

**Skywest Limited** Annual Report 2005





*Beach Frisbee on City Beach, Perth.  
Cover: Couple overlooking Lake Argyle, near Kununurra*



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*The Bungle Bungle Range, in Purnululu National Park.*

## Chairman's Statement 2004 – 2005 Financial Year

### Major Milestones Achieved

For the year ended 30 June 2005, Skywest has delivered a strong and improved result demonstrating significant growth in revenues, profits and passengers.

The passenger numbers for the year were the highest recorded for the Company at 335,514 for the financial year.

Skywest faced several challenges during the year including, constantly rising fuel costs; a Government tender for the majority of WA's coastal routes that the airline currently services; management changes; a takeover bid from the major shareholder; and the listing of two classes of Company shares on the Australian Stock Exchange. Managing the Western Australian Government tender process was a significant undertaking in terms of time and expenditure. The process was successful with Skywest being announced as the preferred tenderer for the routes in August 2005, and provides a stable platform for Skywest to grow its business over the next few years.

The Skywest Board is interested in rewarding shareholders for their long ownership of the Company. In this regard, Skywest paid shareholders two dividends during the year and conducted an on-market buy-back. Skywest will continue to seek and invest in growth opportunities, and remains interested in increasing both national and international routes for the airline.

The Company had an excellent second half result. All of the profit for the year was delivered in the second half from January to June 2005 at time when your current board was firmly in control of the business.

The first half was impacted financially and in terms of management time and attention by a takeover offer. After initially soliciting a takeover bid by major shareholder CaptiveVision Capital Limited the then Skywest Board decided to engage in a vigorous takeover defence.

After the takeover had run its course, with a new Board in place, Skywest management was once again focussed on the core business of providing airline passenger services to the public. The Board tasked the management of the Company to focus their attention on the periodic development of new routes, especially jet serviced routes, the delivery of profit yield rather than load factor and the overall management of costs. The consequence of this focus is the delivery of the profit reported to the year end.

Johanna Ramsay was appointed Chief Executive Officer after it was demonstrated that Johanna had shown sufficient knowledge of the business and that her views on the strategic direction of the business co-incided with that of the Board.

The Board has varied experience and backgrounds with two independent directors appointed. The new Board has held fewer meetings than in previous

years; however the meetings conducted were of high intensity and strategic in nature. I am pleased with the governance of the Board and the composition of the members of the board.



Jeff Chatfield  
Chairman



## 2005 Highlights

- In April 2005, in conjunction with Argyle Diamonds, Skywest commenced operations to Kununurra and added additional services to Argyle on a twice-weekly shared RPT/Charter agreement.
- Skywest recognised as leader in on-time performance of major airlines throughout Australia
- Further development of Interline Agreements, now in place with six major international airlines: Air New Zealand, Emirates, Malaysia Airlines, Singapore Airlines, Royal Brunei and Thai Airways
- Skywest selected as Winner, 2004 Western Australian Tourism Awards – Major Transport Category
- Ongoing growth of the Skywest Holidays packaged holiday product, with distribution of brochures reaching +300,000.
- Commenced twice weekly regular charters to Newman and once weekly charter to Kalgoorlie

