,149	143,484	42,834	143,431
Disposals	(94)	(13,791)	(434)	(13,791)
Depreciation	(21,704)	(11,508)	(21,144)	(11,289)
Carrying value at the end of the year	317,430	291,079	311,401	290,145

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
<b>1. Vehicles and Equipment</b>				
Carrying value at the beginning of the year	12,935	7,914	11,903	6,393
Additions	-	8,431	4,166	8,400
Disposals	(252)	(263)	(4,461)	(263)
Depreciation	(3,598)	(3,147)	(3,113)	(2,627)
Carrying value at the end of the year	9,085	12,935	8,495	11,903
Total property, plant and equipment	334,304	309,989	327,679	307,961

Property and buildings owned consists of Erf 1092, 1096 Bonaero Park extension 2 and Erf 931, Bonaero Park extension1.

## 2. Loan to Comair Share Incentive Trust

This loan relates to the Comair Share Incentive Trust acquisition of 21 million ordinary shares at 72 cents on 30 June 1998.

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

	14,040	14,000	14,040	14,000
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## 3. Unlisted Investments

Subsidiary - Commuter Handling Services (Pty) Ltd

102 shares at cost (100 % shareholding)

Loan	-	-	1	1
Provision against investment	-	-	5,763	2,586
	-	-	-	(1,342)

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

	-	-	5,764	1,245
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Amber (Pty) Ltd preference shares

5 549 shares at R10 000 per share at cost

Add dividend accrued	55,490	55,490	55,490	55,490
	40,736	25,003	40,736	25,003
	96,226	80,493	96,226	80,493

Total valuation of unlisted investments

	96,226	80,493	101,990	81,738
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## 4. Inventory

Aircraft spares	11,308	5,523	11,308	5,523
Catering equipment and consumables	14,734	8,391	14,734	8,391
	3,426	2,868	3,426	2,868

# Notes to the Annual Financial Statements (continued)

	Group		Company	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
<b>5. Share Capital</b>				
Ordinary shares				
Authorised				
1 000 000 000 ordinary shares of 1 cent each	10,000	10,000	10,000	10,000
1 000 000 000 "N" ordinary shares of 0.01 cent each	100	100	100	100
1 000 000 preference shares of 1 cent each	10	10	10	10
	<u>10,110</u>	<u>10,110</u>	<u>10,110</u>	<u>10,110</u>
Issued				
420 000 000 ordinary shares of 1 cent each	4,200	4,200	4,200	4,200
<b>6. Interest Bearing Liabilities</b>				
African Merchant Bank loan (AMB)				
Aircraft financing and working capital loan from AMB of which the interest, charged at 19% per annum, is payable in six monthly instalments of R13 720 640. The capital balance is repayable in full on 31 May 2004. Two aircraft mortgages serve as collateral covering security. (The net book value of the aircraft so encumbered is R80 million)				
	135 490	135 490	135 490	135 490
Laroc Aviation Limited				
Aircraft finance lease agreement which is payable in equal quarterly payments of R4 665 959 . The last payment is due on 31 August 2004. Interest is calculated at 13% per annum. The aircraft mortgage serves as collateral covering security. (The net book value of the aircraft so encumbered is R57 million)				
	35,970	45,747	35,970	45,747
	<u>171,460</u>	<u>181,237</u>	<u>171,460</u>	<u>181,237</u>

	Group		Company	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000

## 7. Operating Profit

Operating profit is stated after incorporating the following items

Audit fees	215	202	215	180
Depreciation - aircraft assets	21,704	11,508	21,144	11,289
Depreciation - other fixed assets	3,752	3,194	3,211	2,652
Directors' emoluments			5,145	6,064
- for services as directors			129	181
- for managerial and other services			4,512	4,787
- retirement and medical benefits			504	1,096
Rentals under operating leases	70,994	32,218	69,910	32,228
- property rentals	6,286	2,170	5,402	2,170
- aircraft rentals	62,871	29,853	62,871	29,863
- equipment and vehicle rentals	1,837	195	1,637	195
Profit/(loss) on disposal of property, plant and equipment	(346)	25,483	(346)	25,483

