By Appointment to
Her Majesty The Queen
Supplier of Aircraft Charter
Air Partner plc
Gatwick, West Sussex

AIR PARTNER

Continuing to deliver profits
during turbulent times

Air Partner plc
Annual Report 2012

Air Partner is a world leading air charter company providing private jets, commercial airliners and air freight services anywhere in the world since 1961. Our global network enables us to respond immediately to the most demanding of private, corporate or cargo aircraft charter requirements.

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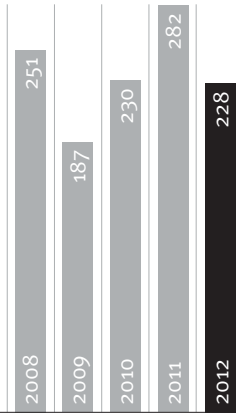
Financial highlights

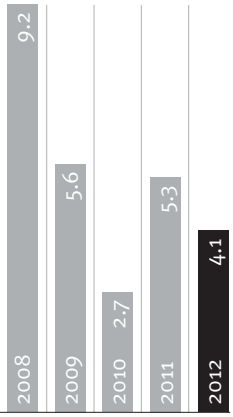
Revenue £m
from continuing operations

£228m



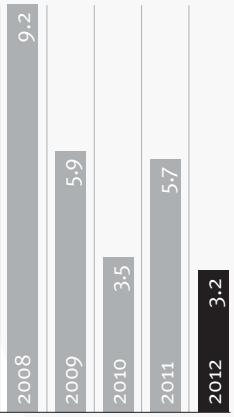
Profit before tax £m
from continuing operations

£4.1m



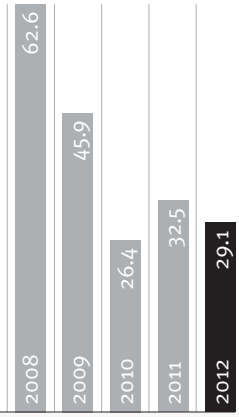
Underlying profit before tax £m
from continuing operations

£3.2m



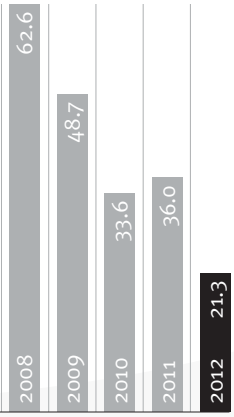
Earnings per share pence
from continuing operations

29.1 p



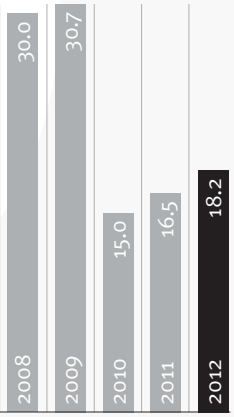
Underlying earnings per share pence
from continuing operations

21.3 p



Dividends per share pence

18.2 p



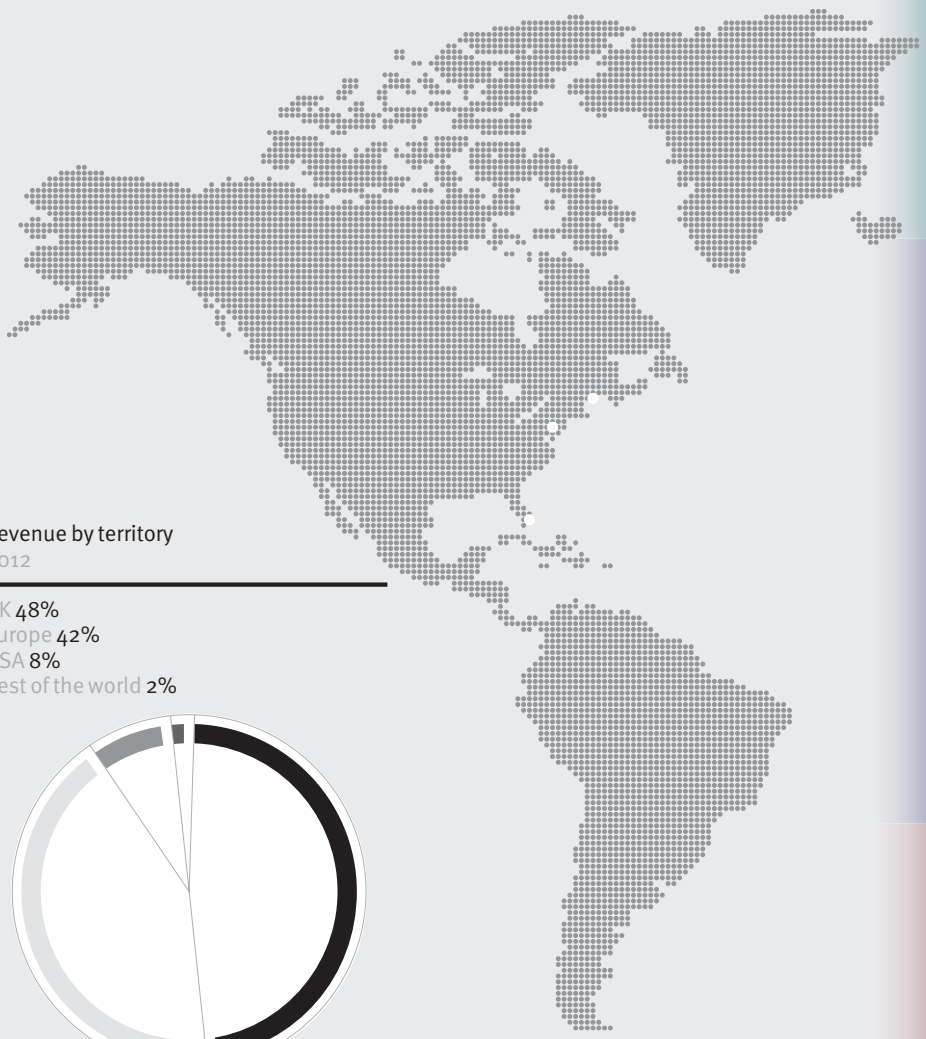
We charter flights on behalf of a wide range of clients, with operators who have the best aircraft available to meet those clients' specific schedules, budgets and quality requirements.

Business model

Broadly, Air Partner's success depends on sales increasing in volume and value while overheads and general support costs are kept under control. Our business is founded on being able to respond quickly to ad-hoc requests from clients across many teams. Meeting the needs of the customer is the aim of any charter – our goal is to exceed clients' expectations by providing the highest level of service.

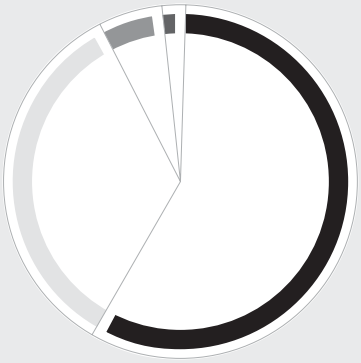
Air Partner international offices

Angers
Budapest
Cologne
Dubai
Fort Lauderdale
Hong Kong
Istanbul
London (Gatwick)
Malmö
Milan
Monaco
Moscow
New Delhi
New York
Paris
Singapore
Tokyo
Vienna
Washington DC
Zurich



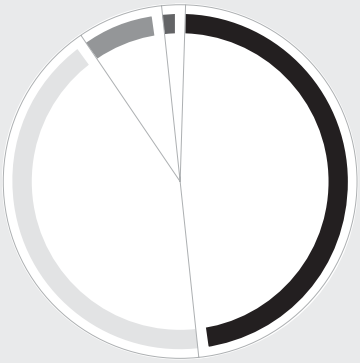
Revenue by territory
2011

UK 58%
Europe 34%
USA 6%
Rest of the world 2%



Revenue by territory
2012

UK 48%
Europe 42%
USA 8%
Rest of the world 2%



Group structure

Air Partner plc is the main trading company and is registered in the UK, with a branch office in Dubai. Air Partner has an international presence through subsidiary companies, general sales agents and sales representatives in 20 offices in 17 countries. The main operating subsidiaries are listed in the accounts on page 69.

Links between offices have been strengthened this year, bringing Group success in a number of large tenders – for example with large automotive and transportation clients.

The ability of one office to use others' local knowledge of geographies and quality suppliers broadens Air Partner's offering, strengthens relationships with suppliers and increases our buying power, providing joined up, cost effective solutions for the client, regardless of their nationality or destination.

For example, Air Partner's subsidiary in Turkey played an important role in its first full year of operation by sourcing aircraft which would not otherwise have been available to fellow Group offices.

Our business divisions

Air Partner plc is one of the world's leading corporate aircraft charter companies with 20 offices, spanning Europe, North America, the Middle East and Asia. We operate a full 24-hour flight operations centre providing clients with instant access to our private air charter services all year round.

Private Jets

Charter of smaller aircraft (19 seats or fewer) for groups, individuals, air ambulance service and roadshows

% of Group revenue

2012	19.3%	£44.0m
2011	14.4%	£40.7m

— Revenue grew by 8%
— Investment in US delivers growth of 67%
— Investment in sales, smarter broking and high quality client care
— 35 new JetCard members

As one of the world's largest suppliers of aircraft charter in the world, Air Partner has the resources, experience and expertise to customise solutions to our clients every aviation need. We provide the entire spectrum of private aviation products. This makes us the natural partner whether our clients needs are for occasional private jet charter, the pre-purchase simplicity of JetCard or private jet ownership.

A dedicated team of account managers is on call around the clock, ready to respond to any change in requirements and ensure our clients experience the highest level of comfort and security alongside our first-class service with all private jet flights.

Commercial Jets

Charter of larger aircraft (20+ seats) for governments, industrial and commercial clients and tour operators

% of Group revenue

2012	61.0%	£138.9m
2011	60.3%	£170.0m

- Increased competition and market oversupply of aircraft
- New revenue stream from Oil & Gas industry
- Growth in niche Tour Operator and Conference and Incentive sector
- Director of UK Commercial Jets appointed

In the world of commercial airliner charter, success depends on experience, expertise, sheer volume and a reputation built over decades. Air Partner's Commercial Jets team offers logistical excellence, value for money and dependability. Over the last five decades and continuing into our sixth, Air Partner have devised and executed many of the most complex flights in civil aviation, but we also complete hundreds of routine, individually tailored chartered flights every week.

Freight

Charter of cargo transport including emergency aid drops and a Time Critical door to door freight delivery service

% of Group revenue

2012	11.4%	£25.9m
2011	14.8%	£41.8m

- Time Critical product gaining momentum
- Decline in global freight market indicative of global economic trends
- Team cost base altered to fit current market conditions

Air Partner's Freight team delivers tailored air services to meet the most demanding schedules at the best possible rates, reliably. Air cargo charter places our clients in control of their shipments, timing and security. Air Partner provides an aircraft for every need – from a light cabin Learjet to the giant Antonov 225 freighter.

Air Partner has quick access to the latest data on aircraft capabilities and airfield infrastructure, even in the most remote areas. Combining this up-to-the-minute information with our years of in-house expertise, we plan the task to save clients money as well as time.

Support Services

Fuel, Emergency Planning Division, 24 Hour Operations and in-house travel agency provide additional services to clients and operators as well as supporting our in-house trading teams

% of Group revenue

2012	8.3%	£18.8m
2011	10.5%	£29.5m

- Market affected by oversupply of aircraft
- Fuel contract with British Airways renewed
- Costs removed from non revenue generating areas

Our 24 hour Operations division provides a complete outsourced flight operations service for passenger and freight flights worldwide as well as replacement aircraft when maintenance, crew shortages or logistical problems threaten to disrupt the scheduled timetable. The provision of diversionary fuel to major international airlines is handled by our experienced team. The planning, management and execution of air evacuations for companies and governments worldwide is the remit of our Emergency Planning Division, whilst inbound, onward and ad hoc travel arrangements can be arranged through our in-house travel agency.

The Board is pleased to propose a final dividend of 12.7 pence per share bringing the total dividend for the year to 18.2 pence per share, an increase of 10% over the prior year and reflects Air Partner's continuing commitment to a progressive dividend policy.

Richard Everitt, Chairman

As reported at the half year, trading conditions have continued to be challenging reflecting the global economic conditions. However, there are encouraging signs for the future within our Private Jet Division across the Group, and for particular sectors within the Commercial Jet Division. During the year we continued to develop our strategy based on core broking and sales and continued to be profitable. The Group's prospects as a full service broker have been underpinned through specialist recruitment, talent management, investment in the Private Jet Division and a cost restructuring programme.

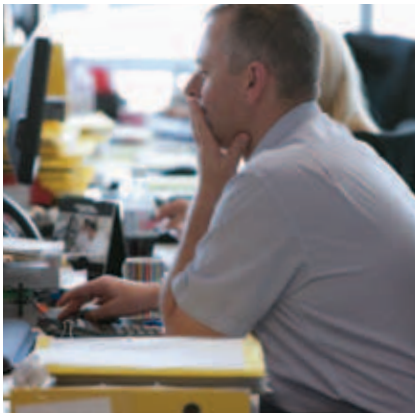
With a strategy focused on key growth areas where we can increase market share, and as a result of the other actions we have taken this year we are well positioned to continue to deliver value for shareholders.

Results and dividend

Underlying pre tax profit reduced to £3.2 million (2011: £5.7 million) on revenues of £227.6 million (2011: £281.9 million) reflecting the very competitive trading environment and the absence of exceptional world events such as last year's Arab Spring and the Japanese tsunami which boosted profits in the previous financial year. The Board remains confident about the Group's long term prospects and is pleased to propose a final dividend of 12.7 pence per share, to be paid on 14 December 2012 to shareholders on the register on 16 November 2012, subject to shareholder approval at the Annual General Meeting. This brings the total dividend for the year to 18.2 pence per share, an increase of 10% over the prior year and reflects Air Partner's continuing commitment to a progressive dividend policy which is underpinned by strong cash reserves at the end of the year of £15.7 million (2011: £7.2 million).

Chairman's statement

01



02

01
Our people are the cornerstone of our business

02
Private Jet division: Significant results improvement expected in US and Europe

03
Training: Talent management ensures high achievers are motivated with opportunities for development

03

There have been a number of one off non-trading events during the year, including the resolution of the Federal Excise Tax ("FET") issue, the write down of our only owned aircraft which is being actively marketed for sale and a reorganisation which cost £0.3 million that will deliver significant annual cost savings which, in part, will be reinvested in specialist staff. A review of historical accrual balances also resulted in a release of £1.0 million that were no longer considered to be linked to liabilities to third parties.

Strategy

We have refined our core strategy of concentrating the business on aircraft charter broking, and have prioritised our focus on the areas of Private Jets in all parts of the Group and key sectors such as Oil and Gas and Tour Operators within the Commercial sector. A fundamental review of costs has been undertaken across the business, largely impacting non revenue generating areas. This enables the Company to make key investments in specialist sales recruitment and talent management in order to deliver its strategy.

Board and Governance

As reported last year, Aubrey Adams announced his intention to resign as Chairman following his appointment with The Royal Bank of Scotland. After a search by external agents Russell Reynolds, a shortlist of suitable candidates was sourced and interviewees agreed. Following interviews with this shortlist and after due consideration, the Nomination Committee recommended to the Board my appointment as Non-Executive Chairman, which I willingly accepted in February this year. I would like to thank Aubrey Adams, for his leadership of the business and for a smooth transition.

The Board is committed to high standards of corporate governance and throughout the period under review, the Company complied with all relevant provisions set out in the UK Corporate Governance Code issued in June 2010. The Directors are dedicated to providing strong and effective leadership that allow us to manage the risks we face and grasp the opportunities that lie ahead. In line with best practice corporate governance, all directors put themselves up for re-election at this year's Annual General Meeting.

People

Our greatest asset is our people and teamwork remains the cornerstone of our business. Key to our success is attracting and retaining the right people whilst remaining as efficient as possible. A number of senior appointments were made in the year bolstering an already experienced and talented leadership team to help drive our strategy forward. We are actively managing talent throughout the Group, ensuring that high achievers remain motivated and rewarded as well as providing them with opportunities for development and advancement. The Board recognises the hard work and dedication of all our employees who deliver the high quality service expected of Air Partner whilst working in an increasingly competitive market.

Outlook

As I close my first financial year as Chairman, the Board is cautious in its outlook for the coming year because of the uncertainty of the world economy. However, it remains confident that Air Partner is strengthening its position as a global leader for air charter solutions with a clearly defined strategy implemented by focused, experienced and results-driven individuals. We will continue to focus on driving shareholder value and we believe we are well positioned to grow the business as market conditions improve.

Richard Everitt, Chairman
10 October 2012

I have every confidence that in spite of the low visibility inherent in our industry, we are positioning the Group to achieve growth in our key target areas that will cement Air Partner's position as a leading global aviation broker.

Mark Briffa, CEO

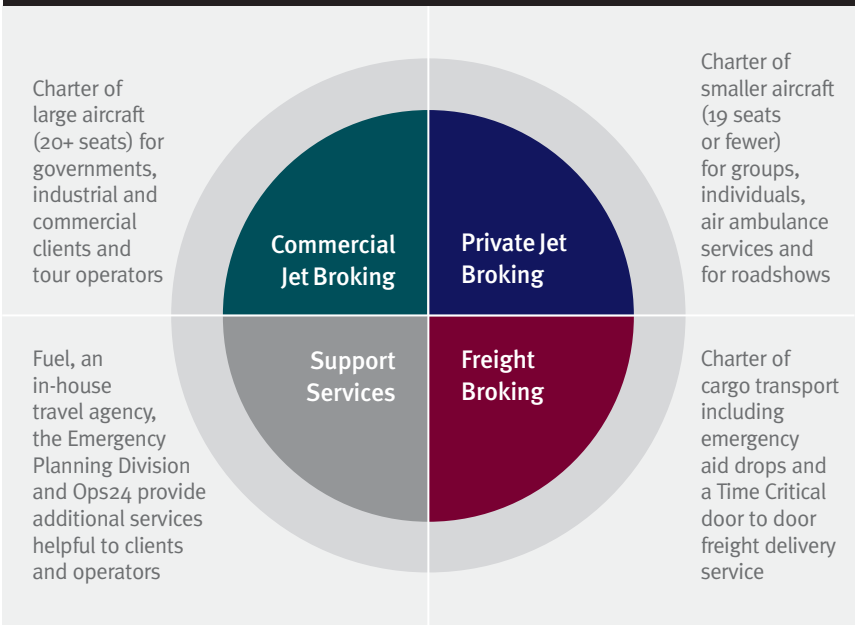
The Private Jet Division performed strongly in a difficult market with broking revenues increasing by 8% year on year. This growth has primarily been driven by strong performance in ad hoc charters within the UK and US where returns on investment in additional dedicated sales staff is showing good results. This is an excellent achievement within a market that saw European business jet flights decline by 1.7% (EBAA) and is testament to the high quality service we provide to our clients. Similar to prior years, non-governmental contracts account for an increasing share of Group revenues, representing 71% of Group sales (2011: 63%) as governments continue to review and reduce expenditure.

Ongoing economic difficulties and uncertainty continued to lower demand for Commercial Jets and Freight broking. In addition, the number of brokers in the market has not yet diminished which, combined with an oversupply of commercial jets, has led to increased competition for fewer opportunities at lower margins. Trading conditions in Freight also remained difficult with lower levels of market activity.

