By Appointment to
Her Majesty The Queen
Supplier of Aircraft Charter

# AIR PARTNER

Air Partner plc
Annual Report 2009

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Air Partner is a world-class company, providing every type of aircraft, for every conceivable mission, in every part of the planet.

No other company does what we do.

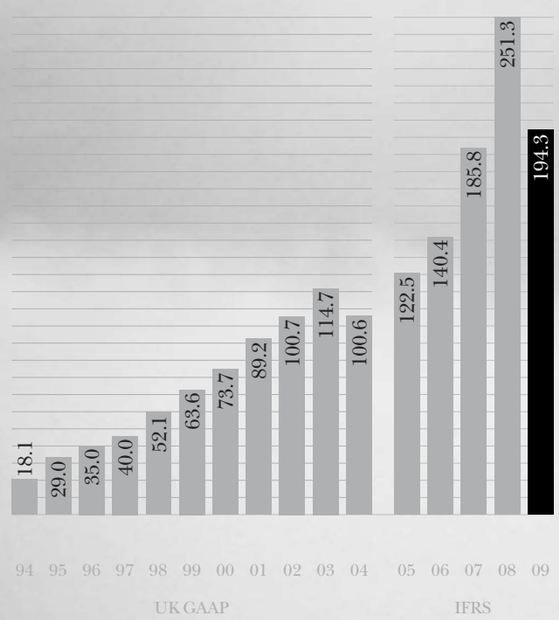
Today, we provide a broader range of services, across more sectors and geographies than ever before.

Our reputation for absolute discretion, reliability and innovation has been forged over almost 50 years.

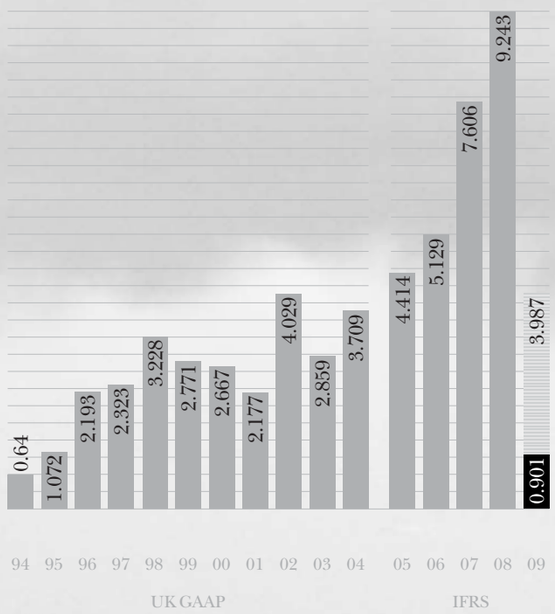
Our growth strategy has proved itself through changing economic climates; since flotation we have delivered 727% share price appreciation, returned 416% of the initial float price in dividends, and delivered total shareholder return of 2,071%.

# Financial highlights

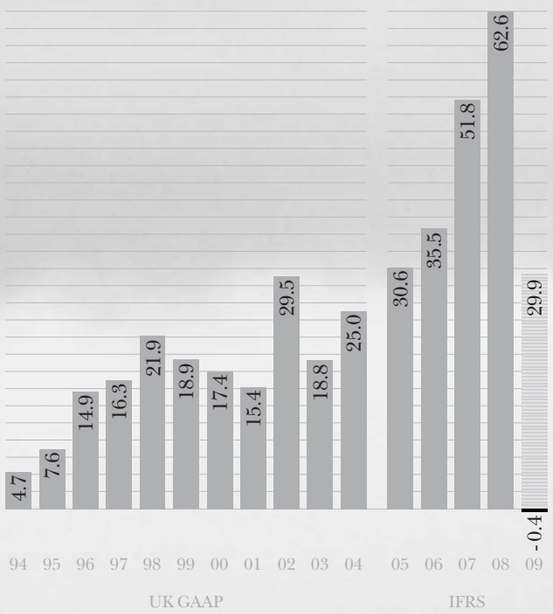
Turnover £m



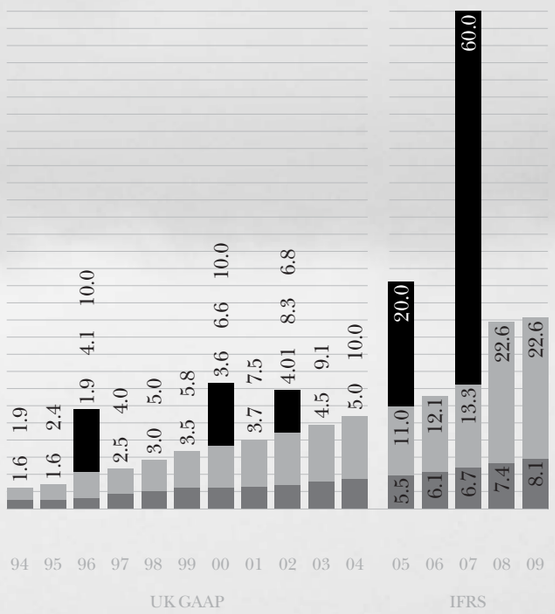

Pre-Tax Profit £m




Basic Earnings per share pence




Dividend per share pence



# The business model, the global market and the growth drivers

As one of the world's largest brokers we act as a marketer and reseller of private charters on quality airliners, private jets and freight aircraft; we operate day and night around the world, for any and every purpose. We are focused on becoming the only truly global supplier of aircraft and aviation solutions.

In a very fragmented marketplace, where many supplier airlines are not structured for direct selling, both the buyer and the seller benefit greatly from the active involvement of a reseller who adds heavily to the value proposition on each side.

This is a low-margin industry requiring talented people, great logistical experience and expertise, and fanatical attention to detail. To be dominant one must have the very best team of brokers, be well-managed, highly efficient, forward-thinking, proactive, and be able to optimise all available resources to sustain high volumes of business. One must also have volume for the business to be truly viable. Air Partner has all these assets and is driven by a senior team, passionate for growth.

Any broker or intermediary can 'arrange flights'; the art of broking is to work alongside the supplier airline to deliver truly successful flights that meet or beat client expectations. The fine art of broking is to do that 100% of the time, and irrespective of volume.

Whilst the industry primarily services a market driven by ad hoc need, there is an increasing number of clients who recognise the value of using private aviation to solve and host their business and personal needs on a more regular basis. Traditionally though, there are few opportunities for medium-term contracts, so forward visibility is always poor. Air Partner wins disproportionately more contracts than similar companies.

Clients come from three main market segments: Corporates, Governments, and Private (HNW) individuals. The global market size is estimated to be well in excess of £20bn annually. With Air Partner being the largest co-ordinated player and still having only 1% total market share, the business has generous headroom.

In the five years to late 2008, the market experienced quantum growth, with Air Partner sales increasing by 150%; this was driven by the trend to globalisation, strong Western economies, an increasing value placed on time, and the utter exasperation of travelling on scheduled airlines.

The current recession has understandably hit all aviation companies; whilst many have become loss-making, Air Partner has continued profitably but at reduced levels.

Although current revenues are severely affected by the lack of corporate activity, we believe that the underlying growth drivers will continue to apply with the return of corporate confidence.

Corporate sector split %

40%

Government sector split %

40%

Private HNW sector split %

20%

Air Partner comprises three main divisions, supported by a host of small support teams.

# Our core services

## The business model, the global market and the growth drivers *continued*

Commercial Jets share of group revenue %

64%

### COMMERCIAL JETS

The charter of large airliners, typically Airbus and Boeing equipment, as used by Corporates, Governments, and occasional HNW clients. Bespoke chartered jets offer huge flexibility to users, overcome many of the exasperations of flying on scheduled airlines, and usually cost less per seat than alternative options.

There are multifarious reasons why airliners are chartered: Corporates use them for product launches, conferences, incentives and motivational reasons, and Corporate shuttles. Governments use them for political, Royal, ministerial, military, security, trade, civic, humanitarian and general logistical support reasons.

A range of other users charter for sports events, holiday flights, airline sub-services, and hospitality events; even retail billionaires and other HNWs rent them for their private parties and entertainment.

Our CJ team contracts and manages over 30,000 flight hours, representing tens of thousands of flights annually.

Average visibility – two months

Private Jets share of group revenue %

24%

### PRIVATE JETS

A team dedicated to offering the full range of private jet products and services from ad hoc charter without commitment, to JetCards (offering 25+ hours of pre-paid use), and owner services of private jet sales consultancy, jet management, charter management, and jet maintenance.

Clients require logistical excellence, easy solutions, value for money, and a recognition from the supplier that, for instance, a five-minute delay on a £10,000 flight is quite unacceptable.

Our PJ team is the largest, longest-standing and most experienced anywhere, bar none.

We operate tens of thousands of flights each year through a qualified and audited group of around 250 preferred suppliers. Additionally 10% of our flights are reserved for our in-house fleet.

Average visibility – two days

Freight share of group revenue %

10%

### FREIGHT

Most of the world's air freight travels underbelly on scheduled airlines, charged at 'pence per kilo' rates, usually at times, and along routes, to suit the airline not the client.

Our Freight team serves the alternative market where clients need their goods moving to their destination directly, immediately, and on a dedicated plane.

Typically flights go at times and to places where the scheduled airlines do not serve. Regular users are Governments and Corporates.

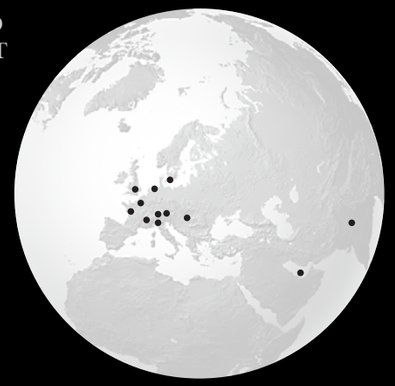
Payloads vary from the normal (perhaps a satellite, 120 tons of aspirin, or vital car parts), the abnormal (a jet fighter), to the totally bizarre (a nine-carriage railway train, 70 tons of medical supplies, and 1,000 tons of aviation kerosene, as examples).

Average visibility – two hours

# A diversified business

The business has always traded strongly when markets are strong. However, over the last decade management has focused on building a business that is equally robust in less favourable market conditions. To this end it has followed a three-dimensional strategy for revenue diversification.