## 8. Net Investment (Expense) / Income

Interest expense	(32,474)	(28,408)	(32,418)	(28,261)
Interest income	6,969	7,158	7,223	7,067
Preference dividend income	24,420	29,956	24,420	29,956
	(1,085)	8,706	(775)	8,762

## 9. Taxation

South African normal tax				
Current	-	8,065	-	8,065
Deferred	(4,539)	4,252	(4,539)	4,252
Secondary tax on companies	-	2,753	-	2,753
	(4,539)	15,070	(4,539)	15,070

# Notes to the Annual Financial Statements (continued)

	Group		Company	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
South African normal tax rate	30.0%	30.0%	30.0%	30.0%
Adjusted for:	-72%	-18.6%	-72%	-18.6%
Disallowable expenditure	2%	0.1%	2%	0.1%
Permanent differences	-74%	-18.7%	-74%	-18.7%
Secondary tax on companies	0%	1.7%	0%	2.5%
Effective rate	- 42%	13.9%	- 42%	13.9%

## 10. Headline Earnings

Earnings attributable to ordinary shareholders	15,312	92,962	15,314	92,957
Weighted ordinary shares in issue	420,000	420,000		
Earnings per share (cents)	3.6	22.1		
Headline earnings per share (cents)	3.6	22.1		

## 11. Cash Generated by Operations

Operating profit	11,858	99,326	11,550	99,265
Depreciation and other non cash items	25,456	14,702	24,355	13,941
Loss / (profit) on disposal of property, plant and equipment	346	(25,483)	346	(25,483)
Cash from operations before working capital changes	37,660	88,545	36,251	87,723
Decrease / (increase) in working capital	8,212	(18,825)	6,856	(17,553)
- Inventory	(6,343)	(998)	(6,343)	(1,061)
- Accounts receivable	(30,150)	(28,702)	(30,168)	(27,190)
- Accounts payable	44,705	10,875	43,367	10,698
	45,872	69,720	43,107	70,170

## 12. Net Investment (Expense) / Income

Interest paid	(32,474)	(21,792)	(32,418)	(21,645)
Interest received	6,637	7,157	6,892	7,067
Preference dividend received	15,129	16,795	15,129	16,795
	(10,708)	2,160	(10,397)	2,217

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
<b>13. Taxation Paid</b>				
Prepaid / (unpaid) at the beginning of year	9,355	(5,190)	9,355	(5,188)
Current year charge	-	(10,818)	-	(10,818)
Prepaid at end of year	(11,703)	(9,355)	(11,703)	(9,355)
	<u>(2,348)</u>	<u>(25,363)</u>	<u>(2,348)</u>	<u>(25,361)</u>
<b>14. Proceeds on Disposal of Property, Plant and Equipment</b>				
Net book value of property, plant and equipment disposed	346	14,053	4,895	14,053
Profit / (loss) realised on disposal	(346)	25,483	(346)	25,483
Proceeds	-	39,536	4,549	39,536

### 15. Retirement Benefits

#### Post-retirement benefits

The Group contributed to several retirement funds, all of which are governed by the Pension Funds Act, 1956. The funds cover the majority of its employees, most of whom are covered by defined contribution schemes. Contributions paid by Group companies are charged against income as incurred.

An actuarial valuation was performed on the Comair Pension Fund in March 2001 for the year ended June 2000. The fund was reported to be actuarially sound.

#### Post-retirement medical aid benefits

The Group companies subsidise the post-retirement medical aid contributions of certain pensioners. These subsidies, which are not significant are charged to income in the year they become payable.

### 16. Operating Lease Commitments

#### Commitments for one year

Property and buildings	3,744	3,338	3,744	3,338
Aircraft	193,641	21,761	193,641	21,761
	<u>197,385</u>	<u>25,099</u>	<u>197,385</u>	<u>25,099</u>

#### Commitments for year two to five

Property and buildings	25,598	23,066	25,598	23,066
Aircraft	939,295	28,757	939,295	28,757
	<u>964,893</u>	<u>51,823</u>	<u>964,893</u>	<u>51,823</u>

# Notes to the Annual Financial Statements (continued)

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
Commitments after year five				
Property and buildings	21,582	27,818	21,582	27,81
Aircraft	332,741	-	332,741	-
	354,323	27,818	354,323	27,818
Total operating lease commitments	1,516,601	104,740	1,516,601	104,740

## 17. Cash Encumbered

The Company has pledged cash investments totalling R20 million in respect of aircraft lease obligations.