For the first time in the Group's history, the international offices this year accounted for the majority of total revenues at 52% (2011: 42%) mainly generated from the US which saw 14% growth to £18.1 million (2011: £15.9 million). Whilst this does reflect the reduction in overall UK revenue, it is nonetheless an encouraging factor in the broader development of our business.

In spite of these continuing challenges in Commercial Jets and Freight, Air Partner has once again traded profitably and clients continue to value the high quality service that Air Partner provides. This is particularly true within the Private Jets Division and with our industry-leading JetCard product.

Our trading divisions



The success of this premium offering is atypical of an industry currently experiencing strong pricing competition, and a reduction in service and value. Air Partner, however, remains committed to providing a quality, value-add service. As such we will continue to retain the skills of our core team and invest in experience through talented personnel with proven capability to increase market share.

As reported at the half year, tighter cost controls have been implemented in line with our strategy of focusing on core broking and sales. The Group conducted a structural review of the business with particular focus on non revenue generating areas. As a result we have removed £1.4 million of 2011/2012 costs from the 2012/2013 cost base. Recruitment in 2011/2012 will reduce this saving to £0.9 million. Any 2012/2013 recruitment will be largely self funding and targeted at strategic priority areas. The review resulted in £0.3 million of restructuring costs, comprised principally of redundancies, which have been classified as non-trading items.

Work to develop an integrated financial and customer relationship management system is progressing well. This system will be launched next year delivering a step change improvement in Air Partner's ability to understand our clients and their requirements, while measuring conversion ratios and sales activity more accurately. Alongside this new system, Air Partner successfully renewed the ISO 9001 accreditation in France in June with the other European offices on course to achieve their accreditation for the first time next year.

During the financial year, Air Partner also undertook a brand refresh, better focusing the business divisions' look and feel to the requirements of their clients – the benefits of which are reflected in this report and on our website. The 51 year-heritage of the Air Partner brand remains, retaining the Group's core brand principles of reliability, innovation, transparency and superior experience, while each division is now instantly recognisable with sub marques to help distinguish the diversity of the Group's product offering.

Strategy

Core broking remains at the heart of what we do and we will continue to focus on growing revenue and client numbers across our product range. During the year we have tightened and clarified our existing strategy by identifying those areas of the business able to provide the best growth opportunities going forward. More specifically, the Board has identified four clear areas where the Group will seek to grow market share significantly over the next three years. We will concentrate on aggressively growing our market share in the US, growing our Private Jet broking in Europe, proactively marketing within the Oil & Gas and Tour Operator sectors for Commercial Jets and seeking to grow our presence in high growth emerging markets through strong local partnerships.

In the US we believe our reputation, history, global reach and Royal Warrant puts us in a strong position to win significant business in this region.

This will be achieved through ad hoc charters and JetCard sales within Private Jets, and in the Oil & Gas sector for Commercial Jets.

Within Continental Europe our penetration into the Private Jet broker market is relatively low at 2% in a market worth an estimated £650 million. Most of our existing offices have a Commercial Jets heritage, but investment into the Private Jet offering on the continent has been well rewarded, both in more established as well as new growth markets. As part of our strategy we have created a Private Jets Division for Continental Europe, reporting into one manager, with an increased focus on developing sales through ad hoc broking and JetCard, primarily in those regions that have the strongest private jet traffic flows. As a result we expect to take market share in Europe and grow sales quickly.

As the search to fulfil worldwide energy needs moves into more difficult and challenging geographies, Air Partner is seeing greater demand for bespoke, specialised transport solutions and this trend is set to continue. Whilst the Oil and Gas sector has long formed a part of our client base, a focused and targeted sales campaign as well as specialist recruitment is underway to improve market share and to position the Group as a recognised leader in the energy field from Houston to Aberdeen and Papua New Guinea.

With a focus on high growth emerging markets, we are looking to strengthen further our global network in Asia and South America, where demand and supply are attractive. We are seeking to build relationships with strong commercial partners so that costs and risks of international expansion are effectively managed. Over the longer term due to higher available rates of return we may consider the establishment of wholly owned offices where there is a proven business case.

A strategic partnership was launched in June this year with InterGlobe Established Private Limited (The ESTD) in New Delhi providing a range of private aviation products in India, based on a low cost model. We believe the partnership with The ESTD is an excellent example of a low cost, low risk entry into an emerging market.

Our focus on these key strategic areas will be fully monitored and measured through performance indicators enabling us to react to changing circumstances while protecting shareholder returns. Air Partner will continue to invest in its people, through recruiting key industry talent that fits our strategy and ensuring we retain our existing talent within the business.

Private Jet Broking
Get me to the speech on time

A government agency purchased a JetCard from Air Partner to be used as a back-up in case of any unavoidable last minute changes to the travel plans of government officials. In a situation where extreme weather conditions were severely affecting commercial flights, Air Partner's JetCard came into its own. A key official was able to be flown a few thousand miles to an important meeting at which he was speaking, in spite of the inclement weather. Although JetCard guarantees availability in 12 hours or less, Air Partner was able to get the individual airborne within two hours of the client acceptance, ensuring that he made his meeting on time.

01
A wealth of experience of complex and routine aviation solutions for small and large groups as well as freight

02
High quality service, history, reputation, global reach and Royal Warrant differentiate us from our competitors

03
Strong performance in UK and US Private Jet ad hoc charters

01

02

03

Divisional review

Private Jet Broking

Revenue grew by 8% to £44.0 million (2011: £40.7 million) an increase derived through investment in sales, smarter broking, improved client care and leveraging our unique brand attributes. A slight decrease in underlying profit before tax of 15% to £1.0 million (2011: £1.2 million) is a result of increased overhead allocation based on the division's contribution to Group revenues. Revenue from our US Private Jet broking exceeded £9.2 million in the year, an increase of 67% on the previous year with client numbers rising by 32%.

Globally, Air Partner sold 35 new JetCards and with existing client renewal rates increasing by 9% this boosted JetCard membership to record levels. This achievement in JetCard sales demonstrates that clients recognise the advantages of the product over fractional ownership schemes appreciating the flexibility provided by this service. The number of clients switching to JetCard from such schemes is testament to its benefits over a scheme that ties clients in whilst offering little transparency in pricing.

Our innovative approach to the Spanish market is a good example of how we have adopted more effective business models to access new territories. By using local sales resource supported by the full strength of the UK's established broking team, we have succeeded in unlocking genuine potential in what is widely regarded as a depressed and mature charter market. We expect similar results from our Russia-based sales team where, again in combination with specialist brokers based in the UK, recruiting key local talent has provided a step change in our already successful engagement in this market. The entire Private Jet team now includes a wealth of experience and talent that will help us to build for the future.

Quality and flexible premium services, as well as our robust financial position, listed company status and Royal Warrant to HM Queen Elizabeth II are of paramount importance to high net worth individuals who have continued to charter aircraft despite economic uncertainty. This differentiates Air Partner as a market leader and the increase in private jet revenues continues to show that clients trust and believe in us.

01
Dedicated Inclusive Tour managers appointed

02
Significant broking experience, leadership skills and strong track record

03
Strategic focus on Oil & Gas and Tour Operators

Commercial Jet Broking

Revenue decreased by 18% to £138.9 million (2011: £170.0 million) and a 51% decrease in underlying profit before tax to £1.6 million (2011: £3.3 million). This reflects the wider economic malaise across most geographies and sectors as well as a decline in the number of non-repeatable charters such as those undertaken during last year's Arab Spring and the Japanese tsunami.
As reported at the half year, worldwide commercial jet broking experienced a shift in fortunes compared to the prior year, migrating from a shortage of wide-bodied aircraft to an oversupply, this combined with a decrease in the number of governmental contracts and an increase in competition. This in turn led to highly competitive tendering activity which placed greater pressure on margins and subsequently profits.

Our Commercial Jet Division continued to be successful in winning tenders for contracts to supply governments and non-governmental organisations with both single and multi-flight contracts awarded. Sales to niche tour operators in France, Italy, Germany and Austria continued to grow with new opportunities being sought and contracted within the UK market.

Paul Argyle was appointed during the year as Director of UK Commercial Jets from Flight Directors Group where he was CEO, having led the business's development since its launch in 1984. Paul was identified as part of our key talent search and brings significant broking experience, leadership skills and a strong track record in new business development that will help move the Division forward. The Division has re-organised and refocused sales efforts around specific industry segments where there is higher potential for revenue growth. This has enabled dedicated broking teams to develop a deeper understanding and expert knowledge of those industries and will provide the impetus for greater penetration in the Oil and Gas sector.

01

02

03

The objective for the year under review was to develop stronger relationships with existing clients and suppliers, alongside a drive to identify and serve more clients across a wide spectrum of the charter market which we achieved. We dealt with many varied requests this year from repatriating stranded cruise ship passengers from South East Asia, providing tour transport for music stars to supporting major global sporting events and product launches. There have been encouraging signs of growth in the Conference and Incentives sector across the Group with opportunities coming particularly from organisations involved in the Automotive sector. Our German office co-ordinated over 100 flights for a leading German automotive manufacturer to launch their new model in Ibiza and Alicante, as well as 30 flights for the 2012 Euro football championships in Poland and Ukraine. The niche tour operator business and football team charters in Italy helped to increase market share in that country.

Commercial Jet Broking

Sweet smell of success

Air Partner and Cello Aviation take to the Skies for New Perfume Launch

Air Partner and VIP Executive Airline Cello Aviation took to the skies in the signature pink of international fashion label, Juicy Couture, to celebrate the launch of a new fragrance.

Company bosses, models and prize winners were flown from Farnborough airport to Ibiza for the launch of Viva La Juicy, in association with top perfume business Elizabeth Arden.

Air Partner and Cello Aviation worked together to co-ordinate the ultimate 'Juicy experience' from the moment the passengers stepped into the airport, until their touchdown. The airport lounge was 'Juicy' themed, and Cello's luxuriously appointed BAE 146 was decked out in the livery of the US based brand. The interior of the plane also sported branded headrest covers, menu booklets and pillows to give an exclusive feel to the launch.

The in-flight catering also continued the theme; passengers enjoyed personalised a la carte cuisine, sourced from locally based suppliers, using local produce wherever possible. A specially designed 'launch cocktail' was also served.

Air charter offers a bespoke solution for clients who are looking to create a big impact. Air Partner ServicePLUS allows us to take care of every detail of a charter, from before take-off, until after touchdown, to ensure that our clients' expectations are exceeded every time. Air Partner and Cello Aviation worked closely to ensure the logistics operated without a hitch, guaranteeing the successful delivery of this unique flight.

Freight Broking
From RedTrack to trackside

Formula 1 is a fast paced industry, whether on the track or off. The time between races is often used by teams to fine-tune the cars, in order to optimise their performance. Air Partner's freight team recently worked with a client who was looking to introduce an almost new car for the European Grand Prix, with many key components still in manufacture only hours before they were due to depart the UK for Spain.

Air Partner's 'Time Critical' door-to-door time-definite worldwide freight service was drafted in to ensure that the parts arrived safely in Spain ahead of the race. With a 1pm trackside deadline, time was tight as the parts were not due to arrive at the departure airport until 4.30am.

The F1 team's truck arrived on time and was escorted to the aircraft for loading to start. At 5.40am the flight was airborne, with a flight time of 3 hours and 50 minutes. Despite a huge volume of traffic at the arrival airport, the aircraft arrived at 9.54am and the team's equipment was offloaded and en-route to the race circuit without delay, reaching their allocated pit facility in plenty of time.

Air Partner's bespoke RED-TRACK software, which provides real-time supply chain and in-transit visibility of a shipment's progress via live monitoring, was used throughout the consignment to keep numerous key personnel at the race team updated with the progress of the shipment.

Freight Broking

Revenue was down 38% year on year to £25.9 million (2011: £41.8 million) and underlying profit before tax down by 41%, to £0.3 million (2011: £0.6 million). The worldwide global freight market has experienced a very tough period compared to last year and there has been no real improvement in worldwide freight levels over the last twelve months. We do not anticipate that the air charter market for freight will start to recover significantly in the short term and in response we have lowered the team cost base to reflect these market conditions.

In October last year Air Partner worked closely with the UK Government's Department for International Development (DFID) to fly emergency relief aid to Turkey, following the 7.2 magnitude earthquake that devastated the Van province.

The dedication and specialist knowledge of our freight team, combined with extensive broking experience, ensured quick and efficient delivery to those who needed it most.

The Division is building on the success of Air Partner's Time Critical product as it continues to gain traction and is securing repeat business. This product, along with our recent Freight Calculator app (the first charter broker to offer such a product) continue Air Partner's constant efforts to provide clients with innovative technology to assist them anytime, anywhere, at a moment's notice.

01

02

03

01
In-house agency provides clients with bespoke travel arrangements

02
Our brokers support our clients through the provision of fuel for diverted flights

03
Emergency Planning Division supports the contingency planning for multi-national organisations

Support Services

The contribution to Group revenue from Air Partner's ancillary services (Emergency Planning Division, fuel, aircraft sub-leasing and an in-house travel agency) decreased by 36% to £18.8 million (2011: £29.5 million) with underlying profit before tax reducing by 54% to £0.3 million (2011: £0.6 million). This reduction is indicative of a very competitive market especially within aircraft sub-leasing and fuel. Although still very important as part of the wider offering, the Group took a conscious strategic decision this year to focus these services as support functions to the core business rather than further investing in them as standalone businesses.

Outlook

Under our clear, simple and focused strategy we expect Private Jets to perform well as clients continue to trust and rely on us and, coupled with the investment in the US and Europe, we will continue targeting growth in our market share. The investment into the Oil and Gas sector in Commercial Jets should help to offset those areas that are currently experiencing tough market conditions. Strengthening our global network over the long term will also enable us to grow our presence in emerging markets in a low cost, low risk manner.

Overall, we maintain a cautious view for the year ahead but I have every confidence that in spite of the low visibility inherent in our industry, we are positioning the Group to achieve growth in our key target areas that will cement Air Partner's position as a leading global aviation broker.

Mark Briffa, CEO
10 October 2012

Despite extremely difficult trading conditions, Air Partner remains profitable and debt free. During the year we have addressed legacy issues, improved internal controls and strengthened our foundations for the future.

Gavin Charles, CFO

Despite the tough and uncertain trading environment, the business remained profitable and cash generative. A £1.7 million (8%) reduction in underlying administrative expenses partially offset a £4.1 million (16%) decline in gross profit. This led to an underlying profit before tax of £3.2 million (2011: £5.7 million). The overall reduction reflected the previous year's one off trading activities caused by the Arab Spring and wide bodied aircraft constraints. Non-trading items increased profit by £0.9 million, resulting in a statutory profit before tax of £4.1 million (2011: £5.3 million). The Group generated £9.4 million of cash (2011: utilised £4.7 million) and continues to remain debt free.

Dividend

The Board has recommended a final dividend for the year of 12.7 pence per share which, together with the interim dividend of 5.5 pence per share paid in April 2012, represents an increase of 10% on the total dividend of 16.5 pence per share for 2011/12. If approved by shareholders, the proposed final dividend will be paid on 14 December 2012 to shareholders on the register on 16 November 2012.

Cash

Cash during the period rose by £8.6 million to £15.7 million. This was principally the result of £8.0 million favourable working capital movements. The Group's cash balances show high levels of short term volatility due to timing differences in the receipt of funds from clients and payments to aircraft operators. Cash balances following the year end have averaged nearer £12.0 million, comfortably providing sufficient liquidity to fund current short term credit business for larger clients. Further details regarding going concern are provided in the Directors' Report.

Internal Controls

Management has strengthened the internal control environment during the year through an ongoing programme of initiatives. During the year, the Group wrote back £1.0 million of credit balances from the balance sheet, resulting in a gain within administrative expenses in the income statement. These balances were estimates of invoices and credit notes for revenues and costs related to air charter contracts. Following an extensive review in the year, the Group has concluded that these balances should no longer be retained. This review is now complete.

All matters relating to outstanding Federal Excise Tax ("FET") in the United States were resolved in the year. The total cost, including professional fees and interest, was £0.5 million, well within the £1.0m provided at the 2011 year end. The difference of £0.5m has been credited to non-trading items in the income statement.

Non-trading items

Non-trading items are those items that in the directors' view are required to be separately disclosed by virtue of their size or incidence to assist in understanding the Group's performance. Non-trading items totalled a credit of £0.9m before tax, while equivalent items totalled a £0.4m charge in 2011.

The impairment charge of £0.3 million resulted from the write-down of the Group's sole owned aircraft to its estimated fair value, less costs to sell, of £0.7 million. The Group is in discussions with a number of parties regarding a potential sale.

Treasury

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. The Group does not enter into forward contracts until a firm contract for the underlying transactions has been signed. It is the Group's policy not to enter into derivative contracts for speculative purposes.

Non-trading items

	2012 £'000	2011 £'000
Write-back of historical accruals and other credit balances	**1,029**	–
US Federal Excise Tax credited / (charged)	**532**	(220)
Impairment of aircraft	**(335)**	(186)
Restructuring costs	**(319)**	–
Non-trading items before taxation	**907**	(406)

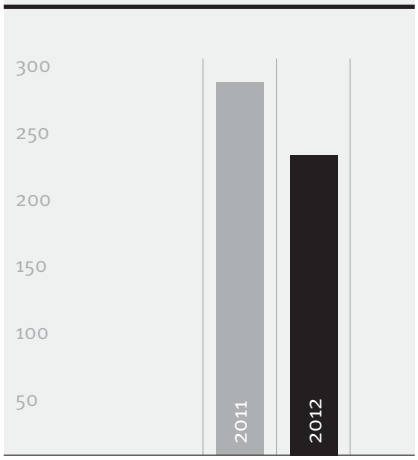
Key Performance Indicators

The Group's Key Performance Indicators (KPI's) are shown here. The financial indicators are designed to help management and investors to assess performance and are capable of being measured over the longer term. Operational indicators relate the financial results to the number of people within Air Partner, whose efforts drive performance. All KPI's are based on total, rather than underlying measures, except for underlying profit before tax and underlying basic earnings per share.

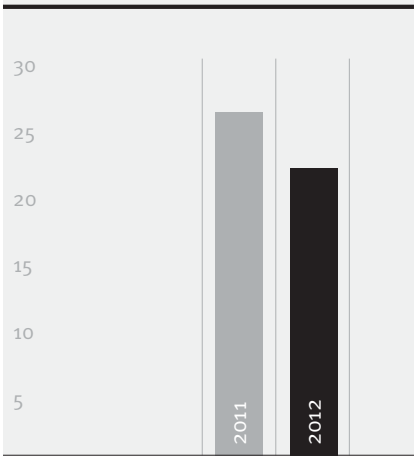
A high percentage of the Group's business is driven by the short term needs of the client. A long forward order book is therefore not available and not appropriate to use as a measure of the Group's longer term prospects.

Detailed segmental reporting is set out in note 3 to the financial statements.