EUROPE AND MIDDLE EAST



NORTH AMERICA

ASIA

## GEOGRAPHIC GROWTH

In 1995 the Group stepped out from being a purely British business and opened its first international office in Paris. The UK business model held up well in this international environment and the French office was profitable from inception, and has grown strongly since. Over the next decade a further 15 offices were planted.

By 2008 the Group had 23 offices across 15 countries. With the recession in 2009 that has been trimmed back to 20 in 12 countries.

## PRODUCT GROWTH

Each year we seek to add new products or services to sell to our core client markets. Within the umbrella of our Commercial Jets and Private Jets businesses we have, over the years, added many additional services; notable ones include JetCard, private jet management and maintenance, Air Planner, and GSA partnerships. In 2009 we introduced a small fuel broking team, offering smaller airlines better pricing on fuel at their less-frequented airports.

What we offer

- Private Jet Charter
- Commercial Jet Charter
- Freight Charter
- JetCards
- Block Hours Contracts
- Private Jet Sales
- Private Jet Management
- Private Jet Maintenance
- Emergency Planning
- Flight Operations
- Travel Service
- Fuel Broking

## CLIENT SECTOR GROWTH

Close attention to market trends will usually allow for us to target new niches every year. Clients who previously had no need for our services can often become new users as world events and changes in the economy occur. We constantly look for new markets, and repackage our products and services to fit these emerging markets. The explosive growth in the use of private jets by the HNW sector, notably for leisure, is a recent example. From a zero start in 2005, this now represents 20% (£38.9m) of Group activity.

Together, this three-dimensional diversification of revenues has converted the Group into a strong global player, and reduced its business vulnerability to the cyclicality of any one market. As a by-product, we see a smoothening of the PBT trend line. In the 2006-2008 period, where we experienced near-perfect trading conditions, record results were generated as every division, market, and sector had individually outperformed expectation.

# Chairman's Statement

*" At its heart, Air Partner is a broking business, and we draw encouragement from the fact that our broking divisions have performed creditably, considering the poor state of the market. "*

Aubrey Adams, Chairman

It has been a very challenging year, particularly in the aviation sector; only 12 months ago Air Partner reported all time record results and a strong start to trading in Q1 2009. However, despite what has been widely described as the worst trading environment in aviation history, Air Partner has remained profitable. While today's results are significantly down on the prior record position, the Group continues with no debt, significant cash reserves, lean overheads, and the ability to react to new opportunities.

In the period under review, turnover fell by 23% to £194.3m (2008: £251.3m), underlying (before exceptional costs and goodwill impairments) profits fell 57% to £4.0m (2008: £9.2m), and underlying earnings per share decreased by 52% to 29.9p (2008: 62.6p). At the year end the Group cash position was £16.1m (2008: £20.8m) equating to £1.58 per share. After a 50% dividend increase last year, the Board is recommending maintaining the final dividend at 22.6p resulting in a total dividend for the year up 2% at 30.7p (2008: 30.0p), to be paid on 18 December 2009, to shareholders on the register at 13 November 2009.

At its heart, Air Partner is a broking business, and we draw encouragement from the fact that our broking divisions have performed creditably, considering the poor state of the market. In a period of intense competitive pressure the Company has focused its attention, wherever possible, on quality business and accepted that some short term sales decline is inevitable. As a result, despite a reduction in turnover, the average gross margin increased to 12.8% (2008: 11.9%) and underlying broking profitability was £6.5m (down 23% from £8.5m in 2008).

## Trading Environment

At the half year, we reported a strong first quarter followed by a very weak second. At that time we anticipated a weaker third quarter, with some seasonal recovery in the fourth. However, in the June Interim Management Statement (IMS) we cautioned that the anticipated seasonal improvement had not materialised, and flagged the need for management to cut costs to adjust the business for reduced demand.

While the initial fall in demand was steep, the rate has slowed since issuing the IMS, and during the summer it stabilised, albeit at lower levels. Reviewing trading today, a year on from the peak of the credit crunch, it is clear that our diversity has been the key to maintaining profitability and a leading position amongst our peers. Across the group, of our three client sectors, sales to Governments have fallen (down 28%) in the face of many distressed competitors undercutting prices. Sales to the Corporate sector have suffered similar falls (down 30%), stemming from the global loss of confidence, whilst our HNW volumes actually rose (up 22%) although it should be stressed that this increase was driven by our strong Q1 performance, before the sudden downturn that followed.

Throughout the year the management team has kept a tight focus on strategy. Relative to our peers, Air Partner has consistently demonstrated a strength and resilience uncommon in the sector, with all the core business fundamentals remaining in play today. Air Partner has always been a lean business, but we have further tightened our budgets and reduced capital spend with all of the restructuring costs included in the year under review.

# Chairman's Statement *continued*

### Trading Divisions

Our primary division, Commercial Jets, achieved sales of £123.7m, representing 64% of Group activity, and £3.5m of operating profit. This performance reflects that we have lost low margin business, but retained premium business. The division has further developed a string of niche market business lines, and this is especially true in our established European markets, where we have continued to grow regional and specialised 'inclusive tour' client markets. Collectively these developments have made a significant contribution to the overall result.

Private jet travel has experienced four years of exponential growth. In the year since the extreme turmoil in the financial markets began, our Private Jet division (PJ) has seen its business levels drop sharply and the Company has moved quickly to re-size the division for today's reduced trading levels. Overall PJ sales are down 21% to £46.4m. The brokerage and support teams are already structured with lean overheads and reducing costs has been relatively straight-forward. By contrast, our PJ operating company bears the high fixed costs of employing crews, engineers, sales, operations, and support teams geared for high levels of activity to produce quality profits at the margin. However, in extreme circumstances, when both revenue and traffic levels fall by over 25%, it is not possible to remain profitable. Faced with a divisional loss of over £2.5m, we reduced costs and staffing accordingly. We do not expect to return to operational profitability here until we can sustain a material improvement in both volumes and yields; we will continue to monitor the business trends closely.

Our third trading division works in the Freight sector. The major world air cargo carriers have suffered a dreadful year, resulting in excess capacity and very low airfreight rates. Both these market trends make trading much harder for a team selling ad hoc freight charter flights. Despite that, we have steadied the fall in business to 19% and more impressively increased profitability by 60% in a highly competitive environment by improving both efficiency and effectiveness.

### Capital Investments

In 2007 we announced plans to construct new hangar facilities to create new revenue streams as part of our long term expansion plans for our PJ operating company. At the half year end, we announced the suspension of the capital spend on the proposed hangar project, and this September, given the continuation of weak trading conditions, the Group secured a release from the ground lease and obligation to build.

### Exceptional items and impairments

The company has incurred £0.44m of one-off costs in redundancies, and has written off £0.54m in developmental spend on the hangar project, in the financial year under review. The Board has also decided to take a £2.1m impairment on the goodwill valuation of the PJ operating company, acquired in 2006.

### Dividends

Shareholders will recall that last year, before the height of the global economic slowdown, the Board decided to make a step change adjustment to the core dividend, rebasing it up 50%. Despite the uncertainty that now prevails in our market, the Board is recommending that the final dividend be held at 22.6p (2008: 22.6p); given that the interim dividend was increased by 10%, the total annual dividend would increase by 2%.

### The Board

We are delighted that Charles 'Chuck' Pollard has joined the Board. His knowledge and experience of the airline industry especially in the USA will be invaluable to the Company.

I am also pleased to welcome Justin Barber, promoted to the main board and bringing 20 years of private jet trading experience to us. In a difficult trading environment the high quality of all our people is of paramount importance. I would like to thank everyone for their commitment and outstanding hard work in the year. It is also essential to have clear direction and I would congratulate the senior executive team under David Savile's leadership for guiding the business through these difficult times when many tough decisions have needed to be taken.

### Outlook

Air Partner occupies a prime position in the global charter market; it is a robust and profitable business, with a strong and diverse client base, free from debt, and an enviable cash position. While short-term uncertainty exists today, the Board remains confident that the driving forces of globalisation, economic growth and deterioration in the commercial airline services will support a sector recovery in the medium-term.

Current trading has stabilised at the weaker levels experienced in the second half of the year. Forward orders, which historically represent a tiny part of the final result, remain poor and offer no real evidence of the expected future performance; we are therefore planning for a current year of consolidation. Air Partner has a proven long term strategy and although short term movements in the cycle affect profitability, we believe that long term prospects remain strong.

Aubrey Adams, Chairman
14 October 2009

# Chief Executive's Review

*"Despite the economic backdrop, Air Partner remains profitable, and our services are still in demand."*

David Savile, Chief Executive

On the back of five consecutive years of rising sales, five years of rising profits, and thirteen years of rising dividends, 2009 breaks all the trends and the worst recession in living memory has set the Group, and the sector, back from where we expected to be. However, despite the economic backdrop, Air Partner remains profitable, and our services are still in demand. Today we announce sales of £194.3m (down 23%) and underlying profit down 57% to £4.0m (prior to impairment and exceptionals). Despite this, the proposed final dividend is maintained at the 2008 level, after a 50% increase this time last year.

We are encouraged by the fact that our overall Group strategy has remained valid through such conditions and, supported by the significant cost adjustments that we have made in the business during the second half, we believe the current strategy will continue to serve the Group well as the global economy recovers.

The Group's core broking business has held up remarkably well given the harsh realities of today's economy, with underlying broking profit at £6.5m (2008: £8.5m) on broking sales of £187m (2008: £239m). However this result was offset by a £2.6m loss in the PJ operating company, Air Partner Private Jets (APPJ), and a goodwill impairment of £2.1m on that asset.

APPJ has proven vulnerable in a severe downturn, due to the relatively high fixed costs of hangar facilities, aircrew, sales, operations, maintenance, and administration personnel that have to be covered before its flight activities produce revenue. In the year reported, as detailed in the June IMS, the optimism for an improved 2009 summer season did not materialise. This resulted in weaker demand and weaker pricing overlaid with high fixed costs (geared for the height of the record 2008 market) combining to create the loss. Accordingly management has taken action to significantly reduce costs and resize the business for today's smaller market, and remains highly focused on this business unit.