## 18. Borrowing Powers

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

## 19. Financial Instruments

At 30 June 2002 the Company was unhedged for the first quarter but had hedged a portion of its projected fuel demand for the period October 2002 to March 2003 utilising zero cost collars. Spot crude prices at 30 June 2002 were within the collar resulting in no loss or gain.

## 20. Contingent Liability

The Company and the Government of South Africa have agreed to arbitration regarding the Government's R6,25 million claim in respect of the second instalment due on the purchase of Sun Air in 1998. The Company has lodged a counter claim against the Government for the same amount in respect of the first instalment paid.

# Notice of Annual General Meeting

## Notice to Shareholders for the year ended 30 June 2002

Notice is hereby given that the Annual General Meeting of shareholders of Comair Limited ("Comair" or "the Company") will be held in the Comair Operations Building, corner Fortress and Whirlwind Roads, Rhodesfield, Kempton Park, 1619, on Friday 25 October 2002 at 12h00 for the following business:

1. To consider and adopt the Annual Financial Statements of the Company for the year ended 30 June 2002 together with the reports of the directors and auditors contained therein.
2. That the directors' remuneration policy as set out in the remuneration report contained in the reports and accounts for the year ended 30 June 2002 be and is hereby approved.
3. To re-elect the following directors of the Company:
  - 3.1 R C Sacks
  - 3.2 N Vlok
  - 3.3 G W Orsmond
  - 3.4 Capt P R Marx

who retire by rotation at the Annual General Meeting, but, being eligible, offer themselves for re-election. Such re-elections to be voted on individually unless a resolution is agreed to by the meeting (without any vote against it) that a single resolution be used.

4. To authorise the directors to re-appoint Fisher Hoffman PKF (JHB) INC as the independent auditors of the Company for the ensuing year and to determine the remuneration of the auditors.

As special business, to consider and, if deemed fit, pass with or without modification, the following resolutions, those numbered 5, 6, 7 and 10 as

Ordinary Resolutions, and numbers 8 and 9 as Special Resolutions:

### ORDINARY RESOLUTIONS

#### Control of authorised but unissued shares

5. "RESOLVED THAT the directors be authorised, subject to the provisions of Section 221 and Section 222 of the Companies Act, 1973, (Act 61 of 1973), as amended ("the Act"), and in terms of the Listings Requirements of the JSE Securities Exchange South Africa ('JSE'), to allot and issue the unissued share capital of the Company at such price, to such persons and such conditions as they may deem fit."

#### Approval to issue shares for cash

6. "RESOLVED THAT pursuant to the Articles of Association of the Company and subject to the Act and the Listings Requirements of the JSE, the directors of the Company be authorised, by way of a general authority to allot and issue ordinary shares of the Company for cash, subject to the following limitations:

- 6.1 that this authority shall not extend beyond 15 months from the date of this Annual General Meeting, or the date of the next Annual General Meeting, whichever is the earlier date;
- 6.2 that the shares will only be issued to 'public shareholders' as defined in the Listings Requirements of the JSE, and not to related parties;
- 6.3 that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares of that class in issue prior to the issue;

- 6.4 that the general issue of shares for cash in the aggregate in any one financial year may not exceed 15% of the number of shares of that class of the Company's issued share capital;

- 6.5 that in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average trading price of the shares in question, as determined over the 30 business days prior to the date that the price of the issue is determined or was agreed by the directors."

In terms of the Listings Requirements of the JSE, the approval of a 75% majority of votes cast by shareholders present or represented by proxy at this meeting is required for this resolution to become effective.

#### Amendments to the Comair Share Incentive Trust

7. "RESOLVED THAT the Trust Deed constituting the Comair Share Incentive Trust be amended in the manner contemplated in paragraph 7.2 hereof, subject in all respects to the suspensive condition contemplated in paragraph 7.1 hereof.