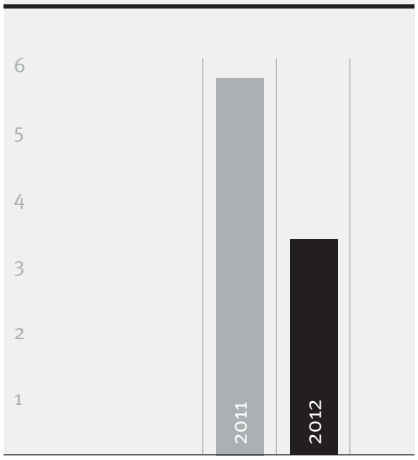
Revenue
£m



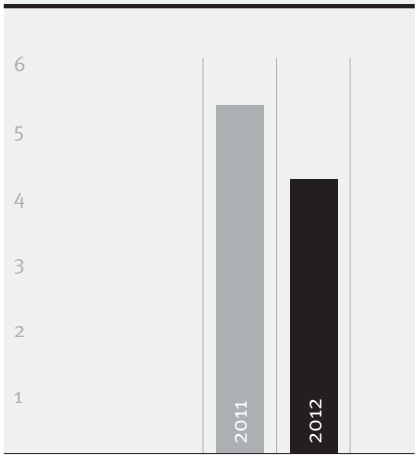
Gross Profit
£m



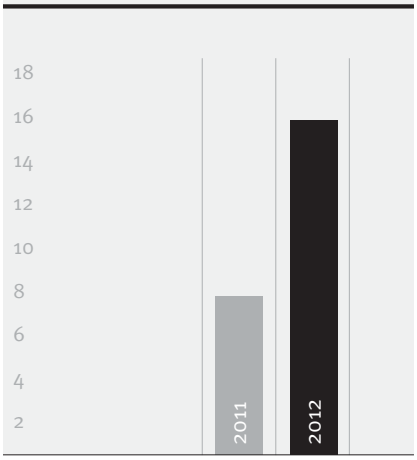
Underlying profit before tax
£m



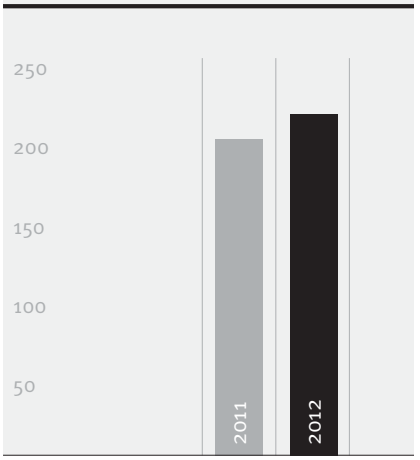
Profit before tax
£m



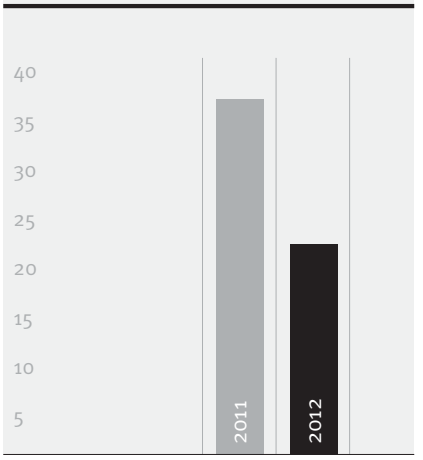
Net cash
£m



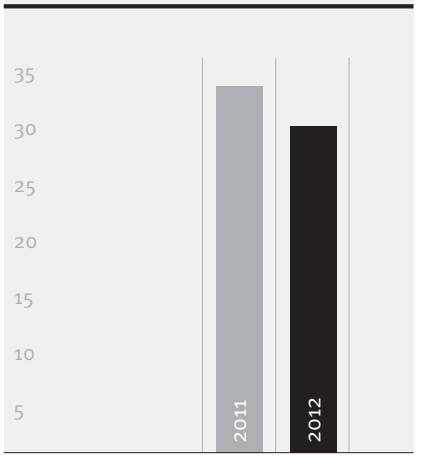
Average head count



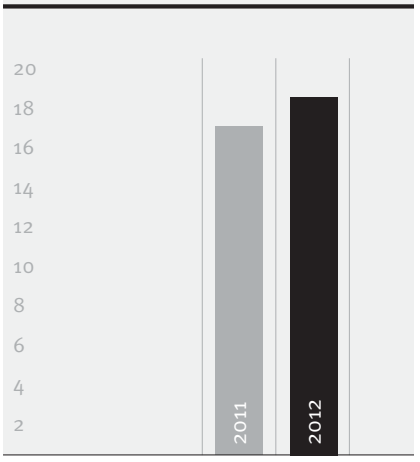
Underlying basic earnings per share Pence



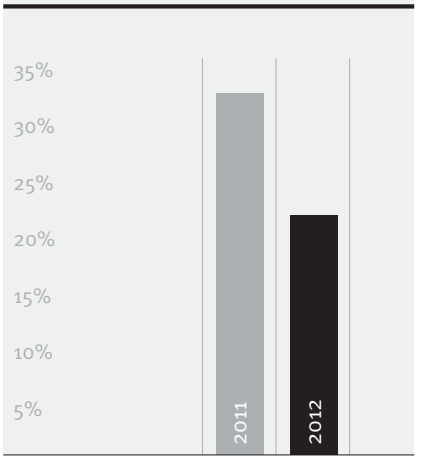
Basic earnings per share
Pence



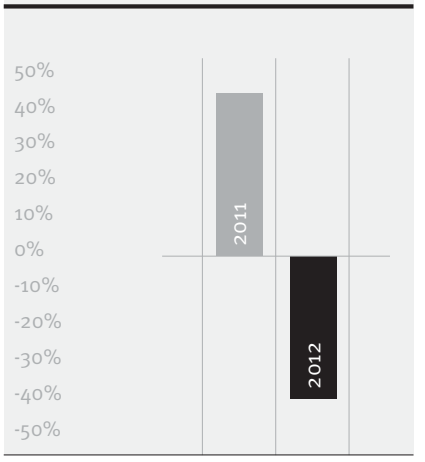
Dividends per share
Pence



Return on equity
%



Total shareholder return
%



The profile of risks fluctuates from time to time and not all risks can be listed in full, nor can the actions being taken to manage and control risks be guaranteed to mitigate completely their effects on the business or to reduce risks absolutely.

The Board has not delegated its responsibility for financial risk management, including the management of treasury activities. Further information on interest rate risk, credit risk and liquidity risk is given in note 20 to the financial statements. Other risks and uncertainties which the Board considers to be material to Air Partner's ability to continue in business are summarised in the chart opposite.

The principal risk to the Group's business stems from the general economic conditions in which our clients operate, affecting their willingness to charter. Ad hoc charters are likely to continue to be impacted by serious economic instability in the major world markets.

Gavin Charles, CFO

Trends and factors affecting the business

Lead times for ad hoc bookings are measured in days or weeks, rather than months. Forward bookings can be impacted very suddenly by changes in financial markets, political instability and natural events affecting the movement of people or cargo from one country to another. Economic uncertainty affects corporate, government and individual clients and affects the quality of supply of aircraft as operators consolidate or leave the market. These are trends outside the Group's control but the strategy remains to diversify to address seasonality and changes in the client mix.

Principal risks and uncertainties facing the Group

Aircraft charter broking on the Air Partner model can be classed as a relatively low financial risk business, in that the broker sells capacity on aircraft owned and operated by a third party and contracts are normally placed as mirrored transactions. The Group does not have any contractual arrangements with any significant individual or company which are essential to continuation of the business.

Type of Risk	Impact on Air Partner business	Management/mitigation of risk
Economic Risk	Economic uncertainty, including Eurozone volatility, reduces the demand for ad hoc aviation solutions.	Diversification of the client base across governments and non-governmental organisations, commercial enterprises and individuals and across geographic regions allows for some smoothing when there are seasonal or sectoral changes in demand.
Aviation Risk	Failure of aircraft chartered by Air Partner.	High quality standards apply to the choice of aircraft and carrier for each charter. Air Partner maintains non-owned aircraft liability insurance which can also be extended to clients. All flights are watched in operation by the in-house operations team.
External Risk	Adverse weather conditions or external incidents outside Air Partner's control (eg earthquake, ash cloud, terrorist alerts) close airports or mean flying is prohibited.	The in-house operations team monitors external conditions very closely and will advise clients of any potential problems. There is potential upside if private charters can use smaller airfields or ad hoc freight charter can recover deliveries otherwise delayed by a lack of scheduled flights.
Supply Risk	Suitable aircraft are not available for charter in key sectors/geographic areas.	Air Partner deals with many different operators worldwide and is not reliant on a single supplier or contractor.
Competitor Risk	Air Partner falls behind competitors in product development, standards of service or cost effectiveness.	The Group undertakes client surveys to ensure it remains responsive to client demands and within acceptable market price levels for the quality and standards of service provided.
Legal and Regulatory Risk	Group does not comply with applicable laws and regulations, including tax and civil aviation authority requirements or inadvertently breaches regulations.	Management reviews policies and processes at Operating Board level. During the year, policies were introduced to minimise contractual risk, and further policies and processes will be considered as part of the ongoing internal controls review.
Business Interruption Risk	Systems for sourcing and booking aircraft and for client management and administration fail or cannot be accessed by employees.	International scope reduces reliance on a single office location. Back-up operating systems are provided for and employees can work remotely if necessary.
Employee Risk	Failure to attract, retain and motivate high quality employees.	The Group is investing in recruitment and in talent management, learning and development programmes to maintain staffing levels and improve performance on a continuing basis. Remuneration and motivational incentives are reviewed regularly and regular social events are provided to encourage family feeling across the Group.
Reputational Risk	Air Partner's reputation is damaged by an incident or inappropriate action, causing client losses.	Air Partner's brand values of honesty, truth and reliability are treated very seriously. Discretion is key to our customer service and its importance is communicated to all members of the team.

AC – Member of the Audit Committee
RC – Member of the Remuneration Committee
NC – Member of the Nomination Committee

Richard Everitt (63)
AC RC NC
Independent
Non-Executive Chairman

Richard qualified as a solicitor, rising to the position of Director of BAA plc with responsibility for strategy and regulatory matters following its privatisation. He subsequently became Chief Executive of National Air Traffic Services in 2001 and, since December 2004, has been Chief Executive of the Port of London Authority. Richard was appointed as non-executive Chairman on 9 February 2012 succeeding Aubrey Adams.

Mark Briffa (47)
NC
CEO

Mark started his career with Air Partner as a Commercial Jets broker in 1996 and joined the Board in 2006 as Chief Operating Officer, becoming CEO in April 2010. He has direct experience of air charter broking and wide knowledge of the private aviation sector worldwide, built up over more than 20 years' experience in the industry.

Gavin Charles (47)
CFO

Gavin qualified as a chartered accountant with Ernst & Young and has more than 20 years' experience, having served as Finance Director in a number of UK and international companies. He was UK Finance Director of Miele Company Ltd before joining Air Partner as CFO in June 2010.

Tony Mack (63)
AC RC
Non-Executive Director

Tony is the son of Air Partner's founder and first joined the family business in 1970, becoming Managing Director in 1979. He was appointed as Executive Chairman in 1985 and led the initial flotation of Air Partner shares on the London Stock Exchange, before stepping back into a non-executive role in 2008. His knowledge and experience of private aviation are unequalled within Air Partner and he personifies the link between the Group's modern international presence and its founding principles of value and service.

Andrew Wood (61)
AC RC NC
Senior Independent
Non-Executive Director

Andrew joined the Board in June 2011 and has taken over from Richard Everitt as Chairman of the Audit Committee. He was formerly group finance director of BBA Aviation plc from 2001 to 2010 and of Racal Electronics Group from 1995 to 2000. A chartered management accountant, Andrew also serves as a non-executive director and Chairman of the Audit Committee of both Berendsen plc and Lavendon Group plc. Andrew chairs the Remuneration, Audit and Nomination Committee and is nominated as the Senior Independent Director.

Charles (Chuck) Pollard (55)
AC RC
Independent
Non-Executive Director

Chuck brings to Air Partner over 20 years' experience of the international non-scheduled airline industry as the former CEO of OmniAir International and World Airways. He is a director of Allegiant Travel Company, a US low cost air carrier listed on NASDAQ and AirCastle Limited, an aircraft leasing and finance company listed on the New York Stock Exchange. He has served as a non-executive director since July 2009.

The Operating Board has collective responsibility for running the Group's business by;

- developing Air Partner's strategy and budget for Board approval,
- recommending to the Board capital expenditure and investment budgets,
- monitoring financial, operational and service performance,
- allocating resources across Air Partner as agreed by the Board,
- planning and delivering major programmes, and
- reviewing the senior talent base and succession plans.

The Terms of Reference for the Operating Board are reviewed and approved by the Board annually, under which it can approve, up to limits beyond which Board approval is required, capital expenditure, and disposals of fixed assets, investments and divestments. The members of the Operating Board call upon over 90 years of aviation experience.

Mark Briffa
CEO, reporting on HR, France, Sweden and Middle East

Gavin Charles
CFO

Company Secretary

Celine Shabbas
Director, Group Sales and Marketing

Phil Mathews
President of Air Partner, Inc. (US)

Graeme Manning
Company Secretary

Birte Puschel-Kipke
Director, International Business, reporting on Germany, Austria, Italy and Switzerland

Richard Smith
Director, UK Trading

Sustainability and Corporate Social Responsibility are an important part of Air Partner's vision, mission and values and are key to achieving our goals.

Air Partner regularly reviews and identifies ways in which its impact on the environment and its contribution to the community as a whole could be improved. Sustainability and Corporate Social Responsibility are an important part of Air Partner's vision, mission and values and are key to achieving our goals.

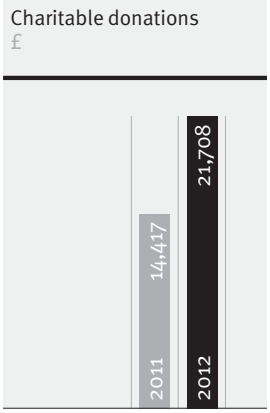
The Group's Business Ethics policy implemented last year contains a separate statement on Corporate Hospitality and can be downloaded from the corporate website: www.airpartner.com/investors/corporate-governance.

Environmental awareness

The Group seeks to reduce its carbon footprint year on year, and last year's move to new offices at Gatwick has improved energy efficiency and reduced road usage as staff and visitors utilise excellent local transport connections. Rail travel for staff and local buses for staff and visitors alike are subsidised by the Company. A waste monitoring and reduction programme has also been instigated.

Jet travel does have significant environmental consequences. Although we do not operate aircraft directly, we work with our clients, our suppliers and our service partners to monitor and review the impact of our operations.

Many clients are conscious of, and would like to reduce, the environmental impact of their flights and we are happy to recommend aircraft which have a lower fuel burn profile, though this is not always available for large freight flights, in particular. We can calculate automatically the carbon footprint of every flight and can provide clients with the data they need to make realistic decisions about both costs and emissions. We also include optional carbon offset costs as standard in our proposals. The number of tonnes offset can only be decided upon by our clients. The amount of carbon offset has shown a significant increase over the last three years but this remains a very small proportion in terms of the number of flights undertaken each year. Air Partner also offers a Carbon Neutral JetCard for frequent fliers.



Carbon offsets are used to help fund climate-friendly technology projects in less developed parts of the world which make use of renewable energy sources or improve energy efficiency, also providing socio-economic benefits. Projects this year, which have been vetted and endorsed by The CarbonNeutral Company, have included the installation of wind turbines in Maharashtra, India. This project involves the development of 25 x 800kW wind turbines with a total installed capacity of 20 MW located in the village of Panchpatta. The project provides 35GWh of renewable electricity to the Western regional electricity grid of India per year, reducing CO_2 emissions by displacing electricity from fossil fuel-based electricity generation plants (particularly coal-based generation). This project is validated to the Verified Carbon Standard (VCS).

There are occasions when air transport is the only solution and environmental damage has to be set against the undoubted benefit of being able to deliver fast, targeted help for those in need. Air Partner has expertise in chartering air ambulance and organ transplant flights and is proud of its involvement in providing humanitarian relief flights to deliver much needed aid and support to victims of war, famine, floods and earthquakes around the world.

Employees

The efforts of every single person in the business count towards Group performance. Investment in people has been targeted by the Board as a priority and a number of key appointments have been made during the financial year. Whether those people are experienced professional support staff, brokers or sales team all are expected to produce returns in the form of aircraft charters successfully delivered for clients. Remuneration is linked to performance throughout the business.

Air Partner is proud of its commitment to learning and development. The Group provides induction training in the UK for every new member of staff, followed by short courses designed to increase knowledge, develop new ideas and promote and strengthen relationships between international teams and offices. We also encourage continued professional development. There are regular updates on the Group's performance, through regular team and Divisional briefings and with individual office summaries and commentaries available on the staff intranet. Talent management and learning and development initiatives were implemented within the year to encourage personal success, to ensure that Air Partner people are "best in industry".

The Group is committed to providing equal opportunities and ensuring that employees are able to work without discrimination. Full and fair consideration is given to employment applications from persons with a disability. If an employee were to become disabled while in employment, the Group would make every effort to enable the employee to continue in employment and would make arrangements for additional equipment, support and training as appropriate.

Charitable and community support

The Group's Business Ethics policy, approved by the Board in June 2011, states that donations will not be made to political parties. There were no political donations in the current or prior period.

Within the UK, Air Partner is expanding its links with local schools. Members of the team visit schools to provide guidance on career paths and on subject choices which might further an interest in aviation. Work experience opportunities are provided each year for teenagers interested in aviation or in professional support roles.

The Group continued to support Help for Heroes as its corporate charity of the year in the UK as well as supporting a locally based charity, Action Medical Research, the leading UK-wide medical research charity dedicated to helping babies and children. In addition to the Group's own contribution, individual members of the team supplemented fundraising for the charity through their own efforts.

Non-UK offices do not have a formal policy for charitable activities but various smaller donations were made, principally to local charities serving the communities in which the Group operates. The total amount of charitable donations made in the year by the Group was £21,708 (2011: £14,417). The increase is a reflection of an increased budget for community and charitable support in line with the Group's intention to improve and extend its commitment in this area.

Together with the interim dividend of 5.5 pence per share paid in April 2012, the total dividend for the year amounts to 18.2 pence per share

The directors present their reports and the audited financial statements for the year to 31 July 2012.

Information within the Chairman's Statement, the CEO's Review and the Financial Review on pages 6 to 21 is incorporated into the Directors' Report by reference, which constitutes the fair review of the business required by the Companies Act 2006. Corporate governance is discussed on pages 30 to 32. The details of the salaries, bonuses, benefits and share interests of directors are shown in the directors' remuneration report on pages 36 to 41.

Principal activity

The principal activity of the Group continues to be aircraft charter broking and associated aviation services for a wide range of corporate, government and industrial clients and private individuals.

Results and dividends

The Group results are shown in the consolidated income statement on page 44. Profit after taxation for the year was £3.0 million (2011: £3.3 million). Factors influencing the results are discussed in the Financial Review on pages 16 to 21. A final dividend of 12.7 pence per share is proposed, to be paid on 14 December 2012 to shareholders on the register on 16 November 2012, subject to shareholder approval. Together with the interim dividend of 5.5 pence per share paid in April 2012, the total dividend for the year amounts to 18.2 pence per share (2011: total dividend of 16.5 pence per share).