# Chief Executive's Review *continued*

Looking wider across the aviation sector, around 35 carriers have already ceased trading during our reporting period. Further failures are inevitable in what will undoubtedly be a harsh winter for weak airlines and private jet companies alike. Many competitors are in disarray. This will be an ongoing theme in the short to medium term as the market re-aligns to a new level, and we discover which companies have sustainable models at today's new business levels. The beneficiaries will be those companies with a strong parent, good reserves, and lean overheads, of which Air Partner is a good example.

The pressure of adverse pricing conditions from distressed sellers has dominated the weaker end of the market. Initially, clients were very attracted to such pricing, especially where contracts were offered below positive contribution rates. Air Partner took an early stance against such deals, given that they carry a heavy trading risk that the carrier may not survive long enough to perform the contract. More recently some clients have begun to understand the consequences of working with less robust companies, and have returned to more traditional buying habits. So it is that we have seen the loss of a significant amount of our marginal business, but the retention of quality business, where clients still recognise our ability to deliver successful flights even under the toughest of conditions. Consequently whilst broking sales are down 22%, the average broking margin rose to 11.8% (2008: 10.5%).

## Commercial Jets (CJ)

The largest of our three main divisions, CJ has remained the powerhouse of the Group with a stable and efficient team who continue to deliver logistical excellence, chartering airliners for every reason imaginable. Today it represents 64% (2008: 66%) of our Group sales, and generated £3.5m of operating profit (before exceptionals). Primary clients stem from the Government sector across a variety of nations, providing airlifts for many different Departments of State; this business was down 29%. Corporate business was more seriously affected, being 44% down across the year. This is not expected to improve during the current H1.

Separately, we have a strong collection of small tour operator clients who run regional programmes. These contracts are individually too small to interest the major players, enabling us to service them at a concierge level. Pleasingly this year we have fully maintained activity levels in this area.

A key divisional trend in the year has been the stability of the margin across the division, which is up 100 basis points to 10.5%, consistent with the loss of marginal business explained earlier. In concentrating on the best of client care for our most loyal clients, we have lower sales figures for the short term, but our profitability has been upheld, and our core values of Quality, Dependability, Diversity and Longevity are uncompromised.

## Private Jets (PJ)

Our PJ business comprises two business units: broking (including adhoc charter sales and JetCard), and the private jet operating company APPJ. We have suffered poor trading conditions across the whole of the PJ market which went into pricing freefall in November 2008, before stabilising in early 2009. As our PJ team is very aware, there were three main causes of the dramatic change of circumstances: the global recession, the subsequent global reaction against private aviation, and the fight for survival amongst some of our immediate competition leading to today's adverse pricing conditions. Across the sector, anecdotal evidence suggests that the drop in business was in many cases around 40-45%.

### Private Jet Broking

By comparison to the market, Air Partner's adhoc charter sales are down just 15%, and JetCard usage is down 21%. JetCard remains a popular product and the number of card members actually showed a small net gain in the year, with margins holding steady. These parameters at least demonstrate an above-industry-normal performance. The team is recognised for delivering an outstanding service that continues to accrue long term loyalty from its many clients.

Our adhoc charter and JetCard offerings have proven to be more viable products in this falling market, the victims being the 'fractional ownership' programme operators; August 2009 was a particularly worrying month for the fractional industry, with the largest programme operator reporting

# Chief Executive's Review *continued*

an 81% drop in fractional sales, the founding father of fractional ownership exiting the industry, and a new and well-financed European fractional scheme entering administration. On both sides of the Atlantic clients appear to have become more adverse to fractional offerings, providing encouragement for well funded and credible JetCard schemes; we expect to benefit from a switch of allegiance over the next 18 months.

### Private Jet Operating Company

In October 2006 we acquired the PJ operating company to broaden the range of PJ products that we offered our clients, and so optimise the brokerage position we held in the European market. APPJ became a key element to our PJ strategy, working exceptionally well in the subsequent boom years of 2007 and 2008. In that period it generated both divisional profits, as well as a highly positive halo effect of earnings into our PJ broking team, right through until the Lehman collapse. Thereafter it was abruptly faced with 35% less demand, even with hourly rates reduced by 25%. As a result APPJ became loss-making, with excess commitments to aircraft owners, and an inability to sell above cost. Consequently, we took decisive action and reduced the annual cost of the business by £1m.
We enter the new financial year with APPJ budgeted to reduce losses in this year, with overheads set at the minimum level commensurate with maintaining the highest operating standards. It is important to emphasise that the strategy of having in-house control of private jet capacity continues to offer important potential benefits to the core business earnings.

Today the recession remains our primary cause for concern, and it is re-assuring to see that in recent months the stigma surrounding the use of a private jet has reduced, and industry evidence suggests that the decline in PJ use has halted. However, there are few signs that point to rising demand, and yields will remain suppressed for much longer.

Whilst opportunities for consolidation in the PJ sector may arise, we will avoid diluting our inherent strength to escape short term pain. The fact is that the boom in this sector over the last four years was driven by three external factors: globalisation, significant wealth creation and the deterioration of commercial airline service levels. Looking beyond the current woes, to the medium-term, we believe these factors remain valid and, when they return, will continue to drive demand for private aviation. Our focus is to correctly position our product offerings for the upturn in the market.

### Freight

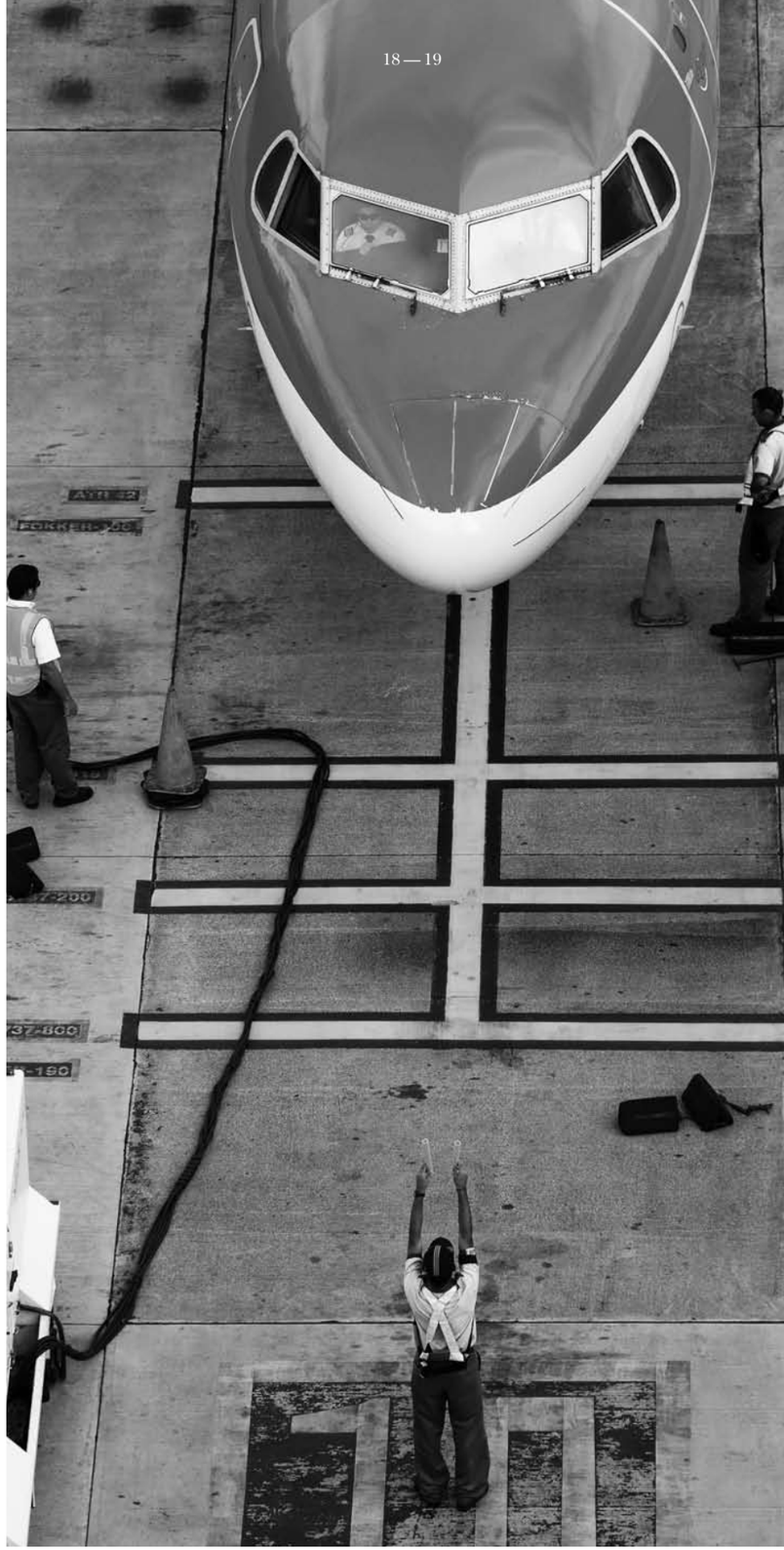
Given the very poor conditions in the world air cargo industry, our Freight team can be pleased with a strong result this year. Whilst our sales followed the global trend downwards, much of the 19% decline stemmed from the completion of the UK's role in Iraq. In contrast, our divisional profitability rose by over 60%, showing a big improvement in the professional buying skills of the team, and a higher margin being available on non-military contracts. The performance of our freight team is a good example of our diversification strategy yielding benefits to the Group.

### The Global Network

The 23% drop in Group sales breaks down regionally as follows: UK down 28%, Europe 8% down, North America down 37%, and the rest of the world, 11% down. This is consistent with the timeline of the recession starting in the USA and spreading eastwards. During the period we closed the Spanish and Japanese offices and mothballed the New York sales outlet, reducing our office network to 20. Despite these poor trading conditions we have maintained efforts to take our business into new areas, where significant capital spend or overheads are not required. We have added a Moscow sales presence this year and been pleased with the new PJ clients added to our portfolio. We continue to examine developing market opportunities.

### Other Divisions

Our Emergency Planning Division has remained profitable this year, as has the in-house travel agency, Air Partner Travel. Additionally, in the spring we launched a small fuel-broking division (Air Partner Fuel) which, in line with our charter-broking model, is a service offering better value to clients than their existing suppliers. The service is targeted at our smaller airline suppliers operating to airports outside their regular destinations, where we are able to negotiate more favourable fuel pricing than smaller carriers can directly. Sales are only taken on the back of firm orders, so we are not exposed to a risk in our trading position. Better still, we target the suppliers flying our broking contracts, as the first point of leverage. The division became profitable from its third month.