- 7.1 The coming into effect of the amendments to the trust deed contemplated in paragraph 7.2 hereof ("the amendments") are subject in all respects to the fulfilment of the following suspensive condition, namely that the JSE approves, in so far as may be necessary, the amendments.

- 7.2 Subject to the resolutions in this paragraph 7.2 becoming unconditional in accordance with paragraph 7.1, the Trust Deed shall be amended with effect from 25 October 2002 as follows:

- 7.2.1 Clause 1.2.20 of the Trust Deed shall be amended to read:

# Notice of Annual General Meeting (continued)

"1.2.20 'offer date' means the date on which an offer in respect of a tranche of shares is made which, irrespective of the actual date upon which the offer is made, will be on 1 March and 1 September of each year;"

7.2.2 Clause 1.2.23 of the Trust Deed shall be amended to read:

"1.2.23 'option date' means the date on which an option in respect of the tranche of shares is granted which, irrespective of the actual date upon which the option is granted, will be on 1 March and 1 September in each year;"

7.2.3 That Clause 16.1.1 of the Trust Deed be amended to provide that the maximum number of Scheme shares in respect of which an employee shall be entitled to accept an offer or exercise an option pursuant to the Trust be increased from 1680000 (one million six hundred and eighty thousand) being 0.4% (zero comma four percent) of the current issued ordinary share capital of the Company to 4200000 (four million two hundred thousand) being 1% (one percent) of the current ordinary share capital of the Company."

## SPECIAL RESOLUTIONS

### Approval to repurchase shares

8. "RESOLVED THAT, subject to the provisions of the Act and the Listings Requirements of the JSE, the Company's directors be hereby authorised, by way of a general authority to re-purchase issued shares in the Company, as and when deemed appropriate, subject to the following limitations:

8.1 that this authority shall not extend beyond 15 months from the date of this meeting or the date of the next Annual General Meeting, whichever is the earlier date;

8.2 that any such re-purchase be implemented on the open market of the JSE;

8.3 that an announcement be made giving such details as may be required in terms of the Listings Requirements of the JSE when the Company has purchased 3% of the shares in issue;

8.4 that acquisitions of ordinary shares shall not, in the aggregate in any one financial year exceed 40% of the Company's issued share capital, provided that any general re-purchase may not exceed 20% of the number of shares in the Company's issued share capital at the time this authority is given; and

8.5 that the Company in determining the price at which shares may be re-purchased in terms of this authority, the maximum premium permitted be 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction was agreed".

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

### Directors' Statement Regarding the Utilisation of the Authority Sought

The Board has no immediate intention to use this authority to purchase Company shares. However, the Board is of the opinion that this authority should be in place should it be appropriate to undertake a share re-purchase during the currency of the authority.

The directors of the Company are of the opinion that, after considering the effects of such acquisition of shares, if implemented on the assumption that the maximum 20% of the Company's

current issued shares will be repurchased, that, for a period of 12 months after the date of this Notice of Annual General Meeting :

- \* the Company would be able to pay its debts as they become due, in the ordinary course of business;
- \* the consolidated assets of the Company, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will be in excess of the Company's consolidated liabilities;
- \* the issued share capital and reserves of the Company will be adequate for the purposes of the business of the Company; and
- \* the working capital available to the Company will be sufficient for the Group's requirements.

### Adoption of new Articles of Association

9. "RESOLVED THAT in terms of Section 62 of the Act, the existing Articles of Association of the Company be and are hereby substituted with new Articles of Association, a copy of which has been tabled at this meeting and signed by the Chairman for the purpose of identification, with effect from the date of passing of this resolution, regardless of the date of registration thereof."

The reason for and effect of the passing of this Special Resolution is to enable the Company to consolidate amendments made to the existing Articles of Association, which provide for recent changes in company law, and the interpretation thereof.

The new Articles of Association are available for inspection by the shareholders of the Company at the Company's principal place of business.

## ORDINARY RESOLUTION

Authorisation for DH Borer to sign necessary documents to give effect to resolutions.