Policy on payment of creditors

Air Partner's policy is to negotiate the terms of payments with suppliers when agreeing the terms of each contract or transaction, to ensure that the suppliers are aware of the payment terms of payment, and to adhere to those terms. Payment terms for charters in particular vary, depending on the terms of each charter and the policies of the charter operator. At 31 July 2012, the average number of days outstanding for credit payments by the parent Company was 9 days (2011: 16 days) and by the Group 14 days (2011: 20 days).

Going concern

Having considered the Group's current financial position, the factors affecting its cost base, the state of the air charter market as a whole and budget forecast figures for a period of not less than twelve months from the date of approval of these financial statements, the directors are satisfied that the Group and the Company have adequate resources to continue in business for the foreseeable future and the Company is a going concern. The directors have continued to adopt the going concern basis in the preparation of the financial statements.

Expected future developments

The Group intends firmly to concentrate on the core business of broking but will seek to widen and broaden its client base, focusing on niche areas of business which align well with the Group's strengths. In particular, the Group will highlight industries and territories where different Air Partner offices can work together to provide high levels of service.

Air Partner has highlighted its intention to continue to invest in staff and infrastructure and the headquarters move to new offices at City Place has begun that process.

Shareholder	Number of shares	% held	Nature of holding
Aberforth Partners LLP	1,786,689	17.41	Indirect
Seren Capital Management	1,132,068	11.03	Indirect
Schroder Investments Ltd	1,121,032	10.93	Indirect
A G Mack and family	1,111,567	10.83	Direct
BlackRock Investment Management (UK) Ltd	527,672	5.14	Indirect
Standard Life Investments Ltd	489,770	4.77	Indirect
Henderson Global Investors	468,185	4.56	Indirect
Barclay's Stockbrokers	422,061	4.11	Indirect
Allianz Global Investors	400,000	3.90	Indirect
Unicon Asset Management Limited	394,453	3.84	Indirect

The interests shown may include shares held under discretionary management agreements for which the manager may not exercise voting rights.

Air Partner remains committed to becoming the best global air charter provider. We continue to believe that the best route to increasing long term value for our shareholders is to deliver excellent service across our whole product range and across the broadest possible geographic area, to the satisfaction of our clients.

Substantial shareholdings

As at 9 October 2012 the Company was aware of substantial interests in the Company's shares or had been notified of interests in voting rights under Chapter 5 of the Disclosure and Transparency Rules, as above.

Share capital structure and shareholder rights

The authorised share capital of the Company is £750,000 divided into 15,000,000 ordinary shares of 5 pence each. All ordinary shares have equal rights to dividends and capital and to vote at general meetings of the Company, as set out in the Company's Articles of Association.

The number of ordinary shares of 5 pence each issued and fully paid at 31 July 2012 was 10,261,393 (2011: 10,261,393). No shares were issued during the year.

Options outstanding under all employee share schemes amounted to 10.26% of the Company's issued share capital as at 31 July 2012. This includes options granted which have not yet vested. No more than 20% of issued share capital in any rolling 10 year period may be taken up by employee share schemes. In addition options representing 5.76% of the issued share capital have been exercised within the 10 years preceding 31 July 2012. No more than 20% of the issued share capital in any rolling ten year period may currently be taken up by employee share schemes by way of dilution but it is proposed to reduce this limit to 10% with any excess (up to a further 10% of the issued share capital) being acquired by purchase in the market via an employee benefit trust.

Under the Articles of Association, the Company has authority to issue 15,000,000 ordinary shares. Resolutions to renew the authorities given to directors to allot shares, to disapply certain pre-emption rights and to make market purchases of the Company's own shares, all subject to appropriate limits, will be put to the Annual General Meeting ("AGM") to replace the authorities granted last year. Changes to the Articles of Association are also proposed this year to reflect changes in legislation and best practice since the current Articles were adopted in December 2009 and to provide further clarification of certain aspects of the operation of the Articles. Amendments to the Articles of Association are to be made by special resolution of the shareholders which requires a majority of 75% of those voting to be in favour.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. No individual or corporate entity has the right to appoint a director. The appointment and replacement of directors is governed by the Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation.

	Male	Female
Main Board	6	0
Operating Board	2	2
Senior Management Team	6	1
Group totals	**99**	**97**

Compliance with the UK Corporate Governance Code

For the financial year ended 31 July 2012 the Board considers it complied with all aspects of the UK Corporate Governance Code June 2010 (the "Code").

Diversity

Air Partner is a team made up of people with a broad range of backgrounds but does not intend to adopt a quota system, preferring to appoint the best candidate for any position. Instructions to any external agent appointed for senior appointments require that agent to provide a list of candidates from as many different backgrounds as possible.

The male/female split within the Group is shown in the chart above.

Performance Evaluation

During the year, an internal review of the performance of the Board and of individual Directors was carried out. As part of the review, objectives have been set for the Board for the next 12 months. These areas include;

— Planning for the next Periodic Review
— Succession planning for the Board
— Review of Group strategy

Progress in achieving these objectives will form part of the next review.

Board constitution

The Board, as shown on pages 22 and 23, is made up of two executive and four non-executive directors, including the Chairman who is responsible for leadership of the Board. The balance of the Board is such that no individual or group of individuals can dominate the Board's decision making and there is a mix of skills and experience. Neither of the executive directors is a director of a public company outside the Group. Clear responsibilities are allocated to each of the non-executive Chairman, the CEO, the CFO and the Senior Independent Director. These are set out in writing and are available from the Company Secretary or at www.airpartner.com/investors/corporate-governance.

The Board carries ultimate responsibility for the conduct of the Group's business. A formal schedule of matters is reserved for Board decision, including formulation and development of strategy, major acquisitions or disposals, significant bank borrowings, Board level appointments, the approval of financial reports and price sensitive statements and overall business risk assessment. A copy of the schedule is available online at www.airpartner.com/investors/corporate-governance. The Board receives reports at each meeting from the CEO, the CFO and, following meetings of Board Committees, from their respective Chairmen.

Independence of non-executive directors

The Board considers all the non-executive directors, other than Tony Mack, to be independent. Tony Mack is a former executive Chairman and holds more than 10% of the Company's share capital.

The Chairman's other directorships are listed in his biography.

Re-election of directors

In accordance with best practice, all directors will resign at this year's AGM and stand for re-election.

Following performance evaluation, the Board confirms its belief that all directors bring significant value to the business, are effective in Board decision-making and show the appropriate level of commitment to their roles. The Board therefore recommends the re-election of all directors, as listed in the separate Notice of AGM.

Board and Committee Meetings
The Board meets formally at least six times per year, with additional meetings to approve the publication of the annual and interim results.

Attendance at Board and Committee meetings by each director in the year to 31 July 2012 is set out below:

Number of meetings				
Executive Directors	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
M A Briffa	7/8	–	–	2/3
G Charles	8/8	3/3*	–	–
Non-executive Directors				
A J Adams**	3/8	1/3	2/5	1/3
R Everitt	8/8	3/3	5/5	–
A G Mack	7/8	2/3	4/5	–
C W Pollard	8/8	3/3	4/5	–
A R Wood	7/8	3/3	5/5	3/3

* Gavin Charles is not a member of the Audit Committee but attends meetings by invitation.
**Aubrey Adams resigned as a director on 9 February 2012.

A Nomination Committee will be constituted for each new director appointment and is constituted as a formal sub-committee of the Board with its own defined Terms of Reference. The Committee's principal role is to review the composition of the Board and to manage the process for nomination of candidates and recommendation of a shortlist for the appointment of a non-executive director or Chairman. Membership will vary but the terms of reference for the Committee have been agreed by the Board and are available online at www.airpartner.com/investors/corporate-governance.

When proposing appointments of Directors, the Committee considers the skills, knowledge and experience that a candidate possesses compared to the skill sets and experience of the Board as it currently stands. Selection of candidates also takes into consideration the breadth of knowledge that the Board has and that it may require to provide a well balanced environment which encourages scrutiny and appropriate challenge of the Executive management. Independence of non-executive Directors is of paramount importance being a cornerstone of good corporate governance.

In November 2011 the Nomination Committee made up of Andrew Wood and Mark Briffa appointed external search agents Russell Reynolds to provide a shortlist of suitable external candidates for the position of Chairman of the Company. The Nomination Committee met without Aubrey Adams to give an opportunity for the members to discuss the most important criteria for selecting his successor. At a further Committee meeting, at which Mr Adams was present, a shortlist of candidates was provided by Russell Reynolds whereby it was agreed that interviews would commence. Following those interviews and after due consideration, the Nomination Committee recommended to the Board that Richard Everitt be appointed as non-executive Chairman in succession to Mr Adams. Mr Adams' resignation as Chairman and Director of the Company and Mr Everitt's appointment was subsequently resolved by the Board in meeting on 9 February 2012.

The Remuneration Committee is made up of the non-executive directors and is chaired by Andrew Wood. The Remuneration Committee reviews remuneration policy on behalf of the Board and, in particular, is responsible for setting executive remuneration levels and making discretionary performance-related awards to the executive directors. The Remuneration Committee's report appears in full on pages 36 to 41.

The Audit Committee is also made up of the non-executive directors and is chaired by Andrew Wood. Although not members, the external auditor and the CFO are notified of all meetings and may attend by invitation. At each meeting, the Committee has the opportunity to talk to the external auditor without the CFO being present.

The principal duties of the Audit Committee are to monitor the integrity of the Company's financial statements, to ensure that appropriate accounting policies and standards are being followed, to review on behalf of the Board the effectiveness of audit procedures and the work of the independent auditor and to monitor on behalf of the Board the systems for internal financial control. The Board as a whole is responsible for internal control and risk management. The Audit Committee is required to report its findings to the Board, making any necessary recommendations for action or improvements. The Audit Committee's report appears in full on pages 32 to 33.

Report of the Audit Committee for the year ended 31 July 2012

The committee met three times during the year. In addition to reviewing the interim and annual results announcements in advance of publication and planning for the annual statutory audit, the Committee has focused on documenting more formally the process for risk management and continues to review internal control developments.

The Audit Committee recommended to the Board in June 2011 that the Group audit should be put out to tender, to assess changes in the market since the appointment of Mazars LLP in 2007 and in acknowledgement of the Group's movement into more complex international areas of business. The formal audit process, involving four leading accounting firms, was completed in October 2011 and the Audit Committee recommended the appointment of Deloitte LLP as auditors. This appointment was subsequently approved by members at the Annual General Meeting on 9 December 2011.

An independent review of internal controls was commissioned by the Board in September 2011 following voluntary disclosure to the US IRS of a failure to account for certain amounts of Federal Excise Tax, to provide additional assurance and minimise the likelihood of further legacy issues relating to accounting needing to be resolved. The review did not identify any additional liabilities but did make some recommendations on improving internal controls, including the creation of an internal audit role, which will be implemented during the year.

The Audit Committee will review the action plan for implementation of the recommendations, on behalf of the Board and will report back to the Board on improvements made, or to be made, to the control environment.

A formal report was received from the statutory auditor, Deloitte LLP, in respect of the audit and matters arising from the report were discussed prior to the Board's approval of the annual financial statements. The Committee has reviewed the external auditor's independence and the effectiveness of the audit process, taking into consideration relevant UK regulatory requirements.

Deloitte LLP also provide taxation advice to the Group but a clear distinction is maintained between audit and non-audit work to ensure that their independence and objectivity is not prejudiced by the level of fees received. The total amount paid for non-audit work this year was £186,000, of which, £158,000 was payable to Deloitte prior to its appointment as statutory auditor and related to the resolution of the FET issue in the United States and the internal controls report. This is compared with £18,000 in 2011 (Mazars LLP) for non-audit work.

The Committee considered in advance the content and scope of audit work and the audit fees proposed by Deloitte LLP and discussed changes in accounting policies and new developments within the business which might affect financial reporting going forward.

Internal Control
During the year, the full Board was responsible for the Group's system of internal control and for reviewing its effectiveness, though reports are provided in the first instance to the Audit Committee by the CFO and the statutory auditor.

The key internal procedures currently in place are as follows:

- There is a three year business planning cycle from which a detailed and comprehensive annual budget is produced, both documents being formally approved by the Board.
- The Board maintains a schedule of key matters reserved for its approval, which include financing and changes to banking arrangements, all significant capital expenditure and all acquisitions and disposals.
- Both the Operating Board and the main Board receive monthly financial reports, showing the performance of each Division and country, with relevant commentaries to highlight variance from budget or particular areas of concern.
- Business performance reports are circulated to the Operating Board on a weekly basis for sales bookings, and monthly to monitor overall performance.
- Clearly defined authority limits and controls are in place over contract signing limits and purchasing commitments; in particular, brokers operate within individual, pre-set limits of authority and only those staff who have successfully completed a six month probationary period can sign charter commitments on behalf of the Group.
- Each of the Group's major offices is visited at least once a year by a senior member of the Finance team.
- Risk registers are reviewed by the Audit Committee twice each year. Between such meetings, any significant risks identified will be notified to directors and control procedures suggested for their approval to mitigate against such risks, where possible.
- The Group does not trade speculatively in derivatives. Other than forward foreign exchange contracts, the Group does not use complex treasury instruments in the normal course of business and any specific projects that may involve such instruments require Board approval.
- Clearly defined authority limits and controls are in place over the extension of credit to clients.

There has not been an internal audit function during the year as the internal controls focus has been on the development and implementation of policies and procedures. The board has now resolved to introduce an internal audit function in the coming year.

The directors will in future receive a bi-annual report on internal audit work performed during each year.

In their review of the Group's system of internal control, the directors will consider the nature of the Group's business, the risks to which that particular business is exposed, the likelihood of such risks occurring and the costs of protecting against them. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance.

A whistle-blowing policy is in place across the Group to enable members of staff to bring to the attention of any director serious matters of financial misconduct which they believe would damage the performance or reputation of Air Partner plc.

Applying the principles of the Code
Improvements have been made in corporate governance during the year as well as establishing an internal audit function. Air Partner's main market listing on the London Stock Exchange is valued by clients and suppliers as a mark of quality and transparency of information and I believe that the systems in place for Board governance, as detailed above, are appropriate for a smaller listed company.

Andrew Wood, Chairman

Operating Board
The Operating Board meets monthly to monitor operational performance, to consider new developments in line with the Group's strategic aims and to discuss issues relating to different geographic regions or trading Divisions. The Operating Board has its own terms of reference and limits of authority, below those of the main Board. The executive directors report back to each main Board meeting. Operating Board members will be invited to attend main Board sessions during each year, to have the opportunity to present their business plans, report on progress and give an update on key operational activity, future plans and business opportunities. In turn, non-executive directors attend some sessions of the Operating Board, purely as observers, to gain a better understanding of current issues across the Group.

Company Secretary
All directors have access to the Company Secretary who is charged with ensuring that Board procedures are followed, that the Company complies with applicable rules and regulations and that Board members receive appropriate and timely information to enable them to discharge their duties effectively. The Company Secretary advises the Board on governance matters and can make arrangements for the provision of independent legal advice for individual directors, on request and up to a maximum fee limit set by the Board. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Additional information for shareholders
Information on share capital and major interests in shares, which is required to be disclosed under Rule 7.2.6 of the Disclosure and Transparency Rules, appears within the Directors' Report on page 29.

Communication with shareholders
The Board is keen to ensure that effective communication with shareholders, analysts and the financial press is maintained throughout the year. This is achieved through timely publication of the annual and half year results and other announcements, as well as through presentations to analysts and significant shareholders. The Board seeks to present its strategy and performance in an objective and balanced manner. Directors are encouraged to meet significant shareholders and are keen to gain an understanding of the views and comments of both institutional and private individual shareholders.

The Board welcomes the participation of shareholders in the AGM and will again, this year, count all votes cast, whether in person or by proxy, by means of a poll on every resolution. The Chairmen of Board Committees will be available at the AGM to answer any questions that might arise. In accordance with the Corporate Governance Code the votes cast and the numbers of shares voted for and against each resolution, and any votes withheld, will be made public by means of an announcement through a Regulatory Information Service and on the Company's website.

Directors' indemnity
The Company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report. In certain circumstances, the Company can indemnify directors, in accordance with its Articles of Association, against costs incurred in the defence of legal proceedings brought against them by virtue of their office. Directors' and officers' liability insurance is provided for the benefit of all directors, the Company Secretary and senior managers.

AGM
The AGM will be held at 9.30am on Friday 7 December 2012 at our headquarters at 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA. The Notice of AGM is contained in a separate document which has been sent by post, together with a Proxy Form, to those shareholders who prefer a paper copy and by email where shareholders have agreed that Air Partner can communicate with them electronically. Both the Notice of AGM and the Proxy Form are available to download at www.airpartner.com/investors/shareholder-information.

Directors' responsibilities in relation to the financial statements
The directors are responsible for preparing the business review, the Directors' Report, the Directors' Remuneration Report and the Group and parent Company financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS as adopted for use in the European Union. Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's and Company's financial position, financial performance and cash flows. This requires the fair presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

Directors are also required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Group website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Directors' statement of responsibility for financial statements

Each of the directors serving at the date of approval of the accounts confirms that, to the best of his knowledge and belief:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group and Company; and
- the Chairman's Statement, the CEO's Review, the Financial Review and the Directors' Report give a fair review of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The responsibility statement was approved by the Board of Directors on 10 October 2012.

Directors' statement of responsibility for disclosure of information to auditors

As required by section 418 of the Companies Act 2006, each director serving at the date of approval of the financial statements confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of their reports of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

Auditor

Deloitte LLP have confirmed that they are willing to be reappointed as auditor for the financial year ending 31 July 2013.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing the appointment of a statutory auditor will be proposed at the AGM.

The Directors' Report was approved by the Board on 10 October 2012 and is signed on its behalf by:

Graeme Manning ACIS
Company Secretary
Air Partner plc (registered in England and Wales, no. 980675)
2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

The annual bonus scheme for the year to 31 July 2012 contained objective financial performance targets, applicable across Group management functions up to Board level

This report has been approved by the Board and will be put to a vote at the AGM, as required by the Directors' Remuneration Report Regulations (2002).

The report is in two sections: information not subject to audit and information that is subject to audit.

INFORMATION NOT SUBJECT TO AUDIT

Remuneration Committee structure

The Remuneration Committee is constituted as a formal sub-committee of the Board with its own defined Terms of Reference. Its primary role is to review and set the remuneration policy for the executive directors, within the context of salaries and benefits paid across the Group as a whole. The full Board agrees the remuneration of the Chairman and non-executive directors on the principle that no individual should be able to determine their own remuneration.

All the non-executive directors were members of the Committee for the whole year, with the exception of Aubrey Adams who resigned in February 2012. The Committee is chaired by Andrew Wood.

The Committee can obtain information and advice from the Head of HR, the Company Secretary, the executive directors and any other employees as required. It may also obtain, at the expense of the Company, any necessary legal or professional advice, up to a pre-determined limit but has not needed to do so in the year under review.