# Chief Executive's Review *continued*

Our leasing contract of a Saab 340 commuterliner to an Australian regional airline has suffered with the lessee ceasing operations, despite Government grants for the essential air services that it provided for the Outback communities. We have therefore recovered the aircraft, and it is being repositioned to the USA where we are currently negotiating a new contract. With no earnings since March, the division ended the year with a small loss.

## Exceptionals

The overall 2009 result has been impacted significantly by the effect of the exceptional items that reduced the Group PBT. On taking the decision not to proceed with our PJ hangar project, the Board has chosen to write off the £0.54m of investment made in bringing the project up to contract stage. Within the headline figures there is a further £0.44m of restructuring and redundancy costs this year. As previously stated, the Board has also decided to take £2.1m of impairment on the goodwill value of its investment in APPJ this year.

## Outlook

The recession remains the dominant factor limiting the growth of our business, and there are too many external variable factors that affect our short term profitability to provide accurate forecasting. Current trading continues to be more stable, but at the weaker levels that dominated H2 2008. While a strong Q1 2008 meant that the Group was late into the recession, without a strong comparable Q1 2009 we anticipate the Group will emerge later from the downturn.

The past year has not been easy, but we have made significant progress in resizing the business to suit today's trading conditions. The Board remains confident in the future potential of the Group and a return to growth, once the economic climate improves. The Directors believe that the Company has all the right component parts to achieve significant future success, and Air Partner remains well positioned within a fragmented market.

Despite the challenges presented over the past year, Air Partner has remained profitable, debt free and highly focused on providing clients with an unrivalled service. Throughout the period our loyal team has worked tirelessly to maintain the integrity and professionalism of the bespoke 24 hour service we provide, and it is their creativity and persistence that reassures us that together we will emerge stronger. I want to stress my personal thanks and those of my fellow board directors to the global Air Partner team for their unstinting efforts, which are very much appreciated.

David Savile, Chief Executive
14 October 2009

Air Partner is the pre-eminent global private aviation company. We provide the very best of aircraft, to the most discerning of clients. Added value is intrinsic in everything we do.

Our reputation is of delivering successful flights, and flying some of the most complex missions undertaken in civil aviation today.

That success is built around four fundamental pillars of our business: Quality; Dependability; Diversity; Longevity.

Together, they make both our services and our stock of real value to discerning clients today.

# Quality

Adding value is at the heart of everything we do.

Quality management;
Quality earnings;
Quality dividends.

# Dependability

25 years of consistent management.

# Diversity

Solid blue chip revenues from Corporate, Government and Private HNW sectors.

Diversified earnings streams across Europe, North America, Middle East and the rest of the world.

# Longevity

Established almost 50 years;
built on long-term client and
shareholder relationships.

19 years as a public company
building real shareholder value.

# Directors and Senior Management

## Executive Board

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Members of the Audit and Remuneration Committees.

1 Aubrey Adams,
Independent Non-Executive Chairman.
Aged 60.

Formerly CEO of top commercial property agents Savills plc, Aubrey has a distinguished track record of growth over more than 25 years. His experience in providing leadership in a brokerage selling premium property to commercial and private clients transfers well into Air Partner's premium aircraft charter service. He is chairman of Adventis Group plc and Max Property Group plc, non-executive director of British Land Co plc, Pinnacle Regeneration Group plc and Unitech Corporate Parks plc and Trustee of Wigmore Hall Trust.*

2 David Savile,
Chief Executive.
Aged 50.

Has over 30 years' experience in aircraft charter, 26 of which are with the Company. He joined in 1983, was appointed to the Board in 1987 in charge of day-to-day operations, and assumed his current role with full responsibility for the whole Group in 1997.

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3 Stephanie White MBA,
Chief Finance Officer.
Aged 46.

Joined the Company in 1983 with previous experience at National Westminster Bank. Stephanie became Finance Controller in 1994, and Finance Director in 1997. She has an MBA gained from Brighton University in 2001.

4 Mark Briffa,
Chief Operating Officer.
Aged 45.

Having worked for Air Partner for over 11 years, in February 2006 Mark was appointed Chief Operating Officer with responsibility for all Group trading activities. He has over 19 years' experience in the aviation industry, and brings a wealth of trading and personnel talent to the Board.

5 Anthony Mack,
Non-Executive Director.
Aged 60.

Joining his father's business in 1970, he became Managing Director in 1979. Appointed as Executive Chairman in 1985, he was responsible for floating the business on the USM in 1989, and achieving a full listing on the Stock Market in 1995.*

6

7

8

6 Richard Everitt,
Independent Non-Executive Director.
Aged 60.

Qualified as a solicitor in 1974 and after four years in private practice joined BAA. Following its privatisation, he joined the Board with responsibility for strategy and regulatory matters. In 2001 he became Chief Executive of National Air Traffic Services on its part privatisation. In December 2004, he joined the Port of London Authority as Chief Executive.*

7 Charles Pollard,
Independent Non-Executive Director.
Aged 52.

Formerly CEO of U.S. air carriers Omni Air International and World Airways, Chuck has over 20 years of experience in the international non-scheduled airline industry. He contributes his knowledge of the U.S. airline industry to Air Partner's activities in that region. He is a director of Allegiant Travel Company, a U.S. low cost air carrier, a trustee of Saint Anselm College, and a member of the District of Columbia Bar.*

8 Justin Barber,
Managing Director, Private Jets.
Aged 42.

Joining the Company in 1989, with previous experience at British Airways, Justin has over 20 years experience in aviation and was appointed to the Board in January 2009. Today he is responsible for the Private Jet operating company, the wider PJ strategy and acts as Accountable Manager to the CAA regulator.

# Directors and Senior Management *continued*

1 David Macdonald
2 Birte Püschel-Kipke
3 Phil Mathews
4 Kevin Ducksbury
5 Simon King
6 Richard Smith
7 Richard Davies
8 Matthew Savage
9 Anthony Rowbotham

## Senior Group Management

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# Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2009.

## Principal activity and business review

The principal activity of the Group during the year continued to be aircraft charter brokering and other private aviation services to a diverse range of clients. The Chairman's Statement on pages 10 to 13 and the Chief Executive's Review set out on pages 14 to 20 give an assessment of the business. The Chief Executive's Review also includes details of expected future developments in the business of the Group.

## Risks and uncertainties facing the Group

Approximately 95% of our business operates in aircraft charter broking which is a relatively low risk business; the industry normally only sells capacity that is owned and operated by a third party, with contracts normally placed as mirrored transactions; hence no risk is taken on buying capacity in advance of finding a client to use it. A high percentage of the Group's business is of an ad hoc nature, driven by the short term needs of the client. While the Group has operated in this environment for a large part of its long history, and is entirely comfortable with this, the Group does not enjoy the luxury of a long forward order book. The three principal business divisions and their normal visibility periods are detailed from pages 6 to 7.

Whereas our PJ operating company, at only 5% of the Group turnover, has an increased business risk (compared to pure broking) as the trade model requires each aircraft to fly a certain number of hours to cover its annual operating cost, before contributions pass to the bottom line. A wider review on the PJ operating company can be found within the Chief Executive's Review on pages 14 to 20.

## Corporate and Social Responsibility

The Group has an excellent reputation as a very good employer. It enjoys strong staff retention, and has many long-term employees. Each employee is actively encouraged to build a long-term career within the Group and there are frequent opportunities for career advancement, promotion and relocation around the global office network. Salary levels across the Group are reviewed each year with the aim of ensuring that remuneration is kept in the top quartile of our industry sector.

Air Partner continues to offer an option to offset the carbon emissions to all of its clients. The Group's green team continues to work through the activities of the business to further identify ways to actively reduce our carbon footprint.

## Community Engagement

The Group is committed to supporting the development of local employment and providing opportunities to young people through work experience placements and internships. In the UK, on our first attempt at gaining Best Companies accreditation for employer excellence, we qualified for 'first class' star status in the nationwide scheme. We were proud to have received this award which provided further encouragement to progress our internal strategy of delivering the best service. We see this as an essential commitment in a service business where excellence is an everyday requirement. Air Partner is profiled in the 2009 annual Best Companies Guide, aimed at graduates and jobseekers.

## Key Performance Indicators

The main Key Performance Indicators (KPI's) reflect both financial and non-financial aspects and are aligned to our agreed strategic objectives:

Financial:

| | Before exceptional items | After exceptional items |
|---|---|---|
| • Gross Profit | – Down 17% to £24.9m | – Down 17% to £24.9m |
| • Profit Before Tax | – Down 57% to £4.0m | – Down 90% to £0.9m |
| • Total Shareholder Return (TSR) | – Down 25% to 2,071% | – Down 25% to 2,071% |
| • Diluted EPS | – Down 52% to 29.8 pence | – Down 100% to (0.4) pence |

Key operating management indicators:

| | Before exceptional items | After exceptional items |
|---|---|---|
| • % of Gross Profit taken in overheads | – Up 14% to 86% | - Up 18% to 90% |
| • Turnover per team member | – Down 23% to £759,000 | - Down 23% to £759,000 |
| • Gross Profit per team member | – Down 18% to £97,000 | - Down 18% to £97,000 |
| • Overheads per team member | – Down 1% to £84,000 | - Up 2% to £87,000 |

Non-financial:
- Growth in the number of clients 'active' each financial year
- Retention of key team members
- Ongoing revenue diversification by client, product and geography

The directors feel it is not appropriate to report actual statistics on any of these indicators for reasons of commercial sensitivity.

Detailed segmental reporting is found in Note 2 of these financial statements.

## Financial risks and treasury policies

The Group has significant operations outside the UK and as such is exposed to movements in exchange rates. This is reviewed on a quarterly basis and, to date, no contract to hedge this exposure has been deemed cost-effective.

## Financial position

At the balance sheet date, the Group had £16.1m of cash balances. This level of cash, and the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the Group. Within those cash balances however, there is a significant amount of pre-paid deferred income, which would be repayable on demand.

## Results and dividends

The results for the year are set out in the income statement and show a loss, after taxation of £38,000 (2008: profit after taxation of £6,351,000).