## Major Maintenance Projects

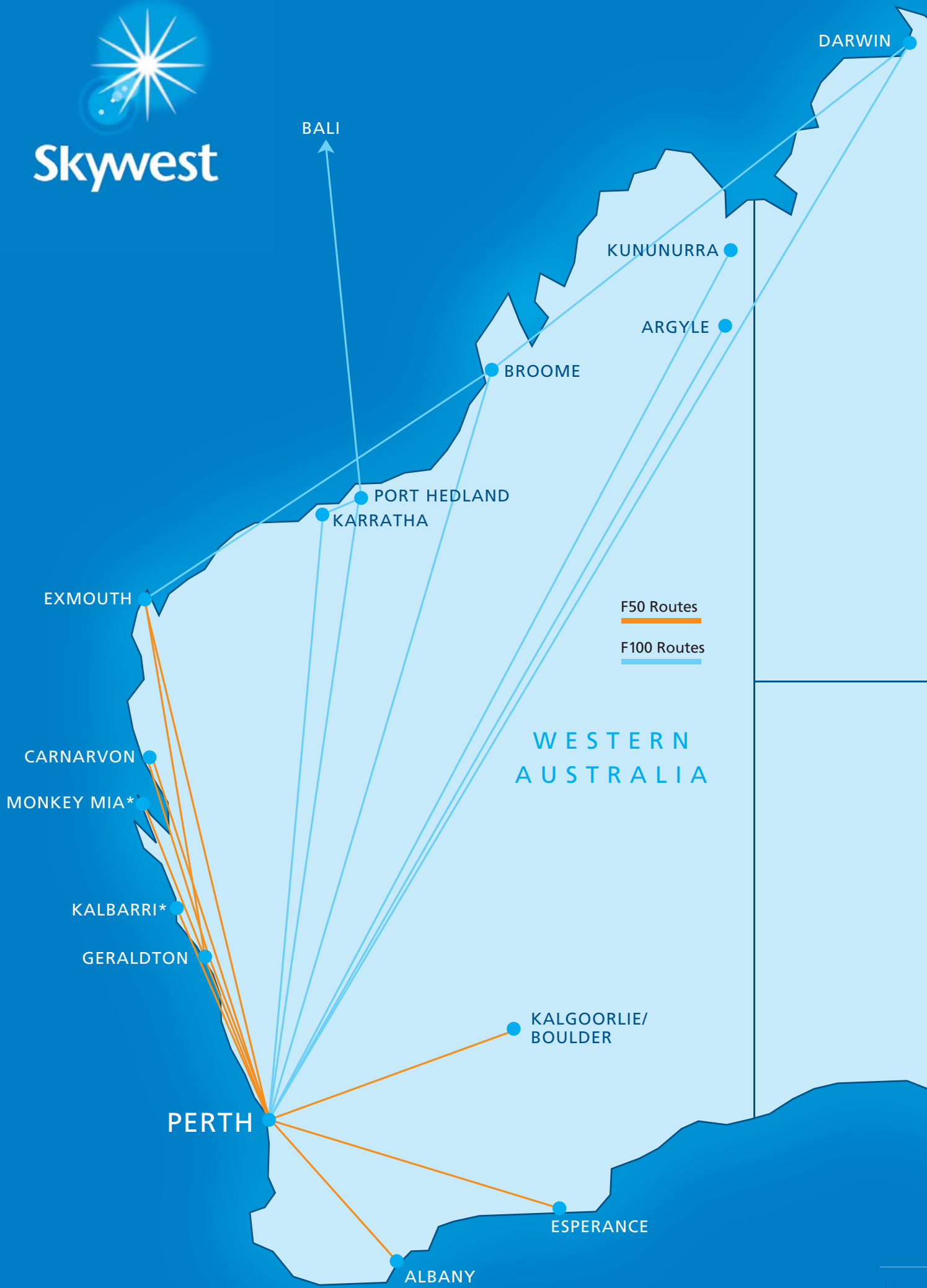
The Company successfully completed significant heavy maintenance on the fleet through out the year.

- Enhanced Proximity Warning System (EGPWS) has been fitted to all aircraft in the fleet. The EGPWS provides superior flight safety.
- Major checks (C Checks) have been completed on all Fokker 50 aircraft in the fleet.
- Fleet repainted with the new Skywest logo. The entire fleet now takes to the skies in the Skywest livery of the sunburst against a blue Western Australian sky, replacing the past Ansett livery.

The company will now enjoy a maintenance free period on the Fokker 50 fleet for up to 2 years. The F100 aircraft will require C Checks during the early part of 05/06.



Skywest



\* To be serviced as of 2 January 2006.



## Skywest Operations



Check In Counter, Perth Airport.

### Background

Skywest Airlines is one of Australia's largest, oldest and most successful regional airlines. It is a Western Australian institution.