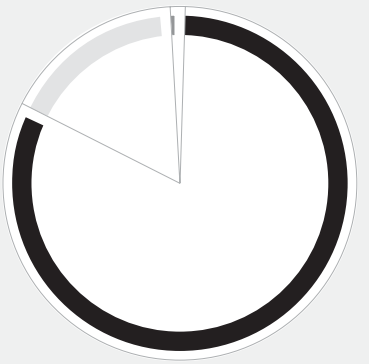
Remuneration policy

Air Partner's success depends on the quality and performance of its people. The Remuneration Committee aims to ensure that overall remuneration is not excessive, but remains appropriate for an international Group which is growing in complexity. The Committee has reviewed executive directors' base salaries by reference both to external studies of remuneration in other smaller listed companies and to the salaries of Operating Board members and lower levels of management within the Group itself. Performance related pay is an important element for all members of the team, including executive directors.

The annual bonus scheme for the year to 31 July 2012 contained objective financial performance targets, applicable across Group management functions up to Board level. Performance conditions are set for each grant of share options to the Operating Board and executive directors.

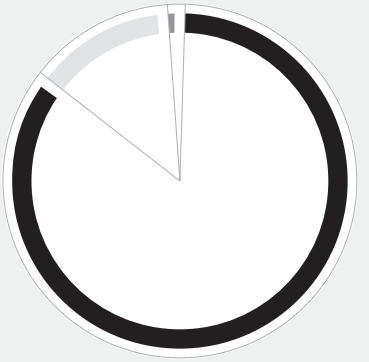
CEO elements of remuneration

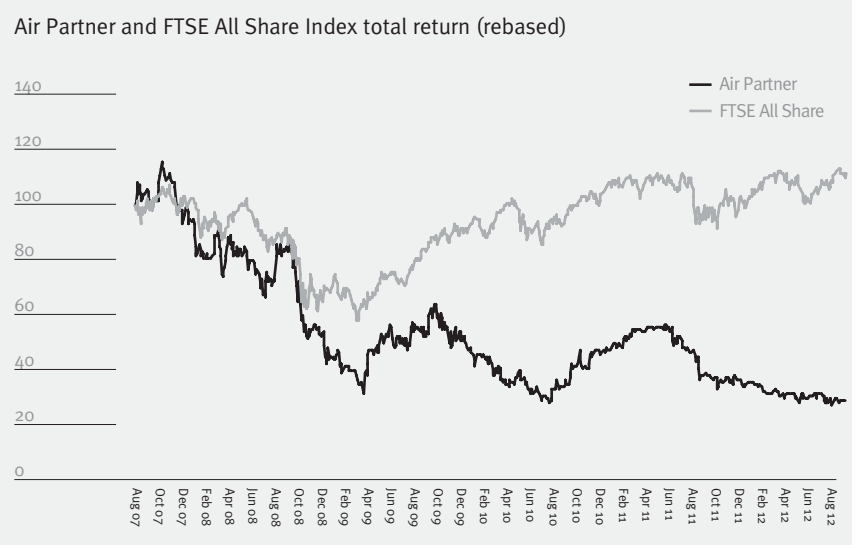
Fixed £204,400
Variable £41,975
Benefits £2,870



CFO elements of remuneration

Fixed £156,800
Variable £24,507
Benefits £2,877





Performance evaluation

The Board undertook an evaluation of its own performance, that of Board committees and the performance of each director for the first time last year. The Company has only two executive directors and the Remuneration Committee feels that performance should be assessed by the Chairman and the Board, without engaging external consultants, for the time being.

The performance of Mark Briffa, as CEO, is reviewed annually at a personal level by the Chairman, by reference to individual objectives set at the beginning of the year. Individual and corporate performance is targeted by the Remuneration Committee when setting annual criteria for the award of any discretionary bonus and for the exercise of longer term incentives, such as share options. Awards are made according to those criteria following the end of each financial year.

The performance of Gavin Charles, as CFO, is assessed half-yearly by the CEO. Training and development needs and objectives are set which also feed through to the annual criteria set by the Remuneration Committee for the award of any discretionary annual bonus and longer term incentives, as above.

The performance of the Chairman is reviewed by the Remuneration Committee without the Chairman being present.

The Board believes that the current non executives bring direct and relevant experience either of the aviation world or of good business practice in general and their continuation in office is in the best interests of the Company and the Group as a whole.

Performance graph

To help investors to measure Air Partner's comparative performance, the graph above shows the change in the total shareholder return of the Company for each of the last five financial years compared with the FTSE All Share Index.

Directors' service contracts

Formal contracts for service between Air Partner plc and each executive director were in place for the year under review, dated 8 February 2012 for Mark Briffa and 23 June 2010 for Gavin Charles. The contracts provided for retirement at the age of 65 and contained a rolling twelve months' notice period. In the event of early termination of the contract, a director might be eligible to receive an amount equal to basic salary, Company pension contribution and contractual benefits for the notice period but the Company would not normally make payments beyond its statutory and contractual obligations.

Under terms of reference agreed in September 2010, any ex-gratia payments made at the discretion of the Remuneration Committee in excess of statutory or contractual obligations will be limited to an amount not exceeding one year's bonus plus legal fees, so long as such fees do not exceed £5,000.

Non-executive directors' Letters of Appointment

Director	Date of initial letter	Date of appointment	Initial term	Unexpired term at 31 July 2012	Unexpired term at 30 Sept 2012
R L Everitt	10 Oct 2004	1 Jan 2005	7 years	1y 6 m	1y 4 m
A G Mack	18 Mar 2008	1 Apr 2008	5 years	4y 9 m	4y 7 m
C W Pollard	2 Jul 2009	6 Jul 2009	3 years	6y 0 m	5y 10 m
A R Wood	7 Jun 2011	7 Jun 2011	3 years	8y 11 m	8y 9 m

Non-executive directors' Letters of Appointment

On appointment, each non-executive director signed a Letter of Appointment with the Company, setting out the duties and commitment expected, the initial term and fee and arrangements for renewal or termination of the appointment, based on a rolling three month notice period. Initial terms of appointment were set individually.

New letters of appointment were issued in September 2011 to Mr Mack and Mr Pollard, aligning their terms of appointment with those agreed for Mr Wood in June 2011. The new letters confirm a standard term of three years, renewable once by mutual consent and, in exceptional circumstances, by one further period, such that no non-executive director may serve for a period of more than nine years. Mr Everitt's letter of appointment was updated following his appointment as Chairman on 9 February 2012.

The standard fee of £25,000 per annum for each non-executive director was increased to £30,000 from 1 August 2011, with a £5,000 supplement for the Chairmen of the Audit and Remuneration Committees and an additional £35,000 being paid to the Chairman of the Board. The increase was determined following a review of fees paid by comparable smaller listed companies and better reflects the time commitment now expected of non-executive directors. The fees paid during the year are shown in the table on page 41.

Non-executive directors are not eligible to receive additional employee benefits such as pension contributions, bonuses or grants of options under the Company's employee share scheme but are reimbursed for legitimate expenses incurred in the performance of their duties.

The Company intends to have at least two independent non-executives on the Board at any time. The board considers each of Mr Everitt, Mr Pollard and Mr Wood to be independent.

No director has any direct or indirect interest in any contract or arrangement subsisting at the date of these financial statements which is significant in relation to the business of the Group and which has not otherwise been disclosed.

Individual components of remuneration

Basic salary, pension and benefits

The Remuneration Committee has not undertaken a formal benchmarking exercise this year but has received information about the structure and value of executive remuneration within comparable smaller listed companies.

The package for executive directors consists of basic salary, a pension contribution equivalent to 12% of base salary and entitlement to benefits, plus an annual bonus which may be awarded at the discretion of the Remuneration Committee if corporate and individual targets are met. Executive directors may also participate in share option awards, again at the discretion of the Remuneration Committee.

The Group does not operate any final salary pension schemes. Benefits in the year included private health insurance for directors and their families, appropriate life and critical illness cover, reimbursement of home telephone expenses and sports or gym club membership.

Annual Bonus
A new bonus scheme for senior executives was introduced in September 2010. The annual bonus is based on 100% of salary for on-target performance by Mark Briffa and 75% of salary for Gavin Charles.

30% of the on-target bonus depends on individual achievement in Key Responsibility Areas (KRAs), determined each year by the Remuneration Committee.

The remaining 70% is linked to corporate performance, evidenced by the reported underlying profit of the Group, excluding discontinued and exceptional items. Outperformance is rewarded for each 1% above target profit, up to 115% of the original profit target.

The maximum potential bonus for the CEO if all individual criteria were fully delivered and 115% of target Group profit was achieved would be 110.5% of salary and for the CFO 82.975% of salary.

Bonus awards approved by the Remuneration Committee in respect of the financial year to 31 July 2012 are shown in the charts below.

Share options
Share options are awarded at the Remuneration Committee's discretion under the Company Share Option Plan which was first approved by shareholders in 2003. No further grants of options may be made under this scheme after 18 July 2013.

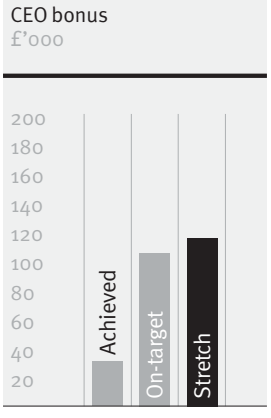
Grants may be awarded under both HMRC "approved" and "unapproved" parts of the plan and typically are granted to most employees who have completed at least two years' service and to individuals who join the Group at a senior level.

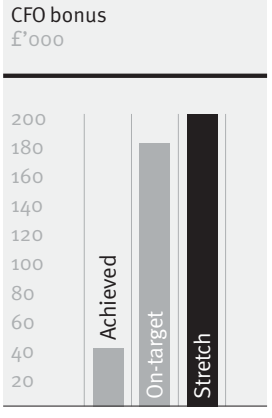
Exercises of options by staff below director level and exercises of all options granted before 24 May 2010 are subject only to a service condition. Options vest three years from the date of grant and expire if not exercised within ten years, except in exceptional circumstances such as the death of the holder. All outstanding options lapse upon cessation of employment, unless there are special circumstances such as redundancy or retirement when options must be exercised within a six month period. Options may not be granted at a discount and the aggregate market price for options awarded during any one year period may not exceed four times the individual's relevant emoluments.

The vesting of options granted to directors on or after 24 May 2010 is subject to additional performance criteria intended to align directors' interests with those of investors.

A maximum of 80% of the options awarded may vest in 2013 if growth in the Group's undiluted earnings per share from continuing operations (EPS) has increased by 33% over a period of approximately three years. Half of this number of options will vest if EPS over the same period has increased by 22.5%, with a sliding scale for growth between 22.5% and 33%. None of these options will vest if EPS has grown by less than 22.5% over the period. The initial measurement of EPS was taken from the annual accounts of the Company to 31 July 2010 and options may vest if the performance conditions have been satisfied by reference to the annual accounts of the Company as at 31 July 2013.

The remaining 20% of options shall vest completely if underlying profit before tax from activities outside the UK has increased by 50% over the same three year period. This target has been set to align with the Group's stated business objective to increase its geographical diversification.
In respect of the grants of options made on 26 October 2010, 80% of the options granted will vest if EPS has grown over the three year period from 26.8 pence to 35.7 pence. None of these options will vest if EPS after three years does not exceed 32.8 pence.





Options granted on 20 April 2012 will vest if the following criteria are met over a three year period ending 2015;

1) Vesting of 50% of the options granted will depend on outperformance of Air Partner plc's Total Shareholder Return relative to the FTSE UK Small Cap Index, ex Investment Trusts (the "Index").

- No options will vest if TSR outperformance is less than the equivalent of 5% per annum (compounded) relative to the Index.
- If TSR outperformance is the equivalent of 5% per annum (compounded) relative to the Index, half of the number of options subject to this performance condition will vest.
- If TSR outperformance is the equivalent of 10% per annum (compounded) relative to the Index, all of the options subject to this performance condition will vest.
- Options will vest on a sliding scale if TSR outperformance is between 5% and 10%.

2) The remaining options granted will vest if underlying profit before tax ("PBT") for the financial year ending 31 July 2015 exceeds twice the underlying PBT for the financial year ending 31 July 2012 or £6 million, whichever is the higher. None of these options shall vest if PBT for the financial year ending 31 July 2015 is below £6 million.

Grants of options will generally be made within 42 days of the announcement of annual or half yearly results and the base measurement for EPS will be that shown in the annual or half yearly accounts of the Company most recently published. The Remuneration Committee must be satisfied at the time of vesting that the underlying performance of the Company justifies the vesting. No options may vest until the Committee has written to participants to confirm that the necessary conditions have been fulfilled.

Directors' beneficial interests in shares

The directors who held office during the year had the following beneficial interests in ordinary shares of 5p each in the Company, fully paid up, at the beginning and end of the year, or as shown (below):

There were no changes in the directors' beneficial interests in shares between 31 July 2012 and 12 October 2012 (being the latest practicable date prior to the publication of this report). No director has a non-beneficial interest in the shares of the Company.

INFORMATION SUBJECT TO AUDIT

Share options

Non-executive directors are not eligible to participate in the Company's share option scheme. Details of the options held by executive directors at the beginning and end of the year are as shown (right, upper):

Options are generally exercisable between three and ten years from the date of grant, subject to continuing service. Exercises of options under grants (a) (b) and (c) are not subject to any additional performance criteria. During the year no director exercised options or made a gain on the exercise of share options.

The market price per share at 31 July 2012 was 242.0 pence (31 July 2011: 427.5 pence) and ranged between 432.0 pence and 235.0 pence during the year. The average price during the year was 303.1 pence per share.

An independent valuation of the fair value of options has been carried out. Further details are shown in note 21 to the financial statements "Share-based payments".

Directors' beneficial interests in shares

	31 July 2012	31 July 2011
M A Briffa	**24,600**	24,600
G Charles	**–**	–
R L Everitt	**5,000**	5,000
A G Mack	**1,111,567**	1,111,567
C W Pollard	**25,000**	25,000
A R Wood	**10,000**	–

Share options

Name	Notes	Number of options: 31 July 2011	Granted	Exercised	Expired	Forfeited	**31 July 2012**	Exercise price	Earliest date of exercise	Expiry date
M A Briffa	(a)	40,000	–	–	–	–	**40,000**	792.5p	21 Nov 2009	21 Nov 2016
	(b)	10,000	–	–	–	–	**10,000**	884.0p	24 Jan 2011	24 Jan 2018
	(c)	40,000	–	–	–	–	**40,000**	545.0p	27 Nov 2011	27 Nov 2018
		50,000	–	–	–	–	**50,000**	338.0p	24 May 2013	24 May 2020
		25,000	–	–	–	–	**25,000**	392.5p	26 Oct 2013	26 Oct 2020
		–	75,000	–	–	–	**75,000**	277.5p	20 Apr 2015	20 Apr 2022
		165,000	75,000	–	–	–	**240,000**			
G Charles		40,000	–	–	–	–	**40,000**	392.5p	26 Oct 2013	26 Oct 2020
		–	35,000	–	–	–	**35,000**	277.5p	20 Apr 2015	20 Apr 2022
		40,000	35,000	–	–	–	**75,000**			

Directors' emoluments

	Salary/ fees £	Bonus £	Benefits £	Employer's pension contributions £	**2012 Total £**	2011 Total £
Executive directors:						
M A Briffa	182,500	41,975	2,870	21,900	**249,245**	368,732
G Charles	140,000	24,507	2,877	16,800	**184,184**	240,516
Non-executive directors:						
A J Adams	31,429	–	–	–	**31,429***	60,000
R L Everitt	35,000	–	–	–	**35,000**	25,000
A G Mack	30,000	–	–	–	**30,000**	25,000
C W Pollard†	30,000	–	–	–	**30,000**	25,000
A R Wood	37,917	–	–	–	**37,917**	5,340**
Total directors' emoluments	486,846	66,482	5,747	38,700	**597,775**	749,588

* Payments made to A J Adams for the year up to the date of his resignation 8 February 2012.
** Payments made to A R Wood for the prior year were from the date of his appointment 7 June 2011.
† Payments were made monthly to Mr Pollard in US dollars (total $48,435). The total has been translated using an exchange rate of $1.6149/£1, set in August 2011. Non-executive directors are reimbursed for legitimate business expenses incurred in the performance of their duties. Expenses reimbursed to Mr Pollard, including economy air fares to Board meetings, amounted to $11,636 in the year to 31 July 2012 (2011: $19,152).

Directors' emoluments

Details of directors' emoluments received during the year are set out as shown (above, lower).

Aggregate emoluments disclosed do not include any amounts for the value of options to subscribe for ordinary shares in the Company granted to or held by directors.