10. "RESOLVED THAT Derek Henry Borer be and is hereby authorised on behalf of the Company to sign all documents as may be necessary in order to give effect to the Special and Ordinary Resolutions.

## OTHER BUSINESS

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

## NOTES

### 1. Certificated Shareholders

Shareholders wishing to attend the Annual General Meeting have to ensure beforehand with the transfer secretaries of the Company that their shares are in fact registered in their name. Should this not be the case and the shares are registered in another name, or in the name of a nominee company, it is incumbent on shareholders attending the Annual General Meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

A member entitled to attend, to speak and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak, and, on a point, to vote in his/her stead. A proxy need not be a member of the Company.

For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

### 2. Uncertified Shareholders

Beneficial owners of dematerialised shares who wish to attend the Annual General Meeting have to request their

Central Securities Depository Participant ("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 entered into between them and the CSDP or broker.

### 3. Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed should be forwarded to reach the principal place of business of the Company, namely, 1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619 / PO Box 8050, Bonaero Park, 1622 not less than 48 hours before the holding of the Annual General Meeting.

### 4. Explanatory Notes to Resolutions of the Annual General Meeting

#### Resolution 1

At the Annual General Meeting, the directors must present the annual financial statements for the year ended 30 June 2002 to shareholders, together with the reports of the directors and the auditors. These are contained within the Annual Report.

#### Resolution 2

The directors request that shareholders approve the remuneration policy as set out in the remuneration report on page 17 of the Annual Report.

#### Resolution 3

In accordance with the Company's Articles of Association, one third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election. In addition, any person appointed to fill a casual vacancy on the board of directors, or as an addition thereto, is

similarly required to retire and is eligible for re-election at the next Annual General Meeting. Biographical details of each of the directors are set out on page 33.

#### Resolution 4

Fisher Hoffman PKF (JHB) INC has indicated its willingness to continue in office and the resolution proposes the re-appointment of the Company's existing independent auditors until the next Annual General Meeting. The resolution also gives authority to the directors to fix the auditors' remuneration.

#### Resolutions 5 and 6

In terms of Sections 221 and 222 of the Act, the shareholders have to approve the placement of the unissued shares under the control of the directors. A general authority to issue shares for cash has also been granted to the directors. The existing general authority, granted by the shareholders at the last Annual General Meeting on 26 October 2001, is due to expire unless renewed. The authorities will be subject to the Act and the Listings Requirements of the JSE.

#### Resolution 7

The directors request shareholders to approve the necessary amendments to the Trust Deed to give effect to, firstly, the change of the "offer date" and "option dates" to fall outside the Company's closed periods, and secondly, to increase the maximum number of shares which an individual employee may hold, to allow the Company to offer more shares to employees as an incentive (effort).

#### Resolution 8

The Company's Articles of Association contain a provision allowing the Company to purchase shares issued by itself. This is subject to the approval of shareholders, the Act and the Listings

# Notice of Annual General Meeting (continued)

Requirements of the JSE. The existing general authority, granted by the shareholders at the last Annual General Meeting on 26 October 2001, is due to expire unless renewed.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company to be in a position to purchase its own shares through the open market of the JSE should market conditions and price justify such action.

## Resolution 9

The directors request that shareholders approve the adoption of the new Articles of Association to consolidate amendments made to the existing Articles of Association, which provide for recent changes in company law, and the interpretation thereof.

## Resolution 10

The resolution proposes that Derek Henry Borer be authorised to sign all documents on behalf of the Company to give effect to the Special and Ordinary Resolutions.

By order of the Board



Derek Borer  
Company Secretary

Date: 2 September 2002

Place: Bonaero Park

## Directors Standing for Re-election

1. Rodney Cyril Sacks  
(Age : 52)  
(H.Dip.Law, H.Dip.Tax)

Rodney was a partner at Werksmans Attorneys, Johannesburg, between 1976 and 1989, specialising in corporate law and litigation. He is currently Chairman, Chief Executive Officer and Director of Hansen Natural Corporation, a public company based in California, U.S.A. Hansen Natural Corporation, through its subsidiary Hansen Beverage Company, is one of the leading marketeers and distributors of alternative beverages in the U.S.A. Prior to the acquisition of Hansen Beverages in 1992, Rodney was the Chairman and Chief Executive Officer and Director of the listed holding company from 1990.