For more than 40 years, Skywest has been meeting the transport needs of international and domestic tourists and servicing the travel and freight requirements of regional Western Australians. Each year, Skywest flies more than 320,000 passengers across Western Australia and the Northern Territory, covering 15 destinations and providing an essential link for regional communities, tourists and businesses.

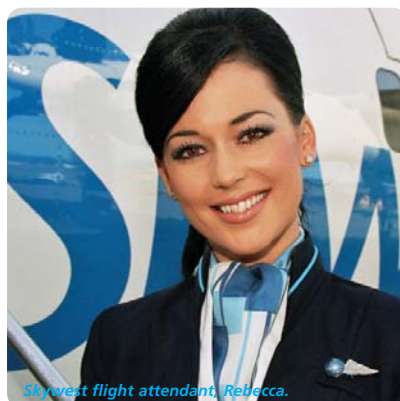
Skywest Airlines was originally formed as Carnarvon Air Taxi's in 1964. The journey over the past four decades has seen it develop from humble beginnings, through to incorporation as part of Ansett, to ultimately becoming an ASX publicly listed company.

### Skywest Business

Skywest's core business is to provide scheduled passenger services within regional Western Australia and Darwin, in the Northern Territory. The airline also provides both regular and ad hoc charters for customers, with a focus on providing value added services not available to regular charter operators. The company also operates in the air freight market.

### Passenger Services

As part of its regular passenger service, Skywest flies to 15 destinations right across Western Australia and the Northern Territory, with over 220 flights every week. The most recent jet services introduced are Darwin which is serviced three times a week and Kununurra twice a week. All other destinations are serviced either daily or six days a week. In conjunction with Island Bound Holidays, Skywest also flies from the Pilbara to Bali once a week. With the view of consolidation and future growth, Skywest is continually examining opportunities to expand our destination network.

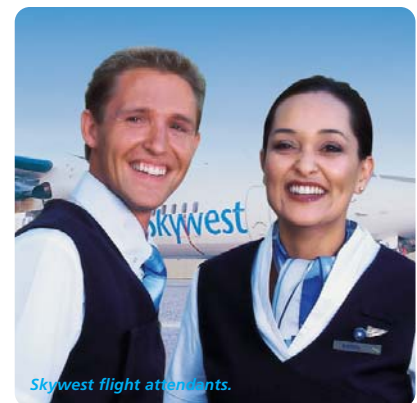


Skywest flight attendant, Rebecca.

### Charter Services

Skywest has significant capacity to provide regular and ad hoc charter services for organisations with 'fly-in, fly-out' requirements. With a fleet of Fokker 50's (holding 46 passengers) and Fokker 100 Jets (holding 100 passengers), Skywest can cater for varied regular and ad hoc charter needs.