The Directors' Remuneration Report was approved by the Board on 10 October 2012 and is signed on its behalf by:

Andrew Wood
Chairman of the Remuneration Committee

Independent Auditor's Report to the members of Air Partner plc

for the year ended 31 July 2012

We have audited the financial statements of Air Partner plc for the year ended 31 July 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of Directors' Responsibilities in Relation to the Financial Statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 28, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Graham Pickett (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom

10 October 2012

Consolidated income statement

for the year ended 31 July 2012

Continuing operations	Note	2012 Underlying* £'000	2012 Non-trading items £'000	2012 Total £'000	2011 Underlying* £'000	2011 Non-trading items £'000	2011 Total £'000
Revenue	3	**227,556**	**–**	**227,556**	281,931	–	281,931
Cost of sales		**(205,792)**	**–**	**(205,792)**	(256,050)	–	(256,050)
Gross profit		**21,764**	**–**	**21,764**	25,881	–	25,881
Administrative expenses		**(18,573)**	**818**	**(17,755)**	(20,241)	(382)	(20,623)
Operating profit		**3,191**	**818**	**4,009**	5,640	(382)	5,258
Finance income	7	**51**	**–**	**51**	45	–	45
Finance expense	7	**(10)**	**89**	**79**	(16)	(24)	(40)
Profit before tax		**3,232**	**907**	**4,139**	5,669	(406)	5,263
Taxation	8	**(1,049)**	**(100)**	**(1,149)**	(1,977)	43	(1,934)
Profit for the period from continuing operations		**2,183**	**807**	**2,990**	3,692	(363)	3,329
Profit for the period from discontinued operations	30	**–**	**–**	**–**	733	–	733
Profit for the period		**2,183**	**807**	**2,990**	4,425	(363)	4,062
Attributable to:							
Owners of the parent company		**2,183**	**807**	**2,990**	4,425	(363)	4,062
Earnings per share:							
Continuing and discontinued operations							
Basic	10	**21.3p**	**7.8p**	**29.1p**	43.1p	(3.5)p	39.6p
Diluted	10	**21.3p**	**7.8p**	**29.1p**	42.7p	(3.5)p	39.2p
Continuing operations							
Basic	10	**21.3p**	**7.8p**	**29.1p**	36.0p	(3.5)p	32.5p
Diluted	10	**21.3p**	**7.8p**	**29.1p**	35.6p	(3.5)p	32.1p
Discontinued operations							
Basic	10	**–p**	**–p**	**–p**	7.1p	–p	7.1p
Diluted	10	**–p**	**–p**	**–p**	7.1p	–p	7.1p

* Before non-trading items (see note 5)

Consolidated statement of comprehensive income

for the year ended 31 July 2012

	2012 £'000	2011 £'000
Profit for the period	**2,990**	4,062
Exchange differences on translation of foreign operations	**(152)**	178
Exchange differences on liquidation of foreign operations	**–**	(532)
Other comprehensive expenditure for the period	**(152)**	(354)
Total comprehensive income for the period	**2,838**	3,708
Attributable to:		
Owners of the parent company	**2,838**	3,708

Consolidated statement of financial position

as at 31 July 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Goodwill	11	**871**	755
Other intangible assets	12	**287**	–
Property, plant and equipment	13	**890**	2,066
Deferred tax assets	22	**469**	418
		2,517	3,239
Current assets			
Trade and other receivables	16	**30,544**	44,881
Current tax assets		**212**	114
Cash and cash equivalents		**15,716**	7,151
Asset held for sale	14	**690**	–
		47,162	52,146
Total assets		**49,679**	55,385
Current liabilities			
Trade and other payables	17	**(8,247)**	(14,574)
Current tax liabilities		**(367)**	(359)
Other liabilities	18	**(26,138)**	(25,871)
Provisions	19	**(724)**	(1,720)
Derivative financial instruments	20	**(90)**	(44)
		(35,566)	(42,568)
Net current assets		**11,596**	9,578
Total liabilities		**(35,566)**	(42,568)
Net assets		**14,113**	12,817
Equity			
Share capital	24	**513**	513
Share premium account		**4,518**	4,518
Translation reserve		**941**	1,093
Share option reserve		**1,238**	1,087
Retained earnings		**6,903**	5,606
Total equity		**14,113**	12,817

These financial statements were approved and authorised for issue by the Board on 10 October 2012 and were signed on its behalf by:

M A Briffa
Director

G Charles
Director

Consolidated statement of changes in equity

for the year ended 31 July 2012

Group	Share capital £'000	Share premium account £'000	Translation reserve £'000	Share option reserve £'000	Retained earnings £'000	**Total equity £'000**
Opening equity as at 1 August 2010	513	4,499	1,447	859	3,641	**10,959**
Profit for the period	–	–	–	–	4,062	**4,062**
Exchange differences on translation of foreign operations	–	–	178	–	–	**178**
Exchange differences on liquidation of foreign operations	–	–	(532)	–	–	**(532)**
Total comprehensive income for the period	–	–	(354)	–	4,062	**3,708**
Share option movement for the period	–	–	–	233	–	**233**
Issue of shares under share option scheme	–	19	–	(5)	5	**19**
Dividends paid	–	–	–	–	(2,102)	**(2,102)**
Closing equity as at 31 July 2011	513	4,518	1,093	1,087	5,606	**12,817**
Profit for the period	–	–	–	–	2,990	**2,990**
Exchange differences on translation of foreign operations	–	–	(152)	–	–	**(152)**
Total comprehensive income for the period	–	–	(152)	–	2,990	**2,838**
Share option movement for the period	–	–	–	151	–	**151**
Dividends paid	–	–	–	–	(1,693)	**(1,693)**
Closing equity as at 31 July 2012	513	4,518	941	1,238	6,903	**14,113**

Company statement of changes in equity

for the year ended 31 July 2012

Company	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	**Total equity £'000**
Opening equity as at 1 August 2010	513	4,499	859	(742)	**5,129**
Profit for the period	–	–	–	6,176	**6,176**
Total comprehensive income for the period	–	–	–	6,176	**6,176**
Share option movement for the period	–	–	233	–	**233**
Issue of shares under share option scheme	–	19	(5)	5	**19**
Dividends paid	–	–	–	(2,102)	**(2,102)**
Closing equity as at 31 July 2011	513	4,518	1,087	3,337	**9,455**
Profit for the period	–	–	–	3,580	**3,580**
Total comprehensive income for the period	–	–	–	3,580	**3,580**
Share option movement for the period	–	–	151	–	**151**
Dividends paid	–	–	–	(1,693)	**(1,693)**
Closing equity as at 31 July 2012	513	4,518	1,238	5,224	**11,493**

Translation reserve

The translation reserve represents the accumulated exchange differences arising from the impact of the translation of subsidiaries with a functional currency other than pounds Sterling.

Share option reserve

The share option reserve relates to the accumulated costs associated with the outstanding share options issued to staff but not exercised.

Company statement of financial position

as at 31 July 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	12	**277**	–
Property, plant and equipment	13	**749**	890
Investments	15	**1,769**	1,714
Deferred tax assets	22	**30**	338
		2,825	2,942
Current assets			
Trade and other receivables	16	**17,946**	28,414
Cash and cash equivalents		**7,459**	1,864
		25,405	30,278
Total assets		**28,230**	33,220
Current liabilities			
Trade and other payables	17	**(2,660)**	(6,576)
Current tax liabilities		**(284)**	(137)
Other liabilities	18	**(13,193)**	(15,288)
Provisions	19	**(510)**	(1,720)
Derivative financial instruments	20	**(90)**	(44)
		(16,737)	(23,765)
Net current assets		**8,668**	6,513
Total liabilities		**(16,737)**	(23,765)
Net assets		**11,493**	9,455
Equity			
Share capital	24	**513**	513
Share premium account		**4,518**	4,518
Share option reserve		**1,238**	1,087
Retained earnings		**5,224**	3,337
Total equity		**11,493**	9,455

These financial statements were approved and authorised for issue by the Board on 10 October 2012 and were signed on its behalf by:

M A Briffa
Director

G Charles
Director

Air Partner plc
Registered No. 980675

Consolidated and company statement of cash flows

for the year ended 31 July 2012

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash flows from operating activities					
Continuing operations	25	**10,871**	(1,446)	**5,536**	(1,690)
Discontinued operations	30	**664**	(575)	**664**	(575)
Net cash inflow/ (outflow) from operating activities		**11,535**	(2,021)	**6,200**	(2,265)
Investing activities					
Continuing operations					
– Interest received		**51**	45	**36**	22
– Dividends received from subsidiaries		**–**	–	**1,765**	3,007
– Equity investment in subsidiary		**–**	–	**–**	(320)
– Purchases of property, plant and equipment		**(230)**	(672)	**(56)**	(577)
– Purchases of intangible assets		**(298)**	–	**(284)**	–
Net cash (used in)/ generated by investing activities		**(477)**	(627)	**1,461**	2,132
Financing activities					
Continuing operations					
– Dividends paid		**(1,693)**	(2,102)	**(1,693)**	(2,102)
– Proceeds on issue of shares		**–**	19	**–**	19
Net cash used in financing activities		**(1,693)**	(2,083)	**(1,693)**	(2,083)
Net increase / (decrease) in cash and cash equivalents		**9,365**	(4,731)	**5,968**	(2,216)
Opening cash and cash equivalents		**7,151**	11,720	**1,864**	4,029
Effect of foreign exchange rate changes		**(800)**	162	**(373)**	51
Closing cash and cash equivalents		**15,716**	7,151	**7,459**	1,864

Notes to the financial statements
for the year ended 31 July 2012

1 General information

Air Partner plc is a company incorporated and domiciled in England and Wales under registration number 980675. The address of the registered office is 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA. The nature of the Group's operations and its principal activities are set out in the CEO's Review on pages 8 to 15.

2 Accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union in accordance with EU law (IAS regulation EC1606/2002) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in Sterling, being the currency of the primary economic environment in which the Group operates. Unless otherwise stated, figures are rounded to the nearest thousand. They are prepared on the historical cost basis, except for the revaluation of certain financial instruments which are stated at fair value.

The accounting policies adopted are consistent with those of the previous financial year, except as described in the following sections.

Non-trading items

The presentation of the income statement and related notes has been amended to show the Group's underlying income and expenditure separately from total income and expenditure. For this purpose, underlying income and expenditure is defined as total income and expenditure less non-trading items; being those items that in the directors' view are required to be separately disclosed by virtue of their size or incidence to assist in understanding the Group's performance. The directors believe that this amended presentation assists in understanding the Group's performance.

The same presentational change has been made to the comparative information in the income statement and related notes. The non-trading items in the comparative period were not separately disclosed in the prior year financial statements as, in the directors' view, they were not material.

Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

— IAS 24 Related Party Disclosures (revised); effective for periods beginning on or after 1 January 2011. The revised standard clarifies the definition of a related party.

— Improvements to IFRSs (issued May 2010) – certain improvements effective for periods beginning on or after 1 January 2011. The amendments to IAS 1 Presentation of Financial Statements clarify the presentation choices for other comprehensive income. The amendments to IAS 34 Interim Financial Reporting provide clarification about disclosures of significant events and transactions during the interim period. The amendments to IFRS 7 Financial instruments: Disclosures clarify the disclosure requirements for certain types of financial instrument. The amendments to IFRIC 13 Customer Loyalty Programmes clarify the treatment for the fair value of award credits. The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are not relevant to the Group.

— IFRS 7 (amended) Financial instruments: Disclosures; effective for periods beginning on or after 1 July 2011. The amendments enhance the derecognition disclosure requirements for transfer transactions of financial assets.

— IFRIC 14 Prepayments of a Minimum Funding Requirement (amended); effective for periods beginning on or after 1 January 2011. The amendments apply to prepayments of minimum funding requirements for defined benefit pension schemes.

New standards, amendments and interpretations in issue but not yet effective
The following standards, amendments and interpretations to existing standards have been published and are not mandatory for the current accounting period, and have not been early adopted by the Group:

— IAS 1 Presentation of Financial Statements (amended); effective for periods beginning on or after 1 July 2012;

— IAS 12 Income taxes – Recovery of Underlying Assets (amended); effective for periods beginning on or after 1 January 2012;

— IAS 19 Employee Benefits (amended); effective for periods beginning on or after 1 January 2013;

— IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (revised); effective for periods beginning on or after 1 January 2013;

— IFRS 9 Financial Instruments; effective for periods beginning on or after 1 January 2015;

— IFRS 10 Consolidated Financial Statements; effective for periods beginning on or after 1 January 2013;

— IFRS 11 Joint Arrangements; effective for periods beginning on or after 1 January 2013;

— IFRS 12 Disclosure of Interests in Other Entities; effective for periods beginning on or after 1 January 2013;

— IFRS 13 Fair Value Measurement; effective for periods beginning on or after 1 January 2013.

There are no standards and interpretations in issue but not yet adopted which, in the opinion of the directors, will have a material effect on the reported income or net assets of the Group or the Company.

Re-presentation – financial instruments disclosures
The comparative information in several of the financial instruments disclosures in note 20 has been re-presented. In the prior year certain customer deposits with the characteristics of financial liabilities were excluded from the financial instruments disclosures. The re-presentation resulted in increases in disclosed Group and Company financial liabilities as at 31 July 2011 of £5,568,000 and £5,165,000 respectively.

2 Accounting policies *continued*

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company (including its branches in Dubai and India) and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) Key accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if these are also affected.

Third party claims

An assessment has been made of the potential costs of settlement of third party claims received following the closure of Air Partner Private Jets Limited, based on discussions with advisors and the outcomes of similar legal cases. There is no guarantee that such claims will be successful, nor that the full amount of the provision will be required. See note 19 for further details.

Impairment of aircraft

During the year, the carrying value of the Group's sole owned aircraft was written down to management's estimate of its fair value less costs to sell, based on a third party valuation. It is possible that the aircraft will not be sold, or that the sales price will differ from the third party valuation, or that the selling costs will not equal management's estimates. See note 14 for further details.

Accruals related to air charter contracts

When revenues and costs for air charter contracts are initially recognised, estimates may need to be made in order to accrue items of income and expenditure that have not been invoiced. These estimates may not reflect the ultimate outcome. During the year, an extensive review of historical accruals related to air charter contracts was performed and as a result a number of accruals were reversed. See note 5 for further details.

d) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO's Review on pages 8 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 16 to 21. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital risk; details of its financial instruments and hedging activities; and its exposures to interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Company has considerable cash resources and no debt. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

e) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated at exchange rates prevailing at the reporting date. Income and expenses are translated at the average rate for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve.

f) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2 Accounting policies *continued*

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

g) Intangible assets

Intangible assets acquired separately are stated at cost less accumulated amortisation and any impairment losses.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Amortisation is charged to the income statement so as to write off the cost of assets less their residual values over their estimated useful lives, as follows:

Software	–	10%-20% per annum on a straight-line basis

h) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to the income statement so as to write off the cost of assets less their residual values over their estimated useful lives, as follows:

Short leasehold property	–	over the life of the lease on a straight-line basis
Leasehold improvements	–	over the life of the lease on a straight-line basis
Fixtures and equipment	–	10–33% per annum on a straight-line basis
Motor vehicles	–	25% per annum on a reducing balance basis
Aircraft	–	8.33% per annum on a straight-line basis

i) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Assets in disposal groups classified as held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

k) Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs, except for financial assets held at fair value through profit or loss which are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 Accounting policies *continued*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. Financial assets at fair value through profit or loss are initially recognised at fair value at the date the contract is entered into, and subsequently gains or losses arising from changes in their fair value are presented in the income statement within administrative expenses in the period in which they arise. The Group's financial assets at fair value through profit or loss comprise derivative financial instruments.

Derivative financial instruments

The Group enters into derivative financial instruments, including foreign exchange forward contracts, to manage its exposure to foreign exchange rate risk. Derivatives not designated into an effective hedge relationship are classified as a financial asset or a financial liability. The Group has not designated any derivatives as hedging items and therefore does not apply hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months at the end of the reporting period. These are classified as non-current assets. Loans and receivables are subsequently carried at amortised cost using the effective interest method. The Group's loans and receivables comprise 'trade receivables' and 'cash and cash equivalents' in the balance sheet.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Financial liabilities

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss, and at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instrument.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial liabilities at fair value through profit or loss are initially recognised at fair value at the date the contract is entered into, and subsequently gains or losses arising from changes in their fair value are presented in the income statement within administrative expenses in the period in which they arise. The Group's financial liabilities at fair value through profit or loss comprise derivative financial instruments.

Financial liabilities at amortised cost
The Group's financial liabilities at amortised cost comprise 'trade and other payables'. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are certain customer deposits which are refundable to customers on demand. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Equity instruments issued by the Group
An equity instrument is a contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group's equity instruments comprise 'share capital' in the balance sheet.

l) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

m) Revenue
Revenue is measured as the fair value of the consideration received for the provision of goods and services to third-party customers and is stated exclusive of Value Added Tax. In respect of the Group's principal activities (being that of air charter brokers and providers of travel agency services), the full contract value is realised as revenue when the economic benefits are deemed to have passed to the customer, which is generally the flight date.

n) Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for resource allocation and assessing performance of the operating segments, is considered to be the Board. The nature of the operating segments is set out in note 3.

2 Accounting policies *continued*

o) Share-based payments

The Group will from time to time grant options to employees to subscribe for ordinary shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which employees become unconditionally entitled to the options, based on management's estimate of the number of options which will ultimately vest, adjusting at each reporting date for the effect of non market-based vesting conditions.

p) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense in the period in which the employees render service. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

q) Taxation

The tax expense represents current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to the tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the reporting date.

r) Non-trading items

Non-trading items are those items that in the directors' view are required to be separately disclosed by virtue of their size or incidence to assist in understanding the Group's performance.

s) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer all, or substantially all, of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income or expenditure from operating leases is recognised on a straight-line basis over the lease term.

t) Dividends

Final dividends on ordinary shares are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised as a liability in the period in which they are paid.

3 Segmental analysis

The services provided by the Group consist of hiring different types of aircraft for charter to its customers and related aviation services. The Board reviews the performance of the services that are provided by the Group on the following basis: Commercial Jet Broking, Private Jet Broking, Freight Broking and Other Services (which includes operations and travel services). Each of these components has been identified as an operating segment.

Sale transactions between operating segments are carried out on an arm's length basis and all revenues, results, assets and liabilities which are reviewed by the Board are prepared on a basis consistent with those that are reported in the financial statements.

The Board does not review information about the amounts of additions which are made to the operating segments' non-current assets. Assets and liabilities are not reviewed at a segmental level, therefore these are not disclosed.

Discontinued operations comprised the activities of Air Partner Private Jets Limited, which was put into administration on 15 March 2010.

The segmental information, as provided to the Board for the reportable segments on a monthly basis, is as follows:

2012	Commercial Jet Broking £'000	Private Jet Broking £'000	Freight Broking £'000	Other Services £'000	Discontinued Operations £'000	**Total £'000**	Discontinued Operations £'000	**Continuing Operations £'000**
Total revenues	139,675	44,033	26,972	19,166	–	**229,846**	–	**229,846**
Revenues from transactions with other operating segments	(773)	(64)	(1,078)	(375)	–	**(2,290)**	–	**(2,290)**
Revenues from external customers	138,902	43,969	25,894	18,791	–	**227,556**	–	**227,556**
Depreciation and amortisation	(138)	(88)	(29)	(25)	–	**(280)**	–	**(280)**
Finance income and expense	64	40	14	12	–	**130**	–	**130**
Underlying profit before tax	1,597	1,011	337	287	–	**3,232**	–	**3,232**
Non-trading items (see note 5)	447	284	95	81	–	**907**	–	**907**
Profit before tax	2,044	1,295	432	368	–	**4,139**	–	**4,139**

2011	Commercial Jet Broking £'000	Private Jet Broking £'000	Freight Broking £'000	Other Services £'000	Discontinued Operations £'000	**Total £'000**	Discontinued Operations £'000	**Continuing Operations £'000**
Total revenues	170,017	40,692	41,806	31,860	–	**284,375**	–	**284,375**
Revenues from transactions with other operating segments	(40)	(36)	(35)	(2,333)	–	**(2,444)**	–	**(2,444)**
Revenues from external customers	169,977	40,656	41,771	29,527	–	**281,931**	–	**281,931**
Depreciation and amortisation	(169)	(77)	(15)	(68)	–	**(329)**	–	**(329)**
Finance income and expense	3	1	–	1	–	**5**	–	**5**
Underlying profit before tax	3,277	1,191	575	626	733	**6,402**	(733)	**5,669**
Non-trading items (see note 5)	(235)	(85)	(41)	(45)	–	**(406)**	–	**(406)**
Profit before tax (restated)	3,042	1,106	534	581	733	**5,996**	(733)	**5,263**

During the year, the segmentation of profit before tax in the information provided to the Board has been updated to more fairly reflect the allocation of overheads to different service categories. The segmentation of profit before tax for 2011 in the table above has therefore been restated to reflect this change.

3 Segmental analysis *continued*

The Company is domiciled in the UK but, due to the nature of the Group's operations, a significant amount of revenue from external customers is derived from overseas countries. The Group reviews revenue based upon the location of the assets used to generate those revenues. Apart from the UK, no single country is deemed to have material revenue and non-current asset levels.

The Board also reviews information on a geographical basis based on the parts of the world which are considered to be key to operational activities. As a result the following additional information is provided showing a geographical split of the United Kingdom, Europe, the United States of America and the Rest of the World:

	United Kingdom £'000	Europe £'000	United States of America £'000	Rest of the World £'000	Discontinued Operations £'000	**Total £'000**
2012						
Revenues from external customers	110,089	94,446	18,064	4,957	–	**227,556**
Non-current assets (excluding deferred tax assets)	990	850	163	45	–	**2,048**
2011						
Revenues from external customers	164,604	96,409	15,874	5,044	–	**281,931**
Non-current assets (excluding deferred tax assets)	1,489	171	1,149	12	–	**2,821**

The Group had revenues of £38,039,000 from one customer who accounted for more than 10% of the Group's external revenue during the year (2011: £75,214,000). This customer is based in the United Kingdom and operates in each business segment.