2. Nicolaas Vlok  
(Age 54)  
(B.Sc.[Elec] Eng, (MBL))

Nic started his career with South African Airways in December 1964. After graduating, he joined the Technical Department in December 1969 as an Assistant Engineer. He was posted to Seattle as S.A.A. Technical Representative to the Boeing Aeroplane Company and worked in Toulouse with Airbus Industries prior to the delivery of the Airbus A300.

He took responsibility for the domestic services of SAA in 1984. In 1990, Nic was promoted to Senior General Manager with responsibility for all passenger marketing and operations. He joined Comair in September 1995 as Director of Airline Operations. He is currently Technical and IM Director and is responsible for the Company's information technology and aircraft maintenance activities.

Nic has served on various committees and commissions to advise the Government on transport and aviation matters. He has also served on the Board of various airline and travel related companies.

3. Captain Peter Ruben Marx  
(Age: 64)

Capt Marx commenced flying in 1962. After a brief period as a flying instructor, he was employed by the then Rhodesian Air Services as a charter pilot in 1965. In 1966, he was employed by the Mashonaland Flying Club as the Club Manager and Chief Flying Instructor. From 1967 to 1978 Capt Marx was employed by Central African Airways, the airline of the then Rhodesia, Zambia and Malawi.

Capt Marx spent the next two years as a Viscount Captain with Protea Airways before joining Wing Tours (Proprietary) Limited, which operated scheduled and charter airlines. In 1980, Capt Marx joined Comair and is currently Operations Director of Comair. Although Capt Marx is no longer an active pilot, he has over 14,500 flying hours' experience.

4. Glenn Wayne Orsmond  
(Age : 39)  
(B.Com, CA(SA))

After completing his articles with Price Waterhouse, Glenn spent four years at Sun Air as a Financial Manager and General Manager. Glenn joined Comair in 1995 as a Commercial Planning Manager and is currently the Financial Director.

He is also a director of Commuter Handling Services (Proprietary) Limited, a wholly owned subsidiary of the Company.

# Share Price Performance

	2002	2001
<b>Market price (cents per share)</b>		
Closing (30 June 2002)	75	165
High	187	275
Low	45	117
Closing price/earnings ratio	20.8	7.5
<b>Number of shares in issue</b>		
At year end (millions)	420	420
Weighted average (millions)	420	420
Volume of shares traded (millions)	108.1	70.9
Volume of shares traded to number in issue	25,7%	16,9%

## Shareholder Analysis year ended 30 June 2002

### 1. Distribution

Type of Shareholder	Number of Shareholders	Number of Shares owned	% of Total
Individuals	3 180	18,655,671	4,442
Listed Companies	8	83,418,102	19,862
Nominee Companies	23	180,804	0,043
(Pty) Ltd Companies	46	150,344,268	35,796
Close Corporations	31	185,719	0,044
Trusts	87	22,666,661	5,397
Investment Companies	40	123,649,229	29,440
Pension Funds	5	20 751 068	4,941
Other	28	148,478	0,035
<b>TOTAL</b>	<b>3 448</b>	<b>420,000,000</b>	<b>100,000</b>

# Shareholder Analysis year ended 30 June 2002

## 2. Holdings of 5% or more

	Number of Shares	% of Shareholding
The following shareholders hold more than 5% of the issued share capital of the Company:		
Britair Holdings Limited	77 000 000	18,333
Telmore Investments (Pty) Ltd	73,679,123	17,543
Diamar Investments (Pty) Ltd	73 679 123	17,543
Matheson Investments International (CI) Limited	22 624 285	5,387
Alan Gray (through various funds and investment companies with no fund or investment company holding more than 3,17% of the total issued shares of the Company)	55,846,265	13,297
Coronation (through various funds and investment companies with no fund or investment company holding more than 1,786% of the total issued shares of the Company)	29,300,233	6,976