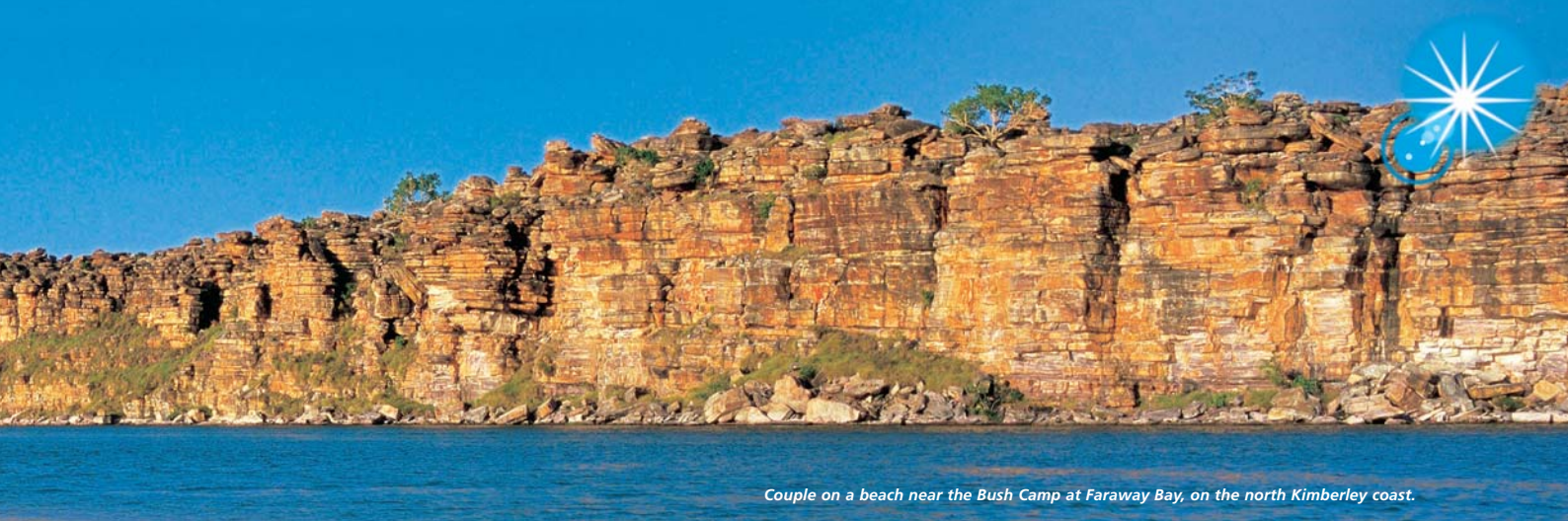
Destinations and flight scheduling can be tailored to suit, with operations into un-sealed runways possible with Fokker 50 aircraft.



Skywest flight attendants.

### Air Freight

Skywest operates an air freight solution to all destinations in conjunction with our freight partner, Australian Air Express. Freight needs for pathology, hospitals, vehicle and boat repair, perishables and live seafood are all possible, providing a valuable service to regional communities.



*Couple on a beach near the Bush Camp at Faraway Bay, on the north Kimberley coast.*

### SKYDEALS

Skydeals is the retail front of Skywest's Internet fare product. Skywest represents substantial discounts of up to 68% off full economy airfares. These point-to-point fares are the lowest retail entry point for Skywest. Skywest's business focus is to build bookings via the Internet and to attract tourism and VFR travel through affordable ticketing.



*Hire boats on the South Perth foreshore.*

### SKYWEST HOLIDAYS

Skywest Holidays is the packaged holiday division of Skywest. Day to day operations are outsourced through a commercial agreement between Skywest and major tourism provider Great Aussie Holidays. Skywest Holidays offers competitive holiday packages anywhere in Western Australia and the Northern Territory. Skywest Holidays packages offer airfare, accommodation and car hire combinations. With a sales distribution of 30,000 annually, Skywest Holidays showcases these packages, providing a unique exposure opportunity for many local tourism operators

### INTERLINE AGREEMENTS

Skywest has interline agreements in place with Emirates, Air New Zealand, Royal Brunei, Singapore Airlines, Thai Airways and Malaysia Airlines.

These agreements allow international travellers to book their intrastate travel with Skywest through their international carrier or overseas agent. This also means that Skywest's international airline partners can streamline the booking process for the traveller by providing one point of booking. The result is an easier reservation system for the traveller, which in itself encourages further regional dispersal for international tourists visiting WA.

### DEVELOPMENT OF INTERNATIONAL MARKETS

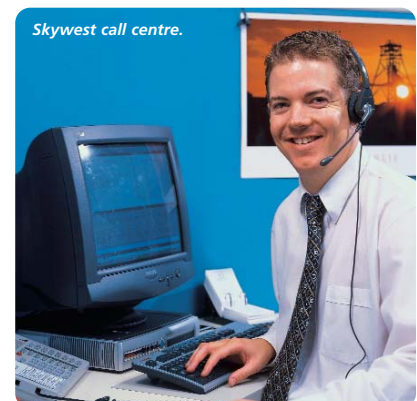
Skywest recognises the interest shown in Western Australia by international markets, and the potential to develop these markets to increase inbound tourism. Skywest has recently appointed a European representative, to promote Western Australian destinations throughout Europe. The initial position is currently based in Italy, however Skywest will appoint sales positions based in Germany and the UK in the later part of 2005.