4 Operating profit

Operating profit for the year has been arrived at after charging / (crediting) the following:

	2012 £'000	2011 £'000
Net foreign exchange (gain) / loss	**(588)**	653
Change in the fair value of derivative financial instruments	**46**	58
Depreciation of property, plant and equipment	**271**	329
Impairment of aircraft	**335**	186
Amortisation of intangible fixed assets	**9**	–
Operating lease rentals – land and buildings	**603**	638
Operating lease rentals – other	**88**	120
Staff costs (see note 6)	**12,602**	12,704

Fees payable to the principal auditor and its network firms for audit and other services are disclosed on the following page.

	2012 £'000	2011 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**53**	77
Fees payable to the Company's auditor and its associates for the audit of subsidiaries pursuant to legislation (including that of countries and territories outside Great Britain)	**14**	18
Total audit fees	**67**	95
Fees payable to the Company's auditor and its associates for other services to the Group:		
Tax services	**126**	9
Other services	**60**	9
Total non-audit fees	**186**	18

Fees for 2012 were payable to Deloitte LLP and its associates, and included £106,000 for tax services and £52,000 for other services which were incurred before Deloitte LLP's appointment as statutory auditor. Fees for 2011 were payable to the Company's previous auditor, Mazars LLP.

5 Non-trading items

Continuing operations	2012 £'000	2011 £'000
Write-back of historical accruals and other credit balances	**1,029**	–
US Federal Excise Tax credited / (charged)	**532**	(220)
Impairment of aircraft	**(335)**	(186)
Restructuring costs	**(319)**	–
Non-trading items before taxation	**907**	(406)
Tax effect of non-trading items	**(100)**	43
Non-trading items after taxation	**807**	(363)

During the year, the Group wrote back £1,029,000 of credit balances from the balance sheet, resulting in a gain within administrative expenses in the income statement. These balances were estimates of invoices and credit notes for revenues and costs related to air charter contracts. Following an extensive review in the year, the Group has concluded that these balances should no longer be retained. This review is now complete.

At the prior year end, a provision of £1,000,000 was held in relation to unpaid Federal Excise Tax due on certain flights contracted by the Company outside the US but involving a US destination. During the second half of the year, the Company and its US tax advisors concluded discussions with the relevant authorities, resulting in payments totalling £468,000 including interest for late payment and professional fees. The remaining provision of £532,000 has been written back to the income statement, resulting in a gain of £443,000 within administrative expenses and a gain of £89,000 within finance expense (2011: £196,000 increase in administrative expenses and £24,000 increase in finance expense).

5 Non-trading items *continued*

The carrying value of the Group's sole owned aircraft was written down by £335,000 (2011: £186,000) to its fair value less costs to sell of £690,000 based on a third party valuation. The aircraft is being actively marketed for sale. See note 14 for further details.

The completion of the Group's cost reduction programme during the year resulted in a one-off restructuring cost of £319,000 (2011: £nil), including redundancy payments, external legal advice and outplacement costs. These costs were included within administrative expenses.

6 Directors and employees

The average number of people employed by the Group (including directors) during the year, analysed by category was as follows:

Continuing operations	2012 Number	2011 Number
Operations	**156**	142
Administration	**59**	58
	215	200

The aggregate payroll costs comprised:

Continuing operations	2012 £'000	2011 £'000
Wages and salaries	**10,201**	10,299
Social security costs	**1,863**	1,903
Pension costs	**387**	269
Share-based payments	**151**	233
	12,602	12,704

The Group contributes to personal pension plans of certain employees and this cost is charged to the income statement in the year in which it is incurred.

Full disclosure of directors' emoluments, share options and directors' pension entitlements which form part of their remuneration packages, and their interests in the Company's share capital are disclosed in the Directors' Remuneration Report.

7 Finance income and expense

Continuing operations	2012 £'000	2011 £'000
Finance income		
Interest on bank deposits	**51**	45

Continuing operations	2012 £'000	2011 £'000
Finance expense		
Interest on bank overdrafts	**10**	16
Interest (credited) / charged on unpaid Federal Excise Tax (see note 5)	**(89)**	24
	(79)	40

8 Taxation

Continuing operations	2012 £'000	2011 £'000
Current tax:		
UK corporation tax	**823**	917
Foreign tax	**357**	739
Amounts underprovided / (overprovided) in previous years	**18**	(17)
	1,198	1,639
Deferred tax (see note 22)	**(49)**	295
Total tax	**1,149**	1,934
Of which:		
Tax on underlying profit	**1,049**	1,977
Tax on non-trading items (see note 5)	**100**	(43)
	1,149	1,934

Corporation tax in the UK was calculated at 25.33% (2011: 27.33%) of the estimated assessable profit for the year. Taxation for other jurisdictions was calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2012 £'000	2011 £'000
Profit from continuing operations before tax	**4,139**	5,263
Profit from discontinued operations before tax	**–**	733
Accounting profit before tax	**4,139**	5,996
Tax at the UK corporation tax rate of 24% (2011: 26%)	**993**	1,559
Effect of UK corporation tax rate at 26% from 1 August to 31 March (2011: 28%)	**100**	79
Tax effect of expenses that are not deductible in determining taxable profit	**299**	208
Tax effect of losses not previously recognised	**(193)**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(68)**	105
Amounts underprovided / (overprovided) in previous years	**18**	(17)
Total tax charge	**1,149**	1,934

The UK corporation tax rate decreased from 26% to 24% from 1 April 2012. The impact on the current year's tax charge is shown above.

Further reductions to the UK corporation tax rate have been announced. A reduction to 23% with effect from 1 April 2013 was substantively enacted on 17 July 2012 and the deferred tax balance has been adjusted to reflect this change (see note 22).

A further reduction to 22% on 1 April 2014 is proposed and will be applied in the Group's financial statements as the legislation is substantively enacted. This change is not expected to result in a material change to the Group's net assets.

9 Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to owners of the parent company in the period		
Final dividend for year ended 31 July 2011 of 11.0 pence (2010: dividend of 15.0 pence) per share	**1,129**	1,538
Interim dividend for year ended 31 July 2012 of 5.5 pence (2011: 5.5 pence) per share	**564**	564
	1,693	2,102

10 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2012 £'000	2011 £'000
Earnings for the calculation of basic and diluted earnings per share		
Continuing and discontinued operations		
Profit attributable to owners of the parent company	**2,990**	4,062
Non-trading items	**(807)**	363
Underlying profit – continuing and discontinued operations	**2,183**	4,425
Continuing operations		
Profit attributable to owners of the parent company	**2,990**	3,329
Non-trading items	**(807)**	363
Underlying profit – continuing operations	**2,183**	3,692
Discontinued operations		
Profit attributable to owners of the parent company	**–**	733
Non-trading items	**–**	–
Underlying profit – discontinued operations	**–**	733
Number of shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	**10,261,393**	10,257,311
Effect of dilutive potential ordinary shares: share options	**7,791**	107,255
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**10,269,184**	10,364,566

The calculation of underlying earnings per share (before non-trading items) is included as the directors believe it provides a better understanding of the underlying performance of the Group. Non-trading items are defined in note 2 and disclosed in note 5.

11 Goodwill

Group	Goodwill £'000
Cost	
At 1 August 2010 and 31 July 2011	755
Foreign currency adjustments	116
At 31 July 2012	871
Provision for impairment	
At 1 August 2010, 31 July 2011 and 31 July 2012	–
Net book value	
At 31 July 2012	871
At 31 July 2011	755

Goodwill has been allocated entirely to one cash generating unit, being Air Partner International SAS.

For the purpose of impairment testing, the recoverable amount of the cash generating unit was measured on the basis of its value in use, by applying cash flow projections based on financial forecasts covering a three-year period. The key assumptions for the value in use calculation were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecast period. The estimated growth rates were based on past performance and expectation of future changes in the market. The growth rate used to extrapolate cash flow projections beyond the period covered by the financial forecasts was 2% (2011: 2%). The rate used to discount the forecast cash flows was 10% (2011: 10%).

The directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of goodwill.

12 Other intangible assets

Software	Group £'000	Company £'000
Cost		
At 1 August 2010 and 31 July 2011	–	–
Additions	298	284
Foreign currency adjustments	(1)	–
At 31 July 2012	297	284
Amortisation		
At 1 August 2010 and 31 July 2011	–	–
Charge for the year	9	7
Foreign currency adjustments	1	–
At 31 July 2012	10	7
Net book value		
At 31 July 2012	287	277
At 31 July 2011	–	–

Other intangible assets comprise acquired software.

13 Property, plant and equipment

Group	Short leasehold property and leasehold improvements £'000	Aircraft £'000	Fixtures and equipment £'000	Motor vehicles £'000	**Total £'000**
Cost					
At 1 August 2010	104	1,822	1,532	42	**3,500**
Additions	693	–	141	–	**834**
Foreign currency adjustments	6	(111)	38	3	**(64)**
Disposals	–	–	(8)	–	**(8)**
At 31 July 2011	803	1,711	1,703	45	**4,262**
Additions	28	–	62	–	**90**
Foreign currency adjustments	(15)	–	(74)	(6)	**(95)**
Reclassified as held for sale	–	(1,711)	–	–	**(1,711)**
At 31 July 2012	816	–	1,691	39	**2,546**
Depreciation and impairment					
At 1 August 2010	80	437	1,132	8	**1,657**
Charge for the year	28	117	176	8	**329**
Impairment loss	–	186	–	–	**186**
Foreign currency adjustments	4	(9)	35	2	**32**
Disposals	–	–	(8)	–	**(8)**
At 31 July 2011	112	731	1,335	18	**2,196**
Charge for the year	81	–	183	7	**271**
Foreign currency adjustments	(13)	–	(63)	(4)	**(80)**
Reclassified as held for sale	–	(731)	–	–	**(731)**
At 31 July 2012	180	–	1,455	21	**1,656**
Net book value					
At 31 July 2012	636	–	236	18	**890**
At 31 July 2011	691	980	368	27	**2,066**

In August 2011, the Group commenced actively marketing its sole owned aircraft for sale. Based on a sales price agreed at the time with a third party, the Group assessed the aircraft's fair value less costs to sell at £980,000 and recognised an impairment loss for the year ended 31 July 2011 of £186,000. The aircraft was then reclassified as an asset held for sale. See note 14 for further details.

Company	Short leasehold property and leasehold improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 August 2010	112	1,357	15	**1,484**
Additions	693	46	–	**739**
At 31 July 2011	805	1,403	15	**2,223**
Additions	28	28	–	**56**
Reclassifications	(23)	24	(1)	**–**
Disposals	(89)	(559)	–	**(648)**
At 31 July 2012	721	896	14	**1,631**
Depreciation				
At 1 August 2010	89	1,103	9	**1,201**
Charge for the year	3	128	1	**132**
At 31 July 2011	92	1,231	10	**1,333**
Charge for the year	69	126	2	**197**
Disposals	(89)	(559)	–	**(648)**
At 31 July 2012	72	798	12	**882**
Net book value				
At 31 July 2012	649	98	2	**749**
At 31 July 2011	713	172	5	**890**

14 Asset held for sale

	Aircraft £'000
At 1 August 2011	**–**
Reclassification from property, plant and equipment	**980**
Impairment	**(335)**
Foreign currency adjustments	**45**
At 31 July 2012	**690**

In August 2011, the Group commenced actively marketing its sole owned aircraft for sale. Accordingly, the aircraft was reclassified as an asset held for sale. The Group is in discussions with a number of parties regarding a potential sale. Based on a third party valuation, the carrying value of the aircraft has been written down at the year end to its fair value less costs to sell of £690,000, resulting in an impairment charge for the year of £335,000.

15 Investments

Company	Investments in shares of subsidiaries £'000	Capital contributions to subsidiaries £'000	Total £'000
Cost			
At 1 August 2010	1,978	451	**2,429**
Additions – capital contributions to subsidiaries	–	605	**605**
Additions – group share-based payments	–	77	**77**
Liquidation of Air Partner Leasing Pty Limited	(692)	–	**(692)**
At 31 July 2011	1,286	1,133	**2,419**
Additions – capital contributions to subsidiaries	–	725	**725**
Additions – group share-based payments	–	55	**55**
Reclassification	212	(212)	**–**
Disposal of investment in Air Partner Leasing USA, Inc.	(319)	(603)	**(922)**
At 31 July 2012	1,179	1,098	**2,277**
Amounts provided			
At 1 August 2010	100	–	**100**
Impairment of investment in Air Partner Leasing USA, Inc.	319	–	**319**
Impairment of investment in Air Partner Nordic AB	–	285	**285**
Impairment of investment in Business Jets Limited	1	–	**1**
At 31 July 2011	420	285	**705**
Impairment of investment in Air Partner Leasing USA, Inc.	–	603	**603**
Impairment of investment in Air Partner Nordic AB	–	122	**122**
Disposal of investment in Air Partner Leasing USA, Inc.	(319)	(603)	**(922)**
At 31 July 2012	101	407	**508**
Net book value			
At 31 July 2012	1,078	691	**1,769**
At 31 July 2011	866	848	**1,714**

During the year, the Company disposed of its investment in the entire issued share capital of Air Partner Leasing USA, Inc., to the Company's wholly owned subsidiary Air Partner, Inc., for consideration of one ordinary share issued by Air Partner, Inc.

The Company tests its investments for impairment if there are indications that the investments may be impaired. The recoverable amount of each investment was measured on the basis of its value in use, by applying cash flow projections based on the financial forecasts covering a three-year period. The key assumptions for the value in use calculation for each subsidiary were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The estimated growth rates were based on past performance and expectation of future changes in the market. The growth rate used to extrapolate cash flow projections beyond the period covered by the financial forecasts was 2% (2011: 2%). The rate used to discount the forecast cash flows was 10% (2011: 10%). The directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a further impairment of the Company's investments.

The following is a list of the principal trading subsidiaries of which Air Partner plc, incorporated in England and Wales, is the beneficial owner:

Name	Principal activity	Country of incorporation	Holding
Air Partner International SAS	Air charter broking	France	100%
Air Partner International GmbH	Air charter broking	Germany	100%
Air Partner, Inc.	Air charter broking	US	100%
Air Partner Leasing USA, Inc.	Aircraft leasing	US	100%*
Air Partner (Switzerland) AG	Air charter broking	Switzerland	100%
Air Partner Travel Consultants Limited	Travel agency	England and Wales	100%
Air Partner Srl	Air charter broking	Italy	100%
Air Partner Havacilik ve Tasimacilik Limited Sirketi	Air charter broking	Turkey	100%**
Air Partner Nordic AB	Air charter broking	Sweden	100%
Air Partner Jet Charter and Sales Private Limited	Air charter broking	India	100%***

* 100% is held by a subsidiary undertaking.
** 40% is held by a subsidiary undertaking.
*** 99.99% is held by one subsidiary undertaking and 0.01% is held by another subsidiary undertaking.

In the opinion of the directors the recoverable amount of the Company's subsidiary undertakings is considered to be in excess of the carrying value.

16 Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Gross trade receivables	**19,004**	28,127	**10,265**	14,576
Allowance for bad and doubtful debts	**(151)**	(252)	**(61)**	(134)
Trade receivables	**18,853**	27,875	**10,204**	14,442
Amounts owed by Group undertakings	**–**	–	**1,342**	1,880
Social security and other taxes	**178**	455	**135**	257
Other receivables	**201**	846	**32**	610
Prepayments and accrued income	**11,312**	15,705	**6,233**	11,225
	30,544	44,881	**17,946**	28,414

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

All trade and other receivables have been reviewed for indicators of impairment. The following receivables were determined to be impaired and were fully provided for, because of poor payment history:

	Group £'000	Company £'000
At 1 August 2010	**260**	**146**
Charge / (credit) for the year	**50**	**(12)**
Receivables written off during the year	**(58)**	**–**
At 31 July 2011	**252**	**134**
Charge for the year	**77**	**78**
Receivables written off during the year	**(178)**	**(151)**
At 31 July 2012	**151**	**61**

16 Trade and other receivables *continued*

In addition, some of the unimpaired trade receivables were past due at the reporting date. The ageing of financial assets was as follows:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Neither past due nor impaired	**12,444**	18,662	**6,345**	9,233
Past due but not impaired:				
– By not more than 3 months	**5,575**	6,537	**3,349**	3,555
– By more than 3 months but not more than 6 months	**336**	1,709	**245**	938
– By more than 6 months but not more than 1 year	**149**	631	**84**	522
– By more than 1 year	**349**	336	**181**	194
	18,853	27,875	**10,204**	14,442

17 Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade payables	**7,745**	13,880	**2,500**	6,444
Other taxation and social security payable	**502**	694	**160**	132
	8,247	14,574	**2,660**	6,576

The directors consider that the carrying amount of trade and other payables approximates their fair value.

18 Other liabilities

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Deferred income	**19,613**	17,414	**9,656**	7,592
Accruals	**6,148**	6,960	**3,514**	4,975
Other liabilities	**377**	1,497	**–**	42
Amounts owed to Group undertakings	**–**	–	**23**	2,679
	26,138	25,871	**13,193**	15,288

The directors consider that the carrying amount of other liabilities approximates their fair value.

19 Provisions

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
US Federal Excise Tax	**–**	1,000	**–**	1,000
Administration claims	**474**	572	**474**	572
Restructuring	**250**	–	**36**	–
Dilapidations	**–**	148	**–**	148
	724	1,720	**510**	1,720

In the prior year, a provision of £1,000,000 was held in relation to unpaid Federal Excise Tax due on certain flights contracted by the Company outside the US but involving a US destination. During the year, the Company and its US tax advisors concluded discussions with the relevant authorities. See note 5 for further details.

A provision of £474,000 (2011: £572,000) was held in relation to the potential costs of settlement of claims which have been received from third parties following the closure of Air Partner Private Jets Limited. The reduction in the provision was due to certain contractual exposures lapsing during the year. All remaining claims within this provision are expected to be settled by 31 July 2014.

The restructuring provision relates to redundancy costs incurred as part of a structural review of the business completed in the year. Whilst the majority of the employees affected had left the business prior to the year end, a number of employees will leave after the year end as part of a formal and fully communicated plan. The redundancy provision for these individuals totalled £250,000 (2011: £nil) across the Group and £36,000 (2011: £nil) for the Company.

As at 31 July 2011, £148,000 was provided for dilapidations costs for the Company's previous registered office which were expected to be incurred on or before the expiry of the lease on those premises on 1 November 2011. During the year to 31 July 2012, a final payment was made in full and final settlement, which totalled £148,000.

20 Financial instruments

The objectives of the Group's treasury activities are to manage financial risk, minimise adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities and to ensure that the working capital requirements fit the needs of the ongoing business.

The Group has various financial instruments such as cash, trade receivables and trade payables that arise directly from its operations, along with forward currency contracts undertaken to minimise risk on future business.

a) Interest rate risk

The Group's policy is to manage interest rate risk and to maximise its return from its cash balances. The Group's main interest rate risk is related to variable rates on cash held at the bank. Certain cash balances are deposits on fixed interest terms, but are never lodged for more than three months to ensure that the Group does not suffer unduly from the risk of interest rate variation.