## 3. Public Shareholder Spread (including geographical area)

Type of Shareholder	Number of Shareholders in South Africa		Number of Shareholders other than in South Africa		Total Shareholders	
	Nominal Number	%	Nominal Number	%	Nominal Number	%
Directors	156,779,393	37,328			156,779,393	37,328
<b>Non-Public</b>						
Britair Holdings Limited			77,000,000	18,333	77,000,000	18,333
Comair Share Incentive Trust	20,645,491	4,916			20,645,491	4,916
<b>Public</b>						
Resident	142,626,731	33,959			142,626,731	33,959
Non-Resident			22,948,385	5,464	22,948,385	5,464
<b>TOTAL</b>	<b>320,051,615</b>	<b>76,203</b>	<b>99,948,385</b>	<b>23,797</b>	<b>420,000,000</b>	<b>100,000</b>

The spread of public shareholders in terms of paragraph 4.26, 4.27 and 4.28 of the Listings Requirements of The JSE Securities Exchange South Africa at 31 June 2002 was 39,423% represented by 3438 shareholders holding 165 575 116 Ordinary Shares in the Company.

# Proxy Form

## FORM OF PROXY FOR ANNUAL GENERAL MEETING COMAIR LIMITED

(Reg. No. 1967/006783/06)  
Incorporated in the Republic of South Africa  
(Comair or "the Company")  
(ISIN Code: ZAE000029823 Share Code: COM)

This form of proxy is only to be completed by those shareholders who are holding shares in certified form or recorded on sub-registered electronic form in "own name". Shareholders who are holding dematerialised shares are requested to refer to paragraphs 1 and 2 of the "Notes to the form of proxy" for further instructions.

For use by certificated ordinary shareholders at the Annual General Meeting of shareholders to be held at 12h00 on 25 October 2002 at the Comair Operations Building, Corner Fortress and Whirlwind Roads, Rhodesfield, Kempton Park, 1619 ("the Annual General Meeting").

I/WE \_\_\_\_\_ being a shareholder of the Company hereby appoint (see Note 1)  
(Please print)

1. \_\_\_\_\_ or failing him/her  
2. \_\_\_\_\_ or failing him/her  
3. The Chairman of the Annual General Meeting

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

		Number of votes		
		For	Against	Abstain
1	To consider and adopt the Annual Financial Statements			
2	To approve the directors and the directors' remuneration policy			
3	To re-elect the following directors:			
	R C Sacks			
	N Vlok			
	G W Orsmond			
	Capt P R Marx			
4	Resolution to re-appoint and determine the auditors' remuneration			
5	Resolution to grant authority to the directors to issue the unissued shares of the Company			
6	Resolution authorising the general issue of shares for cash other than by way of rights issue			
7	Resolution to amend the provisions of the Comair Share Incentive Trust			
8	Special Resolution No.1. Acquisition by the Company of its issued shares			
9	Special Resolution No.2. To adopt a new set of Articles of Association			
10	Resolution authorising Derek Henry Borer to give effect to Special and Ordinary Resolutions			

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

(Tick whichever is applicable. If no direction is given, the proxy holder will be entitled to vote or abstain from voting as the proxy holder deems fit.)

Signed at \_\_\_\_\_ On \_\_\_\_\_ 2002

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

Number of shares held  
Ordinary

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

1. A form of proxy is **only to be completed** by those shareholders who are:
  - holding shares in certified form; or
  - recorded on sub-register electronic form in “own name”
2. All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant (“CSDP”) or broker and wish to attend the Annual General Meeting, must request their CSDP or broker to provide them with a Letter of Representation or they must instruct their CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into by themselves and the CSDP or broker.
3. A shareholder may insert the name of a proxy or names of two alternative proxies of the shareholder’s choice in the space/s provided, with or without deleting “the Chairman of the Annual General Meeting”, but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy or whose name has not been deleted, will be entitled to act as proxy to the exclusion of those whose names follow.
4. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he/she deems fit in respect of all shareholders votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy or cast them in the same way, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries of the Company or waived by the Chairman of the Annual General Meeting.
7. 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.
8. The Chairman of the Annual General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that he/she is satisfied as to the manner in which the shareholder wishes to vote.
9. Forms of proxy must be lodged with or posted to the Company’s principal place of business, 1 Marignane Drive, Corner Atlas Road, Bonaero Park, Kempton Park, 1619, (P.O.Box 8050, Bonaero Park, 1622) 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.