### Charter Markets

#### REGULAR CHARTER

Skywest Airlines commenced jet operations between Perth and Argyle in November of 2002. In the face of intense competition, Skywest Airlines secured a three year charter contract with Rio Tinto to provide air transport for the Argyle Diamond Mine fly in, fly out work force. The Argyle contract utilises the Fokker 100.

The charter market in Western Australia is relatively large with over 3,300 seats offered per week on regular charter operations. In early 2002, Skywest Airlines had 3% of this market, with National Jet Systems, Skippers Aviation and QantasLink the major players who held collectively 67% of the market. With the commencement of the Argyle Diamond Mine service, Skywest Airlines share grew to around 11%, however, the Company believes there is substantial potential for growth in this sector, utilising both the Fokker 100 and Fokker 50 aircraft. Skywest Airlines is measured in its performance of the Argyle contract to certain key performance indicators.







*Greens Pool, in William Bay National Park.*



*Holly, James, Gloria and Brendan, Skywest Flight Attendants.*

**AD HOC CHARTER**

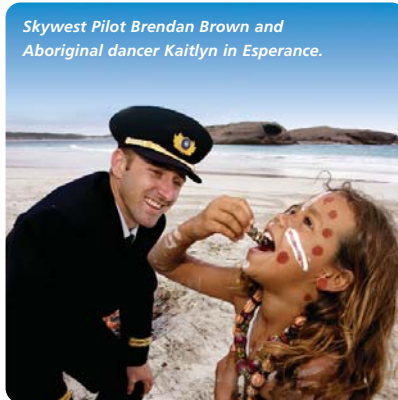
The aircraft charter market is a thriving segment within the aviation industry that presents a significant growth opportunity for Skywest Airlines. Skywest Airlines is able to utilise resources that exist in support of the airline’s RPT network to compete in this sector. The charter work supplements Skywest Airlines core RPT operation and is not dependent upon achieving break even seat load factors for an acceptable return.

This segment is particularly relevant in Western Australia where the mining and resource sector represents approximately 60% of the State’s total exports.

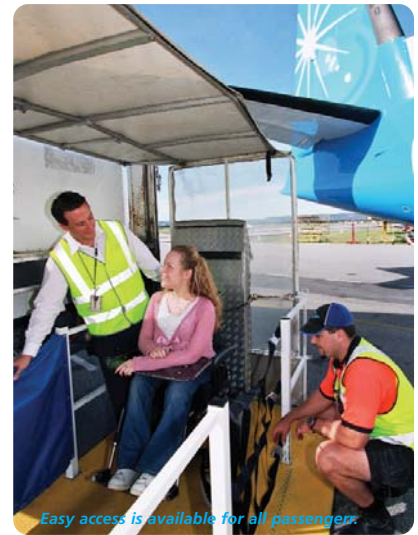
Future opportunities exist within Western Australia in support of the mining industry, which typically employs a fly in, fly out workforce. Significant fly in - fly out contracts are tendered on a regular basis, providing Skywest the opportunity at renewal to submit to the tender process and the potential to secure additional regular charter contract business.

The Skywest Airlines fleet offers attractive charter options for aircraft with 46 to 100 seats. Operations into un-sealed runways are possible with the Fokker 50 aircraft. This is often a requirement in Western Australia where operations to dirt strips are common.

Additional to the mining resources sector, charter opportunities arise from government, conventions, sporting and corporate events.



*Skywest Pilot Brendan Brown and Aboriginal dancer Kaitlyn in Esperance.*



*Easy access is available for all passengers.*

**Air Operators Certificate**

Skywest Airlines holds a high capacity Air Operators Certificate that allows the Company to operate regular public transport services domestically and International charter operations through out the world. The certificate is valid for Fokker 50 and Fokker 100 operations and covers the complete operation and maintenance of the fleets.