An interim dividend of 8.1 pence (2008: 7.4 pence) per share was paid on 15 May 2009. Subject to shareholders' approval, the directors recommend the payment of a final dividend of 22.6 pence (2008: 22.6 pence) per share that will be paid on 18 December 2009 to shareholders on the register at 13 November 2009; this makes a total dividend for the year of 30.7 pence (2008: 30.0 pence) per share. The shares will be marked ex-dividend on 11 November 2009.

## Directors and their interests

The directors who held office during the year had the following beneficial interests in the shares of the Company at the beginning (or date of appointment if later) and the end of the financial year:

a) Ordinary shares of 5 pence each fully paid up.

| | 31 July 2009 | 31 July 2008 |
|---|---|---|
| A G Mack*† | 1,061,567 | 1,761,567 |
| D C W Savile | 65,293 | 69,086 |
| S J White | 81,805 | 81,805 |
| M A Briffa | 24,600 | 24,600 |
| J Barber (Appointed 5 January 2009) | 29,550 | 19,550 |
| R Everitt*† | – | – |
| A J Adams*† | 20,000 | 20,000 |
| C W Pollard*† (Appointed 6 July 2009) | – | – |

* Member of the Remuneration Committee.
† Member of the Audit Committee.

# Directors' Report *continued*

b) No director has a non-beneficial interest in the shares of the Company.

c) Details of share options granted to the directors are disclosed on page 43.

d) None of the directors 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.

e) M A Briffa retires by rotation in accordance with the Company's Articles of Association and, being eligible, will offer himself for re-election at the Annual General Meeting.

f) A G Mack retires by rotation in accordance with the Company's Articles of Association and, being eligible, will offer himself for re-election at the Annual General Meeting.

g) J Barber was appointed to the Board on 5 January 2009 and in accordance with the Company's Articles of Association will offer himself for election at the Annual General Meeting. J Barber's broad knowledge of the private jet sector, obtained through hands on broking and flight operations over the past 20 years, brings specialist skills to the Board which complements the Board's existing expertise.

h) C W Pollard was appointed to the Board on 6 July 2009 and in accordance with the Company's Articles of Association will offer himself for election at the Annual General Meeting. C W Pollard brings 20 years of experience in global aviation and managing and growing listed aviation companies within the USA, which brings invaluable knowledge to our American business segment.

Further to the on-going review process of all directors, the Board feel that each of the directors up for election continue to be of value to the business, are effective in their roles and show the appropriate level of commitment to their roles. Therefore the Board recommends the re-appointment of all four directors retiring at the meeting.

i) The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year which remain in force at the date of this report.

j) The directors' interests stated above have not changed from 31 July 2009 to the date of notice for the Annual General Meeting.

### Substantial shareholdings

Apart from the direct interest of A G Mack, the directors have confirmed with the shareholders the following interests of 3% or more as at 6 October 2009.

| Shareholder: | Number of shares | % held | Nature of holding |
|---|---|---|---|
| Aberforth Partners | 1,547,926 | 15.11% | Indirect |
| Schroder Investments Ltd | 1,541,216 | 15.05% | Indirect |
| Framlington Investment Management Ltd | 1,104,865 | 10.79% | Indirect |
| Standard Life Investments | 830,621 | 8.11% | Indirect |
| Hermes Investment Management Ltd | 455,926 | 4.45% | Indirect |
| L&G Investment Management | 448,453 | 4.38% | Indirect |

### Going concern

The directors are satisfied that the Group and Company have adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis for the preparation of these financial statements.

### Events after the balance sheet date

On 19 August 2008 the Group signed an 80 year ground rent lease on a site at Biggin Hill for an annual rent of £261,189. On 1 October 2009 a mutual release from this lease was signed by both Air Partner plc and Biggin Hill Airport Limited.

### Charitable and political contributions

The Group made charitable contributions totalling £12,713 (2008: £15,274), principally to local charities serving the communities in which the Group operates. No political donations were made in the current or prior period.

### Policy on payment of creditors

The Group has not adopted any formal code of payment practice with regard to the settlement of amounts due to its suppliers. It is the Group's policy 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 agreed terms of payment, and to adhere to the agreed terms.

At 31 July 2009, the Company had an average of 12 days (2008: 8 days) and the Group 20 days (2008: 15 days), purchases outstanding in trade payables.

### Financial instruments

There are detailed disclosures on the Group's treasury policy and key financial risks in note 18 to the financial statements on pages 69 to 73.

### Working capital

The directors feel that the current levels of cash held within the business are commensurate with the management of the trading account. It should be borne in mind that there are wide peaks and troughs within each quarter, caused by differing client and supplier payment terms.

### Shares and shareholders

The number of ordinary shares issued and fully paid at 31 July 2009 was 10,241,393 (2008: 10,189,793). The increase compared with 2008 reflects the issue of new ordinary shares to satisfy the share options exercised during the year under the Company Share Option Plan 2003.

### 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. The rights attached to ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association.

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.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Under its Articles of Association, the Company has authority to issue 15,000,000 ordinary shares.

### Annual General Meeting

The Annual General Meeting of the Company is to be held at 11am on 9 December 2009 at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP. The notice for this meeting is set out at the end of this document.

Directors' Report *continued*

Resolution 9 to be proposed at the Annual General Meeting asks shareholders to grant the directors authority under Section 551 of the Companies Act 2006 (the 'Act') to allot shares up to a maximum aggregate nominal value of £170,519.19, being approximately 33.3% of the nominal issued ordinary share capital of the Company as at 13 October 2009 (being one third of the ordinary share capital in issue and the amount of ordinary share capital reserved for the issue of shares upon the exercise of options. Such amount is the maximum permitted amount under the best practice Corporate Governance guidelines). The authority will expire at the end of the next Annual General Meeting. The directors have no present intention of exercising such authority. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 10 December 2008.

If the directors wish to allot unissued shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in resolution 11 below, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding.

Resolution 10 asks shareholders to grant the directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £25,603.48 (being 5% of the Company's issued ordinary share capital as at 13 October 2009) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at the end of the next Annual General Meeting. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 10 December 2008.

Resolution 11 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares of 5 pence each in the capital of the Company ('ordinary shares') for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the issued ordinary share capital, being 1,024,139 ordinary shares. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of (i) 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS). The minimum price payable by the Company for the purchase of its own ordinary shares will be 5 pence per share (being the amount equal to the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time.

Options to subscribe for up to 667,675 ordinary shares have been granted and are outstanding as at 13 October 2009 (being the latest practicable date prior to the posting of this document) representing 6.5% of the issued ordinary share capital at that date. If the directors were to exercise in full the power for which they are seeking authority under resolution 11, the options outstanding as at 13 October 2009 would represent 5.9% of the ordinary share capital in issue following such exercise.

Resolution 12 to be proposed at the Annual General Meeting seeks shareholder approval for the adoption of New Articles of Association to replace the existing Articles of Association. This is primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009. The principal changes are set out in the 'Explanatory notes of principal changes to the Company's Articles of Association' set out on pages 84 to 85 of this document.

Resolution 13 to be proposed at the Annual General Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the existing Articles of Association of the Company and the Companies Act 2006. However, pursuant to The Companies (Shareholders' Rights) Regulations 2009 specific shareholder approval is required annually in order to retain this ability. The directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the directors believe that it is important for the Company to retain this flexibility.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

### Equal opportunities

The Group is committed to providing equal opportunities and ensuring that employees are able to work without discrimination. The Group gives full and fair consideration 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 within the Group, and make arrangements for training as appropriate.

### Employee involvement

The directors appreciate the importance of promoting and maintaining good communication with the Group's employees and its policy to keep employees regularly informed on matters relating to their employment and business strategy. This is managed by company intranet, quarterly newsletters, circulars and team briefings.

The Air Partner Academy was successfully launched over the last year and has been attended by 165 of our employees. The Academy provides a range of technical and service focused courses, aimed at all levels of capability within the Group.

The Group continues to recognise the importance of developing all of the team, maintaining the correct environment and level of support needed to be successful. The Board are also committed to identifying employees who have the ability to carry the business forward into the future. In order to aid succession planning we run a Management Training Scheme, a two year course which allows each candidate to spend time in each of the key divisions of the Group, to gain proficiency in a range of both trading and business skills.

### Statement of directors' responsibilities in relation to financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Company financial statements, in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing each of the Company and Group financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the have been prepared in accordance with IFRSs as endorsed by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

# Directors' Report *continued*

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Annual Report and Financial Statements published on the Group's corporate website. Legislation in the UK concerning the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

### Responsibility statement

Each of the directors, the names of whom are set out in Directors' Report section of the Annual Report, confirms that to the best of his or her knowledge:

- 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 and the Chief Executive's Review include 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 14 October 2009.

### Directors' statement as to the 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 their knowledge and belief, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

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

### Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Mazars LLP as auditor of the Company will be proposed at the Annual General Meeting.

S J White
Company Secretary
14 October 2009

# Directors' Remuneration Report

### INFORMATION NOT SUBJECT TO AUDIT

Membership of the Remuneration Committee is set out on page 47. It is responsible for determining, on behalf of the Board, the salary and benefits packages of the Chairman and executive directors. The Board as a whole determines the salary and benefits paid to the other executive directors of the subsidiary undertakings.

An external evaluation of the Board and its individual members, as required by the Remuneration Committee policy on a bi-annual basis, was not carried out this year. The external review is undertaken in conjunction with on-going Board appraisals conducted throughout the year. However, due to the current economic climate, there will be no increase to director salaries in the coming year; therefore it was felt that an external review would be of greater value if conducted at the end of the next financial year. The Remuneration Committee will seek external advice ready for July 2010. The only director who will receive an increase in remuneration will be J Barber who, further to his appointment to the Board in January 2009, will be brought in line with other directors package's.

Travers Smith LLP, the Company's solicitors, provide advice in relation to any legal matters and share options rules.

### Performance evaluation

The process of performance evaluation of the directors of the Board is carried out as an on-going process. This is done via performance appraisal of the directors by other members of the Board throughout the year. These are then discussed by the Board during their meetings to ensure that each of the directors continue to add value at every opportunity.

In addition to on-going performance appraisals, each of the executive directors has attended a management course at Cranfield School of Management. Following on from these courses, the school carries out regular reviews in order to assess the continued improvement of the individual.