## Comair Operating as British Airways

Passenger Services  
Johannesburg International Airport  
Telephone: (011) 971-8200  
Telefax: (011) 390-1642  
Cargo: (011) 390-2841  
P O Box 7015, Bonaero Park, 1622, South Africa

Sales/Administration: (011) 921-0111  
Reservations: (011) 921-0222  
Groups: (011) 921-0333

## Cape Town

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

## Port Elizabeth

Port Elizabeth Airport  
Telephone: (041) 508-8099  
Telefax: (041) 508-8007  
Reservations: (041) 508-8000  
P O Box 3222, Humewood, 6013

## Durban

Terminal 4 and 5  
Durban International Airport  
Telephone: (031) 450-7000  
Telefax: (031) 408-1808  
P O Box Durban International Airport, Durban, 4029

## Harare

Shop F1 Travel Plaza  
Landela House, 29 Mazoe Street, Harare  
Telephone: (092634) 73-72000  
Telefax: (092634) 72-0939  
P O Box 66293, Kopje, Harare

## Windhoek

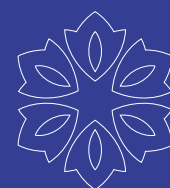
Sanlam Centre, 10th Floor  
154 Independence Avenue  
Telephone: (09264) 61-248528  
Telefax: (09264) 61-248529  
P O Box 20800, Windhoek

## Victoria Falls

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

## British Airways Executive Club

Telephone: (011) 441-8500  
Telefax: (011) 441-8725  
Toll free: 0800-113-833



As a corporate citizen, Comair will always strive to improve the lives of South Africans. Upliftment of one is the upliftment of all. Comair's key and priority sponsorships focus on the following: assisting abused, abandoned and disadvantaged children and children with health and physical problems; tertiary education and skills development; animal welfare and wildlife issues. Of the many institutions we're involved with, the following are notable for 2002:



**CIDA (Community Individual Development Association):**

CIDA is an inner city university campus for disadvantaged students from poor rural areas and squatter camps. Hard working students are selected from schools across South Africa to participate in what is best described as a kibbutz style learning institution.

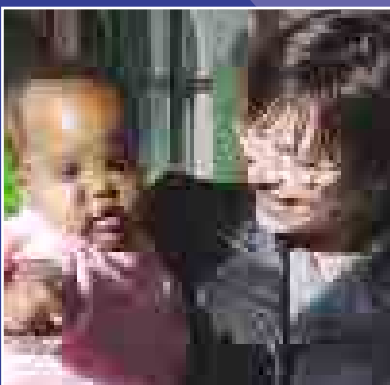
Students study a four year Bachelor of Business Administration Course. We are involved in computer skills training and provide travel assistance to lecturers and students as they go around South Africa to raise funds. Comair also provides bursaries for the children of staff members.

We were recently able to provide a valuable learning experience by sponsoring a marketing competition. Students were challenged to work in groups to create a marketing plan, competing for a trip to Durban for a day with the Comair marketing team. This provided the students with an exciting reward as well as valuable insight into the 'real' working environment.

# social responsibility

## **SOS Children's Village:**

The SOS children's home and Comair have undertaken a joint 'adventure' – Project Starfish. Under the auspices of Project Starfish, Comair regularly flies a group of orphaned or abandoned children to the seaside. What makes this special, is that these children have never seen the sea and have never flown before. The fun day begins early so that the kids experience a full day in Durban. The children are provided with special packs and also enjoy a special lunch party on the beach. Different children are taken each time to ensure the experience reaches as many as possible.



## **The Salvation Army:**

BA Comair has always taken care not to waste any valuable food. For this reason, after each flight, all food remaining in its hygienic packaging goes to the Salvation Army homes in Boksburg and Benoni. Leftovers are collected for the SPCA.