Skywest maintenance crew Johan and Alex



### Fleet Structure

Skywest Airlines fleet includes five Fokker 50 turbo-prop aircraft (owned outright) and two Fokker 100 jets (subject to operating leases). The jet operations have been temporarily expanded with the addition of a third Fokker 100 aircraft pending the Company exercising its option of returning its first Fokker 100 aircraft - VH-FNY - at the completion of its current lease term in November 2005. The Company continually reviews its utilisation of aircraft and explores opportunities for expansion of its fleet.

Utilisation of the fleet and total flying hours is forecast to grow over the current year.

### Fokker 50 Aircraft

The Fokker 50 aircraft is configured with 46 seats for Skywest Airlines operations, ensuring a high level of comfort including air-conditioning, ample cabin baggage space, extended seat pitch (extra leg-room) and full in-flight catering facilities.

The Company estimates the unit cost (cents per ASK – “Available Seat Kilometre”) at 19.7 ¢/ASK for the Fokker 50 fleet.

The in-flight services provided on the Fokker 50’s are of a standard comparable to that of much larger jet aircraft.

The aircraft are ideally suited to WA operating conditions offering a fast, efficient and comfortable service, with the best payload/range characteristics in its class.

The high-winged design is also well suited to gravel runways in the more remote locations.

#### GENERAL CHARACTERISTICS:

Two Pratt & Whitney PW 125B turboprop engines delivering 2500 SHP each.

Dowty Rotol six bladed propellers, featuring auto feathering, reversible pitch and constant speed type.

### FOKKER 50 DIMENSIONS & SPECIFICATIONS:

Overall Length	25.19m
Span	29.0m
Maximum Takeoff Weight	20,820kg
Basic Operating Weight	13,650kg
Maximum Payload	4,950kg
Maximum Usable Fuel	4,050 kg
Cargo Compartment Capacity (Total)	1,315kg
Maximum Cruise Speed	260 kts (468kph)
Maximum Range	2750 Kms

The Fokker 50 fleet has recently been re-equipped with the latest operational and safety related technology. Enhanced Ground Proximity Warning Systems have been installed in all aircraft and Global Positioning System Non-Precision Approach (GPS-NPA) capability has been developed. The Company is also planning to equip all aircraft with the latest air traffic management systems once the Government establishes the ADS-B network.



Shelley Beach in West Cape Howe National Park, between Albany and Denmark

### Fokker 100 Aircraft

Skywest Airlines now operates two Fokker 100 jets with a third temporary addition to its jet fleet until November 2005. The initial aircraft was leased for the Argyle Diamond Mine contract with the aim of using the contract to underpin a progressive move into jets. The three-year contract commenced in early November 2002 and operates a three times a week schedule to Argyle. The second Fokker 100 jet was leased to facilitate the expansion into RPT services and provide a contingency for the first jet. The third jet was leased to provide capacity over the 2004/05 year during schedule maintenance on both the Fokker 50 and Fokker 100 fleets. The lease on the initial jet ends in November 2005. At this time the Company has an option to extend the lease otherwise it will be returned.

The key reasons behind the temporary leasing of the third Fokker 100 include:

- Significantly more favourable lease rate on jets 2 and 3
- Purchase options associated with jets 2 and 3 (none on jet 1)
- Jets 2 and 3 are “sister” aircraft - reducing need for spares duplication
- Provides guaranteed 2 fleet jet coverage at low lease rates for three years

The third Fokker 100 aircraft is being operated in conjunction with the existing Fokker 100 aircraft on RPT jet services in a manner to minimise lease obligations over these 3 aircraft.



The Fokker 100 is a modern jet aircraft that has all the features expected in an aircraft of this class. Maximum economical cruise speed is 760 km/h, and with an unrestricted climb its maximum cruise altitude is 35,000 feet. The Fokker 100 also has the smallest noise footprint of any jet aircraft in its class and can operate to most sealed airports without the need for major modifications to the local infrastructure.