### Remuneration policy

Air Partner is a service business whose success in any given market conditions is ultimately dependent on the quality and performance of its people. The remuneration policy is consequently geared towards attracting and retaining the best people. The Remuneration Committee aims to ensure that overall remuneration is above average when compared with companies of a similar size and complexity. As well as external comparison, each executive director's remuneration is determined by reference to individual competence and both individual and corporate performance in any given year with an emphasis of remuneration to be substantially performance related.

The package consists of basic salary, share options, annual bonuses and pensions. Other benefits include private health for themselves and families, life cover and reimbursement of home telephone expenses.

### Individual components of remuneration:

*Basic salary and benefits*

This is intended to reflect the individual responsibility, performance and experience of each director. The Remuneration Committee has determined that salaries will remain at the 08/09 levels for the coming year for both executive and non-executive directors, with the exception of J Barber as detailed above.

*Annual bonus*

Each executive director is entitled to performance related pay up to a maximum of 24% of salary for achieving specific non-financial targets based on the medium-term strategy of the business.

Executive directors are also entitled to profit related bonus based on a profit before tax target which is set at the beginning of the year and which is intended to reflect a level of profitability that is equivalent to a reasonable return on shareholder funds.

# Directors' Remuneration Report *continued*

### Individual components of remuneration: *continued*

This year the target was not achieved, therefore this element of the bonus was not paid. The Remuneration Committee reserves the right to exercise its discretion when it is deemed to be appropriate.

The total performance and financial bonus payable is currently capped at 80% of basic salary, which is reviewed on an annual basis.

*Pensions*

Under the terms of their service contracts, D C W Savile, M A Briffa, S J White and J Barber are eligible for contributions to personal pension schemes of their choice. The Company does not have any final salary pension schemes in place.

*Share options*

Share options are awarded to executives and other senior individuals at the Remuneration Committee's discretion. The aggregate market price for options awarded during any one year period may not exceed four times the individual's relevant emoluments. There is only one scheme open to directors at the current time, which was approved in 2003.

Although the approved scheme does not have any performance criteria, the Remuneration Committee have set challenging criteria to all new options granted to the executive directors from 1 August 2009. Grants are awarded under both 'approved' and 'unapproved' parts of the plan according to current HM Revenue & Customs rules. All outstanding options will lapse upon cessation of employment.

### Service contracts

The executive directors have service contracts which contain a 12 month termination and notice clause. In the event of early termination of the contracts, each director is entitled to compensation equal to their basic salary and contractual benefits for the notice period.

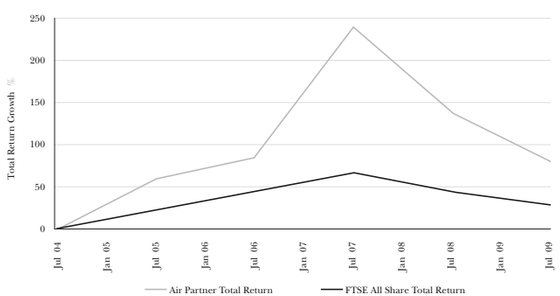
The policy on termination payments is that the Company does not normally make payments beyond its contractual obligations. However, in exceptional circumstances, an additional ex-gratia payment may be considered based on factors including the director's past contribution and the circumstances of the director's departure.

### Non-executive directors

The non-executive directors' appointments, fees and benefits are made and determined by the Chairman and the four executive directors. In the year C W Pollard joined as a non-executive director. Each non-executive director holds a letter of appointment. For R Everitt this is dated October 2004, for A G Mack and A J Adams this is dated April 2008 and for C W Pollard this is dated July 2009, and includes a rolling three-month notice clause.

### Performance graph

The graph below shows the change in the total shareholder return for each of the last five financial years compared with the FTSE All Share index.




FTSE All Share index was selected as it represents the broadest equity market index in which the Company is a constituent member.

## INFORMATION SUBJECT TO AUDIT

### Directors' emoluments

Details of directors' emoluments and compensation received during the year are set out below:

| | Salary/ fees £ | Performance and profit related bonus £ | Benefits £ | Pension contributions £ | 2009 Total £ | 2008 Total £ |
|---|---|---|---|---|---|---|
| Executive directors: | | | | | | |
| D C W Savile | 260,000 | 58,450 | 2,085 | 31,200 | 351,735 | 538,353 |
| S J White | 182,000 | 51,440 | 2,355 | 21,840 | 257,635 | 404,348 |
| M A Briffa | 166,400 | 44,758 | 3,450 | 19,968 | 234,576 | 337,334 |
| J Barber (Appointed 5 January 2009) | 58,333 | 11,667 | 1,822 | 7,000 | 78,822 | – |
| Non-executive directors: | | | | | | |
| R Everitt | 25,000 | – | – | – | 25,000 | 21,550 |
| A G Mack | 25,000 | – | – | – | 25,000 | 122,652 |
| A J Adams | 60,000 | – | – | – | 60,000 | 29,000 |
| C W Pollard (Appointed 6 July 2009) | 1,400 | – | – | – | 1,400 | – |
| | 778,133 | 166,315 | 9,712 | 80,008 | 1,034,168 | 1,453,237 |

During the year there was no exercise or gain on the exercise of share options. Gains on the exercise of share options in the previous year (2008) were £81,250 for D C W Savile, S J White and M A Briffa under the Air Partner plc Company Share Option Plan 2003. Included in the performance and profit related bonus figures above are payments relating to the reconciled figures for the year ended 31 July 2008 of £14,250 for D C W Savile, £11,400 for S J White and £8,150 for M A Briffa.

### Share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the Company granted to or held by directors. Details of the options held at the beginning and the end of the year are as follows:

| | | Number of options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | 31 July 2008 | Granted | Exercised | Modified | 31 July 2009 | Exercise price | Earliest date of exercise | Expiry date |
| D C W Savile | a) | 40,000 | – | – | – | 40,000 | 792.50p | 21 November 2009 | 21 November 2016 |
| | b) | 20,000 | – | – | (20,000) | – | 1,316.00p | 22 May 2010 | 22 May 2017 |
| | c) | 10,000 | – | – | – | 10,000 | 884.00p | 31 January 2011 | 31 January 2018 |
| | d) | – | 40,000 | – | – | 40,000 | 545.00p | 27 November 2011 | 27 November 2018 |
| | | 70,000 | 40,000 | – | (20,000) | 90,000 | | | |
| S J White | a) | 40,000 | – | – | – | 40,000 | 792.50p | 21 November 2009 | 21 November 2016 |
| | b) | 20,000 | – | – | (20,000) | – | 1,316.00p | 22 May 2010 | 22 May 2017 |
| | c) | 10,000 | – | – | – | 10,000 | 884.00p | 31 January 2011 | 31 January 2018 |
| | d) | – | 40,000 | – | – | 40,000 | 545.00p | 27 November 2011 | 27 November 2018 |
| | | 70,000 | 40,000 | – | (20,000) | 90,000 | | | |
| M A Briffa | a) | 40,000 | – | – | – | 40,000 | 792.50p | 21 November 2009 | 21 November 2016 |
| | b) | 20,000 | – | – | (20,000) | – | 1,316.00p | 22 May 2010 | 22 May 2017 |
| | c) | 10,000 | – | – | – | 10,000 | 884.00p | 31 January 2011 | 31 January 2018 |
| | d) | – | 40,000 | – | – | 40,000 | 545.00p | 27 November 2011 | 27 November 2018 |
| | | 70,000 | 40,000 | – | (20,000) | 90,000 | | | |
| J Barber | a) | 5,000 | – | – | – | 5,000 | 792.50p | 21 November 2009 | 21 November 2016 |
| | b) | 10,000 | – | – | (10,000) | – | 1,316.00p | 22 May 2010 | 22 May 2017 |
| | c) | 1,500 | – | – | – | 1,500 | 862.00p | 31 January 2011 | 31 January 2018 |
| | d) | – | 10,000 | – | – | 10,000 | 545.00p | 27 November 2011 | 27 November 2018 |
| (Appointed 5 January 2009) | | 16,500 | 10,000 | – | (10,000) | 16,500 | | | |
| A G Mack | | – | – | – | – | – | N/A | N/A | N/A |
| R Everitt | | – | – | – | – | – | N/A | N/A | N/A |
| A J Adams | | – | – | – | – | – | N/A | N/A | N/A |
| C W Pollard (Appointed 6 July 2009) | | – | – | – | – | – | N/A | N/A | N/A |

The options are exercisable as follows:
a), b), c) and d) – These options have no performance criteria.
Full details of the modified share options can be found in Note 21 Share-Based Payments on pages 75 to 76.
As stated above any future grants issued after 1 August 2009 will be subject to performance criteria.
The market price of the shares at 31 July 2009 was 545.0 pence (31 July 2008: 764.5 pence) and ranged between 322.5 pence and 920.0 pence during the year. The average share price during the year was 557.0 pence.

On behalf of the Board

R Everitt
Chairman of the Remuneration Committee
14 October 2009

# Corporate Governance Statement

The Group is committed to the principles of good corporate governance. The Listing Rules of the Financial Services Authority require listed companies to disclose how they comply with the principles and provisions contained in the 2008 Combined Code on Corporate Governance ('the Code'). This report explains how the directors seek to apply the requirements of the Code to procedures within the Group.

## Compliance with the combined code

For the financial year ended 31 July 2009 and in the period up to the date of approval of this report, the Board considers it has complied with the aspects of the Code except as follows:

a) The Audit Committee consists of two independent non-executive directors and A G Mack who is not considered to be independent for the purposes of the Code (C.3.1). C W Pollard will also join the Audit Committee meetings in relation to the new financial year.

b) The non-executive directors have rolling three-month contracts rather than contracts for a fixed term as envisaged by the Code (A.7.2).

c) The Remuneration Committee consists of two independent non-executive directors and A G Mack who is not considered to be independent for the purposes of the Code (B.2.1). C W Pollard will also join the Remuneration Committee meetings in relation to the new financial year.

d) The Board regularly monitors all internal controls; including financial, operational and compliance controls. However no formal framework has been laid down for the manner in which the effectiveness of the controls is reviewed (C.2.1). Although no formal framework exists, progress has been made as financial controls are reviewed by the internal audit function and their findings are reported to the Board.

e) No formal Nomination Committee has been set up by the Board; all matters regarding the appointment of non-executive directors are made by the Board as a whole. Independent consultants are used to source potential candidates. In view of the size of the Company the Board considers it appropriate to undertake this function as a whole (A.4).

f) Performance evaluation of the Board, its Committees and individual directors is conducted via appraisals as an on-going process throughout the year. The appraisals are discussed during the year and it is ensured that value is added by each individual at every opportunity (A.6.1). Board and committee appraisals are not formally minuted as envisaged by the Code, however progress has been made as executive appraisals are now formally documented.

g) The Audit Committee does not have formal written terms of reference (C.3.2), which are therefore not available (C.3.3) nor are there formal arrangements in place whereby staff may raise concerns in confidence (C.3.4). This also applies to the Remuneration Committee (B.2.1). These remain under review.

h) The Audit Committee does not monitor and review the effectiveness of the Internal Audit function (C.3.5). However during the current year the effectiveness was reviewed by the Chief Finance Officer and it is envisaged that the Audit Committee will take over this review process.