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Cash held at year end on fixed interest rates	**1,208**	1,610	**16**	16
Cash held at year end on variable interest rates	**14,508**	5,541	**7,443**	1,848
	15,716	7,151	**7,459**	1,864

20 Financial instruments *continued*

The following table illustrates the sensitivity of cash held on variable interest rates on profit before tax for the year to a reasonably possible change in interest rates, with effect from the beginning of the year. There was no additional impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions. The rate range on which interest was receivable during the year was 0.0% to 10.4% (2011: 0.0% to 2.3%).

	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
Group	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Cash held at year end on variable interest rates	**145**	55	**(145)**	(55)

	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
Company	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Cash held at year end on variable interest rates	**74**	18	**(74)**	(18)

b) Credit risk

The carrying amount of financial assets recognised at the reporting date, as summarised below, represents the Group's maximum exposure to credit risk:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Cash and cash equivalents	**15,716**	7,151	**7,459**	1,864
Trade and group receivables	**18,853**	27,875	**11,546**	16,322
	34,569	35,026	**19,005**	18,186

The Group constantly monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to an external credit verification process.

The directors consider that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk to commercial customers, as credit risk is predominantly government based.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Refer to note 16 for details of impairment losses for financial instruments.

c) Liquidity risk

The Group faces liquidity risks in paying operators before a flight occurs or before payment is received from the client. The Group aims to mitigate liquidity risk by, where possible, making payments to operators only once payment from the client has been received.

The Group manages cash within its operations and ensures that cash collection is efficiently managed. Any excess cash is placed on low-risk, short-term interest-bearing deposits or distributed to shareholders through dividends, although the Group retains enough working capital in the business to ensure that the business operations can run smoothly.

As at 31 July 2012, the Group's financial liabilities had contractual maturities which are summarised below:

	Current				Non-current			
Group	Within 6 months		6 to 12 months		1 to 5 years		More than 5 years	
	2012 £'000	2011 (Re-presented) £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade and other payables	15,356	19,448	–	–	–	–	–	–
Derivative financial instruments	90	44	–	–	–	–	–	–
	15,446	19,492	–	–	–	–	–	–

	Current				Non-current			
Company	Within 6 months		6 to 12 months		1 to 5 years		More than 5 years	
	2012 £'000	2011 (Re-presented) £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade, group and other payables	9,008	14,288	–	–	–	–	–	–
Derivative financial instruments	90	44	–	–	–	–	–	–
	9,098	14,332	–	–	–	–	–	–

d) Foreign currency risk

The Group has invested in foreign operations outside the United Kingdom and also buys and sells goods and services denominated in currencies other than Sterling. As a result the value of the Group's non-Sterling revenue, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and in US Dollar and Euro rates in particular. The Group's policy on foreign currency risk is not to enter into forward contracts until a firm contract has been signed.

The Group considers using derivatives where appropriate to hedge its exposure to fluctuations in foreign exchange rates. The purpose is to manage the currency risks arising from the Group operations. It is the Group's policy that no trading in financial instruments will be undertaken.

Foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	2012 £'000				2011 (Re-presented) £'000			
Group	Eur €	US $	GBP £	Other	Eur €	US $	GBP £	Other
Financial assets	15,798	6,244	11,579	948	20,988	7,596	5,598	844
Financial liabilities	(10,750)	(1,954)	(2,405)	(337)	(12,968)	(1,550)	(4,558)	(416)
Short-term exposure	5,048	4,290	9,174	611	8,020	6,046	1,040	428
Financial assets	–	–	–	–	–	–	–	–
Financial liabilities	–	–	–	–	–	–	–	–
Long-term exposure	–	–	–	–	–	–	–	–
	5,048	4,290	9,174	611	8,020	6,046	1,040	428

	2012 £'000				2011 (Re-presented) £'000			
Company	Eur €	US $	GBP £	Other	Eur €	US $	GBP £	Other
Financial assets	4,362	3,878	10,213	552	5,978	6,852	4,926	430
Financial liabilities	(5,988)	(1,016)	(2,083)	(11)	(7,862)	(1,984)	(4,450)	(36)
Short-term exposure	(1,626)	2,862	8,130	541	(1,884)	4,868	476	394
Financial assets	–	–	–	–	–	–	–	–
Financial liabilities	–	–	–	–	–	–	–	–
Long-term exposure	–	–	–	–	–	–	–	–
	(1,626)	2,862	8,130	541	(1,884)	4,868	476	394

20 Financial instruments *continued*

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the Euro and US Dollar exchange rates, with all other variables held constant, on profit before tax and equity. It assumes a 10% change of the Sterling/Euro exchange rate for the year ended 31 July 2012 (2011: 10%). A 10% change is also assumed for the Sterling/US Dollar exchange rate (2011: 15%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If Sterling had strengthened against the Euro and US Dollar by 10% (2011: 10%) and 10% (2011: 15%) respectively the impact would have been as follows:

	2012 £'000			2011 (Re-presented) £'000		
Group	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**(1,580)**	**(624)**	**(2,204)**	(2,099)	(1,139)	(3,238)
Financial liabilities	**1,075**	**195**	**1,270**	804	229	1,033
Effect on profit before tax	**(505)**	**(429)**	**(934)**	(1,295)	(910)	(2,205)

	2012 £'000			2011 (Re-presented) £'000		
Company	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**(436)**	**(388)**	**(824)**	(598)	(1,028)	(1,626)
Financial liabilities	**599**	**102**	**701**	332	298	630
Effect on profit before tax	**163**	**(286)**	**(123)**	(266)	(730)	(996)

If Sterling had weakened against the Euro and US Dollar by 10% (2011: 10%) and 10% (2011: 15%) respectively the impact would have been as follows:

	2012 £'000			2011 (Re-presented) £'000		
Group	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**1,580**	**624**	**2,204**	2,099	1,139	3,238
Financial liabilities	**(1,075)**	**(195)**	**(1,270)**	(804)	(229)	(1,033)
Effect on profit before tax	**505**	**429**	**934**	1,295	910	2,205

	2012 £'000			2011 (Re-presented) £'000		
Company	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**436**	**388**	**824**	598	1,028	1,626
Financial liabilities	**(599)**	**(102)**	**(701)**	(332)	(298)	(630)
Effect on profit before tax	**(163)**	**286**	**123**	266	730	996

e) Forward contracts

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is a party to foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and any change in their fair value is recognised in the income statement. No derivatives qualified for hedge accounting during the year (2011: none).

At the reporting date, the total notional amount of outstanding forward foreign exchange contracts that the Group had committed are as below and their related fair value was as follows (terms not exceeding three months from 31 July 2012):

Group and Company	2012 £'000	2011 £'000
Forward foreign exchange contracts – notional amount	**4,248**	2,580
Financial liability	**(90)**	(44)

Changes in the fair value of derivative financial instruments amounting to £46,000 have been charged to the income statement in the year (2011: charge of £58,000).

These derivative financial instruments are not traded in active markets. Their fair value has been determined by using valuation techniques which maximise the use of observable market data, namely the contract exchange rate and the bank's forward rate. The derivatives are therefore categorised as level 2 using the fair value hierarchy.

f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group has no debt and capital therefore consists entirely of equity.

The Group's primary tool in managing risk is cash flow analysis. In addition to strategic cash flow management the Group performs detailed weekly cash flow modelling.

The schedule of matters reserved for Board decision includes approval of any financial instruments or bank borrowings in excess of £2,000,000.

g) Financial assets by category

Group	2012 £'000	2011 £'000
Loans and receivables	**34,569**	35,026
Current assets which are not financial assets	**12,593**	17,120
Total current assets	**47,162**	52,146

Company	2012 £'000	2011 £'000
Loans and receivables	**19,005**	18,186
Current assets which are not financial assets	**6,400**	12,092
Total current assets	**25,405**	30,278

20 Financial instruments *continued*

h) Financial liabilities by category

Group	2012 £'000	2011 (Re-presented) £'000
Financial liabilities held at fair value through profit or loss	**(90)**	(44)
Financial liabilities measured at amortised cost	**(15,356)**	(19,448)
Current liabilities which are not financial liabilities	**(20,120)**	(23,076)
Total current liabilities	**(35,566)**	(42,568)

Company	2012 £'000	2011 (Re-presented) £'000
Financial liabilities held at fair value through profit or loss	**(90)**	(44)
Financial liabilities measured at amortised cost	**(9,008)**	(14,288)
Current liabilities which are not financial liabilities	**(7,639)**	(9,433)
Total current liabilities	**(16,737)**	(23,765)

The directors consider that the carrying amount of the financial assets and liabilities approximates their fair value.

21 Share-based payments

The Company operates a share option scheme under which options may be granted to certain senior staff of the Group to subscribe for ordinary shares in the Company. The Scheme rules cover grants under an Approved and an Unapproved section of the scheme. According to those rules, options may be granted at an exercise price equal to the average quoted market price of the Company's shares on the dealing day immediately preceding the date of grant. The vesting period is three years. With certain exceptions, options are forfeited if an employee leaves the Group and outstanding options expire if they remain unexercised after a period of 10 years from the date of grant.

Details of the share options outstanding during the year are as follows:

	2012		2011	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding as at 1 August	**797,315**	**470.8**	749,075	476.1
Granted during the year	**340,000**	**277.5**	72,500	393.0
Forfeited during the year	**(93,549)**	**434.9**	(19,260)	409.3
Exercised during the year	**–**	**–**	(5,000)	387.5
Outstanding at 31 July	**1,043,766**	**411.1**	797,315	470.8
Exercisable at 31 July	**370,666**	**603.6**	202,775	696.3

The weighted average remaining contractual life of share options outstanding at the year end was 7.56 years (2011: 7.54 years).

The exercise prices of share options outstanding at the year end ranged from 277.5 pence to 884 pence (2011: 295 pence to 884 pence).

No options were exercised during the year. In the prior year, the weighted average market price on the exercise of options was 500 pence.

The fair value received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of fair value of the services received for share options granted during the year was measured based on the Monte Carlo model. The contractual life of the option (10 years) is used as an input into this model.

The inputs into the Monte Carlo model are as follows:

	20 April 2012
Underlying share price (pence)	277.5p
Exercise price (pence)	277.5p
Expected volatility	50%
Vesting period	3 years
Option life	10 years
Employee exit rate	10%
Employee exercise multiple	1.5
Risk-free interest rate	2.18%
Dividend yield	5.0%

Of 340,000 options granted on 20 April 2012, 190,000 were subject to both service and performance conditions.

A maximum of 50% of the options will vest if growth in the Company's Total Shareholder Return ('TSR') outperforms the FTSE UK Small Cap Index excluding Investment Trusts (the 'Index'), by more than the equivalent of 5% per annum (compounded) over a period of three years. Half of this number of options will vest if TSR outperformance relative to the Index is the equivalent of 5% per annum (compounded). All the options will vest if TSR outperformance relative to the Index is the equivalent of 10% per annum (compounded), with a sliding scale for outperformance between 5% and 10%.

The remaining 50% of options will vest if underlying group profit before tax for the year ending 31 July 2015 exceeds twice the underlying group profit before tax for the financial year ended 31 July 2012 or £6 million, whichever is the higher.

The remaining 150,000 options granted on 20 April 2012 were subject only to a service condition.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the ten years prior to the grant date, along with six other quoted companies that were considered to exhibit some degree of comparability with Air Partner.

The weighted average fair value of options granted during the year was £0.86 (2011: £1.34).

The total charge for the year relating to employee share-based payment plans was £151,000 (2011: £233,000), all of which related to equity share-based payment transactions.

22 Deferred tax

Deferred tax has been calculated at 23% (2011: 26%) in respect of UK companies and at the prevailing tax rates for the overseas subsidiaries. The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

Group	Tax deduction for Federal Excise Tax £'000	Net accelerated tax depreciation £'000	Tax losses £'000	Share-based payment £'000	Other temporary differences £'000	**Total £'000**
At 1 August 2010	134	143	189	253	–	**719**
Exchange differences on opening balances	–	(4)	(3)	–	1	**(6)**
(Expense) / credit to the income statement	(134)	(42)	(186)	(5)	72	**(295)**
At 31 July 2011	–	97	–	248	73	**418**
Exchange differences on opening balances	–	(3)	–	–	(4)	**(7)**
Credit / (expense) to the income statement	–	89	246	(248)	(29)	**58**
At 31 July 2012	–	183	246	–	40	**469**

Company	Tax deduction for Federal Excise Tax £'000	Net accelerated tax depreciation £'000	Share-based payment £'000	Other temporary differences £'000	**Total £'000**
At 1 August 2010	134	150	253	–	**537**
(Expense) / credit to the income statement	(134)	(96)	(5)	36	**(199)**
At 31 July 2011	–	54	248	36	**338**
Expense to the income statement	–	(24)	(248)	(36)	**(308)**
At 31 July 2012	–	30	–	–	**30**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Deferred tax assets	**469**	418	**30**	338

At the balance sheet date the Group had undistributed earnings in respect of overseas subsidiaries that would be subject to overseas withholding taxes on remission to the UK. No liability has been recognised in respect of these earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the balance sheet date, the Group had unused tax losses totalling £404,000 (2011: £907,000) for which no deferred tax asset was recognised, as it is not considered probable that there will be future taxable profits available.

23 Employee benefits

In the UK, the Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held in individual personal pension schemes which are fully transferable if the employee leaves the Company.

Similar schemes operate across the rest of the Group depending on local regulations and individual social contribution levels. The amount of expense related to such pension contributions is disclosed in note 6.

24 Share capital

	2012 £'000	2011 £'000
Authorised		
15,000,000 (2011: 15,000,000) ordinary shares of 5.0 pence each	**750**	750
Issued and fully paid		
10,261,393 (2011: 10,261,393) ordinary shares of 5.0 pence each	**513**	513

The Company has one class of ordinary shares which carries no right to fixed income and entitles holders to one vote per share at general meetings of the Company.

25 Net cash inflow / (outflow) from operating activities

	Group		Company	
Continuing operations	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Profit for the year	**2,990**	3,329	**3,580**	5,375
Adjustments for:				
Dividends received	**–**	–	**(1,765)**	(3,471)
Finance income	**(51)**	(45)	**(36)**	(22)
Finance expense	**(79)**	40	**(79)**	59
Income tax expense	**1,149**	1,934	**1,113**	1,075
Depreciation and amortisation	**280**	329	**204**	132
Impairment of aircraft	**335**	186	**–**	–
Impairment of investments	**–**	–	**725**	605
Fair value losses on derivative financial instruments	**46**	58	**46**	58
Share option cost for period	**151**	233	**96**	156
(Decrease) / increase in provisions	**(907)**	172	**(1,121)**	172
Foreign exchange differences	**236**	–	**373**	–
Operating cash flows before movements in working capital	**4,150**	6,236	**3,136**	4,139
Decrease / (increase) in receivables	**11,927**	(2,867)	**9,804**	500
Decrease in payables	**(3,908)**	(3,203)	**(6,736)**	(5,380)
Cash generated from / (used in) operations	**12,169**	166	**6,204**	(741)
Income taxes paid	**(1,288)**	(1,596)	**(658)**	(914)
Interest paid	**(10)**	(16)	**(10)**	(35)
Net cash from operating activities	**10,871**	(1,446)	**5,536**	(1,690)

26 Operating lease arrangements

The Group as lessee	2012 Land and buildings £'000	2011 Land and buildings £'000	2012 Other £'000	2011 Other £'000	2012 Total £'000	2011 Total £'000
Minimum lease payments under operating leases recognised as costs for the year	**603**	638	**88**	120	**691**	758

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

The Group as lessee	2012 Land and buildings £'000	2011 Land and buildings £'000	2012 Other £'000	2011 Other £'000	2012 Total £'000	2011 Total £'000
Within one year	**353**	528	**77**	78	**430**	606
In the second to fifth year inclusive	**755**	860	**80**	130	**835**	990
After five years	**670**	848	–	–	**670**	848
	1,778	2,236	**157**	208	**1,935**	2,444

Operating lease payments represent rentals payable by the Group for certain office properties, motor vehicles and office equipment it uses. Leases are negotiated in isolation, dependent on the trading conditions in the country / region concerned.

The Group as lessor	2012 Aircraft leasing £'000	2011 Aircraft leasing £'000
Within one year	–	234
In the second to fifth year inclusive	–	799
After five years	–	–
	–	1,033

Aircraft leasing rental income earned during the year was £144,000 (2011: £79,000).

27 Profit for the financial year

The Group financial statements do not include a separate income statement for Air Partner plc (the parent undertaking) as permitted by Section 408 of the Companies Act 2006. The parent company profit after tax for the financial year was £3,580,000 (2011: profit of £6,176,000) including dividends from subsidiary companies of £1,765,000 (2011: £3,471,000). The parent company has no other items of comprehensive income.

28 Related party transactions

The Company had the following transactions with related parties in the ordinary course of business during the year under review.

Trading transactions	2012 £'000	2011 £'000
Subsidiaries		
Sales to subsidiaries	**179**	117
Purchases from subsidiaries	**1,012**	1,525
Amounts owed by subsidiaries at 31 July	**1,342**	1,880
Amounts owed to subsidiaries at 31 July	**(23)**	(2,679)

Outstanding balances that relate to trading balances are placed on inter-company accounts with no specific credit period.

Compensation of key management (being the directors)	2012 £'000	2011 £'000
Short-term employee benefits	**559**	713
Post-employment benefits	**39**	36
Share-based payment	**73**	55
	671	804

29 Contingent liabilities

The Group had a charge over cash of £240,000 in respect of a passenger sales agency agreement (2011: £240,000). Additionally the Group had a bank guarantee for £17,000 (2011: £10,000) lodged in regard to certain employee rights in Dubai.

30 Discontinued operations

Group profit from discontinued operations comprises the following:

	2012 £'000	2011 £'000
Gain on liquidation of subsidiaries and branch	–	532
Disposal of Air Partner Private Jets Limited	–	201
	–	733

During the year ended 31 July 2011, the Company liquidated two of its Australian subsidiaries, Air Partner Leasing Pty Limited and Air Partner Leasing No. 2 Pty Limited, and a former branch in Japan. In accordance with IAS 21, the cumulative exchange differences relating to these foreign operations and accumulated in the translation reserve were taken to profit on liquidation. This resulted in a gain of £532,000 in the year to 31 July 2011 (2012: £nil).

On 15 March 2010, Air Partner Private Jets Limited, a wholly-owned subsidiary, was put into administration. On that date the control of the subsidiary was passed to the administrators. As a result of this decision, the results of Air Partner Private Jets Limited up to the date of disposal were classified as discontinued operations in the consolidated income statement.

In the year ended 31 July 2011, the Company's estimate of the expected return from the administrators increased to £601,000, based on advice from the administrators. This change in estimate compared to the previous expected return of £400,000 resulted in a profit on disposal of £201,000. During the year to 31 July 2012, the Group received £664,000 cash from the administrators.

During the year ended 31 July 2012, Air Partner Private Jets Limited contributed £664,000 to the Group's net operating cashflows (2011: reduction of £575,000).

The effect of discontinued operations on segment results is disclosed in note 3.

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