The Company estimates the unit cost of its Fokker 100 aircraft at 9.5 cents/ASK, when the costs of the third aircraft are excluded. Adding extra seats and reducing seat pitch to that equivalent of other Australian airlines would further reduce this unit cost. The low unit cost of Skywest’s Fokker 100’s make them an ideal aircraft to operate on regional WA routes.

#### GENERAL CHARACTERISTICS

- Two Rolls-Royce Tay engines, 6,849kg thrust each with thrust reversal.
- Dual Channel Automatic Flight Control and Augmentation System (AFCAS).
- Electronic Flight Instrument System (EFIS).
- Multi Function Display System (MFDS).
- Flight Management System (FMS).
- Flight Warning System (FWS).
- Fail Operative Cat.IIIB auto-land with rollout guidance.

#### FOKKER 100 DIMENSIONS & SPECIFICATIONS:

Overall Length	35.53m
Span	28.08m
Maximum Takeoff Weight	45,813kg
Maximum Zero Fuel Weight	36,741kg
Basic Operating Weight	26,143kg
Maximum Payload	10,598kg
Maximum Usable Fuel	13,405ltr
Maximum Operating Altitude (35,000ft)	10,667m
Maximum Cruising Speed (856km/hr)	462kts
Maximum Range	3500 Kms



Fokker 100 plane tail.

The Fokker 100 fleet is programmed for an enhancement of air traffic management equipment once the Government introduces the ADS-B network and all aircraft will be equipped with cargo hold fire suppression systems. Work is also being undertaken with the manufacturer to develop GPS-NPA capability for the fleet. The cargo hold fire suppression system upgrade is funded via the lease structure and the other systems will be funded as part of the normal capital works program.

### Engineering and Maintenance

Skywest's engineering department carries out all maintenance on the Fokker 50 and Fokker 100 fleet with the exception of components overhaul and certain heavy ("C") maintenance checks. "C" checks are contracted externally using skywest's own system of maintenance.

### Quality Assurance Systems

Skywest's Engineering Department is quality accredited to AS/NZS ISO9001:2000. This occurred in November 2003 when the previous standard AS/NZS ISO9002:1994 was superseded.

The accreditation has helped enormously with the compliance toward system based audits used by the Civil Aviation Safety Authority (CASA) in checking High Capacity Operations.

The elements of the standard are based on having a Certificate of Approval and around Civil Aviation Regulation 30. Along with having a good quality system, it is important that there is a very robust internal review process that supports the system. Skywest has audit programs set up in the Engineering, Flight Operations and the Ground Operations Departments to provide the Skywest Board and Management with regular reviews on the compliance of each department to policy and procedures. These audits have extended to encompass major suppliers who provide repair and overhaul services for aircraft components and ground

handling contracting staff to maintain the standard of the quality system away from the main facility.

Its planned in the future to role out this accreditation to all operational parts of our business and with the new CASA legislation soon to be introduced to the industry, the quality and safety systems are seen as focal points in the future growth of the business.

The Company Board, has a dedicated safety security and environment committee that oversees the direction of safety and quality within the organization and realises that adequate resources must be provided in these areas in order for the company to maintain the very high reputation for safety which it currently enjoys.



# Annual Financial Report

**SKYWEST LIMITED**

ABN 51 098 904 262

Annual Financial Report

For the year ended 30 June 2005

## Shareholding Information

### Class of Securities

The Company had 97,747,230 fully paid ordinary shares on issue at 14 October 2005. Each ordinary share entitled the shareholder to one vote.