Due to the size and operating structure of the Company at the present time, the above exceptions are not considered materially important to the Company's short-term business performance. As the Company develops, specific areas of non-compliance will be reviewed.

## Applying The Principles Of The Code

*Board constitution and effectiveness*

The Board currently comprises four executive and four non-executive directors, including the Chairman who is responsible for running the Board. Thus the non-executive directors make up at least one third of the membership of the Board.

It is the Board's opinion, given the size of the Group, that the current composition of the Board fulfils the requirements of the Combined Code, such that no individual or group of individuals can dominate the Board's decision making.

The roles of the Chairman and Chief Executive are split. The Chairman is A J Adams, the Chief Executive is D C W Savile and the senior independent non-executive director is R Everitt.

Of the four non-executive directors, A G Mack is not considered to be independent. A G Mack is a 10.37% shareholder of the Company.

The non-executive directors considered to be independent of management and free from any business or other relationship which could materially affect their independent judgement are A J Adams, R Everitt and C W Pollard.

The Board carries the ultimate responsibility for the conduct of the Group's business. It meets on a monthly basis, excepting a summer and a Christmas break, and more frequently if required. It receives regular and ad hoc presentations to ensure it has timely information needed to discharge its duties.

Every country manager or department head had the opportunity to present their business strategy to the Main Board during the year, giving an up to date overview of all business issues, future plans and opportunities and ensuring everyone is aligned with the Group strategy.

All directors are required to be submitted for re-election at least every three years, with at least one third of the Board needed to stand at any one Annual General Meeting.

Remuneration policy for individual executive packages is disclosed in the Directors' Remuneration Report.

*Board responsibilities*

The Board acknowledges the division of responsibilities for running the Board and managing the Group's business. A summary of the respective roles and responsibilities follows.

The Chairman is expected to:

- ensure the Board follows and reviews a strategy which will deliver sustained increasing shareholder value;
- lead the Board, creating the right environment for the overall Board and individual effectiveness, both inside and outside the boardroom;
- ensure new directors have the appropriate induction to the requirements of the Board;
- lead the Board, by monitoring and challenging all aspects of operational performance; and
- ensure the Group follows good corporate governance practice.

The Chief Executive is expected to:

- set, communicate and implement Group strategy throughout all the business units;
- provide effective Group leadership;
- take responsibility for the day-to-day management of the Group in-line with the agreed strategy and parameters set by the Board;
- deliver results according to the agreed targets and budgets;
- ensure appropriate levels of management and resources are in place in order to achieve such targets; and
- ensure in conjunction with the Chief Finance Officer, effective communication with its shareholders, customers, employees and other stakeholders.

# Corporate Governance Statement *continued*

Details of the Chairman's other commitments are given on page 31 in his biography. The Board are satisfied that the Chairman's external roles do not interfere with his performance as Chairman of the Group.

*Communication with shareholders*

The Board has developed a comprehensive programme to ensure that effective communication by both executive and non-executive directors with shareholders, analysts and the financial press is maintained throughout the year. This is achieved through its Annual and Interim Reports, results and other announcements, as well as through presentations to institutional shareholders. In addition, the Group publishes its statutory accounts and various Group policies on its website and has developed this site in an effort to communicate more readily with a wider audience of shareholders. The Board seeks to present its strategy and performance in an objective and balanced manner.

Several major institutions were visited throughout the year by both executive and non-executive directors and dialogue continues. The purpose of these visits is to ensure that the directors, in particular non-executive directors, develop an understanding of the views of our major shareholders.

The Board uses the Annual General Meeting to communicate with both private and institutional investors and welcomes their participation. The Chairman of the Remuneration Committee and Audit Committee will be available at the Annual General Meeting to answer any questions that might arise.

Details of the resolutions to be proposed at the Annual General Meeting can be found within the Notice of Annual General Meeting on pages 80 to 81. In accordance with the Combined Code the votes cast by proxy will again be declared at the meeting after the votes have been cast.

*The Board and its Committees*

The directors have access to the Company Secretary, S J White, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary, whose appointment or removal is a matter for the Board as a whole, if requested to do so by individual directors, facilitates the provision of independent professional advice at the Group's expense. The Board meets regularly throughout the year, with a formal schedule of matters specifically reserved to it for decision. These include strategy plans, the approval of financial statements, major non-recurring projects, business risk assessment and new initiatives. The Board receives appropriate and timely information in order to enable it to properly discharge its duties. The day-to-day running of the Group is delegated to D C W Savile, S J White, M A Briffa, J Barber and the Senior Management team.

The number of meetings of the Board and its committees and the attendance of those meetings by each member is set out below:

| Number of meetings | Main Board | Audit Committee | Remuneration Committee | Executive Board [1] |
|---|---|---|---|---|
| Executive Directors | | | | |
| D C W Savile | 12/12 | – | – | 8/8 |
| S J White | 12/12 | – | – | 8/8 |
| M A Briffa | 12/12 | – | – | 8/8 |
| J Barber[2] | 8/8 | – | – | 5/5 |
| Non-executive Directors | | | | |
| A G Mack | 11/12 | 2/2 | 4/4 | – |
| A J Adams | 12/12 | 2/2 | 4/4 | 8/8 |
| R Everitt | 11/12 | 2/2 | 4/4 | – |
| C W Pollard[3] | 1/1 | –[4] | –[4] | – |

[1] Executive Board meetings are regular meetings conducted off-site, attended by all executive directors; and A J Adams in his capacity as Chairman.
[2] J Barber appointed to the Board effective 5 January 2009.
[3] C W Pollard appointed to the Board effective 6 July 2009.
[4] C W Pollard will attend both Audit Committee and Remuneration Committee meetings in relation to the new financial year.

## Audit Committee Report

The Audit Committee met twice during the year under the chairmanship of A J Adams along with R Everitt as non-executive director and A G Mack, who represents the shareholders by virtue of his 10.37% shareholding. All members attended both meetings. Although not members, the external auditor and the Chief Finance Officer were invited to attend these meetings, allowing the Chief Finance Officer to leave at the end of each meeting in order for the committee to have private discussions with the external auditor.

The content and scope of the external audits are agreed in advance of any audit and any matters arising from the Auditor's report are discussed prior to the approval of the financial statements being signed off. The Audit Committee reviews and monitors the Group's internal financial controls, whilst the Board itself monitors and reviews all internal controls, systems and procedures along with risk management assessments.

The Audit Committee meets with the external auditors twice each year to review historic numbers and any future changes that will affect the business going forward. Mazars LLP are the current principal auditors and liaise with the Audit Committee regarding the current details of work undertaken for the Group. A distinction is made between audit and non-audit business so as to ensure the auditor retains objectivity and independence.

The Audit Committee judges the external auditors' independence and the effectiveness of the audit process, taking into consideration relevant UK regulatory requirements. Mazars LLP currently perform the annual external audit and perform taxation services, including the provision of taxation advice. In order to maintain independence and objectivity, Mazars LLP do not perform duties or act in an advisory capacity on any area that could impede upon their objectivity and independence. The Committee is required to report its finding to the Board, making any necessary recommendations for action or improvements.

## Remuneration Committee report

The Group has constituted a Remuneration Committee under the Chairmanship of R Everitt to provide recommendations to the Board on the framework for executive director remuneration. The other members of the Committee are A J Adams and A G Mack. The Remuneration Committee met four times during the year with all members in attendance. The Remuneration Committee's report is given in full on pages 41 to 43.

## Internal control

The full Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In establishing this system, the directors have considered the nature of the Group's business, with regard to 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. The internal audit function monitors and supports the internal control system and reports its findings to the Board. The key procedures currently in place are as follows:

- detailed and comprehensive budgeting systems, with a full operating forecast for 12 months and a longer term, five year strategic plan, both formally approved by the Board;
- business performance reports are circulated on a daily basis for sales bookings, with full results being produced monthly;
- quarterly divisional reports are also formally submitted for the Board to review;
- clearly defined authority limits and controls are in place over contract signing limits, purchasing commitments and capital expenditure;
- complex treasury instruments are not used in the normal course of business, any specific projects that may involve such instruments are put to the Board; and
- the directors confirm that they keep the effectiveness of the system of internal control under review.