### Substantial Holders at 14 October 2005

Rank	Name of Holder	Number of Shares	%
1	CaptiveVision Capital Ltd	60,549,847	61.94
2	China Xpress Pte Limited	12,841,138	13.14
3	Corporate Bridge Investments	7,549,765	7.72

### Top 20 Holders of Fully Paid Ordinary Shares at 14 October 2005

Rank	Name of Holder	Number of Shares	%
1	CaptiveVision Capital Ltd	60,549,847	61.94
2	China Xpress Pte Limited	12,841,138	13.14
3	Corporate Bridge Investments	7,549,765	7.72
4	Lim & Tan Securities Pte Ltd	1,185,653	1.21
5	Mr Franciszek Wilczynski & Mrs Lub Wilczynski	1,000,000	1.02
6	Axiom Flightshares Pty Ltd	1,000,000	1.02
7	DBS Vickers Securities (Singapore) Pte Ltd	642,500	0.66
8	Mr Andrew Van Der Zwan & Mrs Kathryn Van Der Zwan	629,612	0.64
9	Climb-GK Securities Pte Ltd	540,000	0.55
10	Shellside Pty Ltd	533,334	0.54
11	Mr William Wavish	520,000	0.53
12	Trust Company Superannuation Services Ltd	400,000	0.41
13	ANZ Nominees Limited	365,000	0.37
14	Mr Raymond Barclay Wyatt & Mrs Elizabeth Gail Wyatt	350,000	0.36
15	Mr Scott Cameron Pendlebury & Mrs Lisa Jane Pendlebury	316,167	0.32
16	Hospitality Inns Pty Ltd	277,778	0.28
17	Uob Kay Hian Pte Ltd	200,000	0.20
18	Mr John Redmond McMahon	200,000	0.20
19	Mr Peter Murray Smith	200,000	0.20
20	Camira Holdings Pty Ltd	200,000	0.20

The 20 largest shareholders hold 89,500,794 shares, which is equal to 91.56% of the total shares on issue.

### Distribution of Shareholders and Shareholdings: 14 October 2005

Registered address	Shareholders	Percentage	Shares Held	Percentage
Overseas	18	4.23%	83,839,903	85.77%
Australia	408	95.77%	13,907,327	14.23%
Total	426	100.00%	97,747,230	100.00%

### Range of Shares (Fully Paid Ordinary Shares): 14 October 2005

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1-1,000	12	2.82%	1,388	0.00%
1,001-5,000	165	38.73%	771,998	0.79%
5,001-10,000	65	15.26%	571,024	0.58%
10,001-100,000	153	35.92%	5,583,637	5.71%
1,00,001 and over	31	7.27%	90,819,183	92.92%
Total	426	100.00%	97,747,230	100.00%
Less than marketable parcel of \$500*	19		19,781	

\* Market value less than A\$500 or 2,702 shares based on a market price of A\$0.185

### Stock Exchange Listing

The shares of the Skywest Limited are listed on the Australian Stock Exchange under the trade symbol SKW.

The Registered Office Address: First Floor, Domestic Airport, Redcliffe, Western Australia, 6104

The Registered Office Telephone Number: +61 8 9 478 9999.



## Corporate Directory

### Directors

Jeff Chatfield - Chairman  
Clynton Higgs - Executive Director  
Lim Soon Hock - Non Executive Director  
Grant Pitman - Non Executive Director  
Fai Chan - Non Executive Director  
Egidio Cianciosi - Non Executive Director

### Company Secretary

Bryn Scott  
Siobhan Cool

### Registered Office

Level 1, Domestic Terminal  
Perth Airport WA 6105  
PO Box 176  
Cloverdale WA 6985  
Ph: 61 8 9478 9999  
Fax: 61 8 9478 9928

### Principal Place of Business

Skywest Airlines Pty Ltd  
Level 1, Domestic Terminal  
Perth Airport WA 6105  
Ph: 61 8 9478 9999  
Fax: 61 8 9478 9928  
Bookings: 1300 66 00 88  
[www.skywest.com.au](http://www.skywest.com.au)

### Solicitors

Herbert Geer & Rundle  
385 Bourke Street  
Melbourne VIC 3000

### Auditors

KPMG  
152-158 St Georges Terrace  
Perth WA 6000

### Share Registry

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands WA 6009





# Skywest

Skywest Limited  
ABN 51 098 904 262

Skywest Airlines Pty Ltd  
Domestic Terminal  
Perth Airport WA 6105  
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