# Independent Auditor's Report

*to the members of Air Partner plc (Registration No. 980675)*

We have audited the financial statements of Air Partner plc for the year ended 31 July 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. 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. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report, including our opinion, has been prepared for and only for the Company's members as a body in accordance with Sections 495, 496 and 497 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement 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 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 (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

## Opinion on the 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 2009 and of the Group's loss 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 Director's 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 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 to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Mazars LLP

Robert Neate (Senior statutory auditor)
for and on behalf of Mazars LLP
Chartered Accountants (statutory auditor)
Tower Bridge House
St Katharine's Way
London
E1W 1DD
14 October 2009

# Financial Statements

## Consolidated income statement

for the year ended 31 July 2009

| Continuing operations | Note | Pre-exceptional Items 2009 £'000 | Exceptional Items (Note 31) 2009 £'000 | Year Ended 31 July 2009 £'000 | Year Ended 31 July 2008 £'000 |
|---|---|---|---|---|---|
| Revenue | 2 | 194,298 | – | 194,298 | 251,315 |
| Cost of sales | | (169,402) | – | (169,402) | (221,410) |
| Gross profit | | 24,896 | – | 24,896 | 29,905 |
| Administrative expenses | | (21,394) | (980) | (22,374) | (21,444) |
| Impairment of goodwill | | – | (2,106) | (2,106) | – |
| Operating profit | 3 | 3,502 | (3,086) | 416 | 8,461 |
| Finance income | 5 | 496 | – | 496 | 784 |
| Finance costs | 5 | (11) | – | (11) | (2) |
| Profit before tax | | 3,987 | (3,086) | 901 | 9,243 |
| Comprising: | | | | | |
| Profit before tax and impairment | | | | 3,007 | 9,243 |
| Impairment of goodwill | 9 | | | (2,106) | – |
| Profit before tax | | | | 901 | 9,243 |
| Taxation | 6 | (939) | – | (939) | (2,892) |
| (Loss)/profit for the period | | 3,048 | (3,086) | (38) | 6,351 |
| Attributable to: | | | | | |
| Equity holders of the parent company | | | | (38) | 6,351 |
| Earnings per share: | | | | | |
| Basic | 8 | 29.9p | (30.3)p | (0.4)p | 62.6p |
| Diluted | 8 | 29.8p | (30.2)p | (0.4)p | 61.7p |

## Consolidated statement of recognised income and expense

for the year ended 31 July 2009

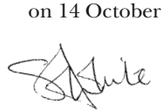
| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Exchange differences on translation of foreign operations | 843 | 645 |
| Net gain recognised directly in equity | 843 | 645 |
| (Loss)/profit for the period | (38) | 6,351 |
| Total recognised income and expense for the period | 805 | 6,996 |
| Attributable to: | | |
| Equity holders of the parent company | 805 | 6,996 |
| | 805 | 6,996 |

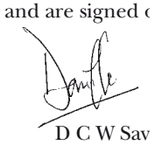
## Consolidated balance sheet

as at 31 July 2009

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Goodwill | 9 | 2,268 | 4,374 |
| Other intangible assets | 10 | 29 | 204 |
| Property, plant and equipment | 11 | 2,238 | 1,852 |
| Deferred tax assets | 22 | 487 | 292 |
| | | 5,022 | 6,722 |
| Current assets | | | |
| Inventories | 14 | 424 | 434 |
| Trade and other receivables | 15 | 26,507 | 30,388 |
| Current tax assets | | 359 | – |
| Cash and cash equivalents | | 16,137 | 20,756 |
| | | 43,427 | 51,578 |
| Total assets | | 48,449 | 58,300 |
| Current liabilities | | | |
| Trade and other payables | 16 | (10,033) | (10,040) |
| Financial liabilities | 18 | (3) | (217) |
| Current tax liabilities | | (537) | (1,422) |
| Other liabilities | 17 | (22,571) | (29,503) |
| | | (33,144) | (41,182) |
| Net current assets | | 10,283 | 10,396 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 22 | (18) | (36) |
| | | (18) | (36) |
| Total liabilities | | (33,162) | (41,218) |
| Net assets | | 15,287 | 17,082 |
| Equity | | | |
| Share capital | 24 | 512 | 509 |
| Share premium account | 25 | 4,440 | 4,264 |
| Translation reserve | 25 | 1,199 | 356 |
| Share option reserve | 25 | 896 | 591 |
| Retained earnings | 25 | 8,240 | 11,362 |
| Equity attributable to equity holders of the parent | | 15,287 | 17,082 |
| Total equity | | 15,287 | 17,082 |

These financial statements were approved and authorised for issue by the Board on 14 October 2009 and are signed on its behalf by:





S J White
Director

D C W Savile
Director

Financial Statements *continued*

## Company balance sheet

as at 31 July 2009

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 573 | 685 |
| Deferred tax assets | 22 | 325 | 256 |
| Investments | 12 | 3,469 | 4,060 |
| Other receivables | 13 | 3,000 | 2,500 |
| | | 7,367 | 7,501 |
| Current assets | | | |
| Trade and other receivables | 15 | 11,641 | 12,710 |
| Cash and cash equivalents | | 9,635 | 10,569 |
| | | 21,276 | 23,279 |
| Total assets | | 28,643 | 30,780 |
| Current liabilities | | | |
| Trade and other payables | 16 | (3,108) | (3,071) |
| Financial liabilities | 18 | (3) | (217) |
| Current tax liabilities | | (467) | (836) |
| Other liabilities | 17 | (12,035) | (15,000) |
| | | (15,613) | (19,124) |
| Net current assets | | 5,663 | 4,155 |
| Total liabilities | | (15,613) | (19,124) |
| Net assets | | 13,030 | 11,656 |
| Equity | | | |
| Share capital | 24 | 512 | 509 |
| Share premium account | 25 | 4,440 | 4,264 |
| Share option reserve | 25 | 896 | 591 |
| Retained earnings | 25 | 7,182 | 6,292 |
| Total equity | | 13,030 | 11,656 |

## Company statement of recognised income and expense

for the year ended 31 July 2009

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit for the period | 3,974 | 5,660 |
| Total recognised income and expense for the period | 3,974 | 5,660 |
| Attributable to: | | |
| Equity holders of the parent company | 3,974 | 5,660 |
| | 3,974 | 5,660 |

These financial statements were approved and authorised for issue by the Board on 14 October 2009 and are signed on its behalf by:

S J White
Director

D C W Savile
Director

## Consolidated and company cash flow statement

for the year ended 31 July 2009

| | Note | Group 2009 £'000 | Group 2008 £'000 | Company 2009 £'000 | Company 2008 £'000 |
|---|---|---|---|---|---|
| Net cash (outflow)/inflow from operating activities | 26 | (1,366) | 9,440 | 1,601 | 7,690 |
| Investing activities | | | | | |
| Interest received | | 496 | 784 | 335 | 450 |
| Dividends received | | – | – | 681 | 1,592 |
| Purchase of minority interest | | – | (935) | – | – |
| Acquisition of subsidiaries (net of cash acquired) | | – | – | (1) | (882) |
| Purchases of property, plant and equipment | | (1,289) | (697) | (545) | (536) |
| Net cash (used in)/generated by investing activities | | (793) | (848) | 470 | 624 |
| Financing activities | | | | | |
| Dividends paid | | (3,132) | (8,221) | (3,132) | (8,221) |
| Amounts (paid to)/received from group undertakings | | – | – | (500) | 500 |
| Proceeds on issue of shares | | 179 | 799 | 179 | 799 |
| Net cash used in financing activities | | (2,953) | (7,422) | (3,453) | (6,922) |
| Net (decrease)/ increase in cash and cash equivalents | | (5,112) | 1,170 | (1,382) | 1,392 |
| Opening cash and cash equivalents | | 20,756 | 19,479 | 10,569 | 9,177 |
| Effect of foreign exchange rate changes | | 493 | 107 | 448 | – |
| Closing cash and cash equivalents | | 16,137 | 20,756 | 9,635 | 10,569 |

Financial Statements *continued*

Notes to the financial statements
for the year ended 31 July 2009

## 1 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 1985 and 2006 applicable to companies reporting under IFRS.

The financial statements are presented in Sterling and, unless otherwise stated, 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. These financial statements have been prepared on a going concern basis.

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 First-time Adoption of International Financial Reporting Standards – revised May 2008 (effective 1 January 2009)

IFRS 2 Share-based Payments – revised 2008 (effective 1 January 2009)

IFRS 3 Business Combinations – revised 2008 (effective 1 July 2009)

IFRS 7 Financial Instruments: Disclosures – revised March 2009 (effective 1 January 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IAS 1 Presentation of Financial Statements – revised 2007 (effective 1 January 2009)

IAS 7 Statement of Cash Flows – revised April 2009 (effective 1 January 2010)

IAS 17 Leases – revised April 2009 (effective 1 January 2010)

IAS 23 Borrowing Costs – revised 2007 (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements – revised 2008 (effective 1 January 2009)

IAS 28 Investments in Associates – revised 2008 (effective 1 January 2009)

IAS 31 Interests in Joint Ventures – revised 2008 (effective 1 January 2009)

IAS 32 Financial Instruments: Presentation – revised 2008 (effective 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement – revised 2008 (effective 1 January 2009)

May 2008 revisions as a result of the Annual Improvements Project (effective 1 January 2009)

IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)

IFRIC 18 Transfers of Assets from Customers (effective 1 July 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant Standards and Interpretations come into effect.

### b) Basis of consolidation

The consolidated financial statements include the results of the Company (including its branches in Spain and Japan) and its subsidiary undertakings, all of which have been made up to 31 July 2009.

*i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

*ii) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

*iii) Minority interests*

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amounts of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination.

### c) Foreign currency

*i) Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the time of the translation. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling 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 overseas foreign operations are translated at exchange rates prevailing at the balance sheet 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.

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

1 ACCOUNTING POLICIES *continued*

d) Property, plant and equipment

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

Depreciation is charged to the income statement by instalments over the estimated useful lives as follows:

| | | |
|---|---|---|
| Short leasehold property | – | over the life of the lease |
| Leasehold improvements | – | over the life of the lease |
| Fixtures and equipment | – | 17–33% per annum on a straight-line basis |
| Motor vehicles | – | 25% per annum on a reducing balance basis |
| Aircraft | – | 10% per annum on a straight-line basis |

e) Revenue

Revenue is measured from 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 hiring aircraft for charter to its customers) and the provision of travel agency services, the full contract value is realised as revenue when the economic benefits are deemed to have passed to the customer. That is generally classified when the first flight of a particular contract has taken place. For revenue that relates to a series of flights, the revenue is recognised on the relevant flight date. Income from aircraft leasing is recognised on a straight-line basis over the term of the relevant lease.

f) Share-based payments

The Group will from time to time offer employees the chance to acquire shares of 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 the employee becomes 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.

Prior to 2007, the fair value of the options granted was measured using the Black Scholes model. From 2007 onwards, the fair value of the options granted was measured using the Trinominal model on the basis it offers a more comprehensive and realistic share option value. Previous options will remain at their historic, Black Scholes model value as there is no material valuation difference to the Trinomial model.

g) 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 substantially enacted at the balance sheet 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 expected to apply to the period when the asset is realised or the liability is settled.

h) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all 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.

i) 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.

j) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are automatically categorised as fair value through profit or loss as per IAS 39. These are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is based on the change in fair value, which is determined by direct reference to active market transactions. This is recognised in the income statement immediately. Derivatives not designated into an effective hedge relationship are classified as a financial asset or a financial liability.

No financial instruments have been designated as fair value or cash flow hedges; consequently they have not been accounted for as such.

k) 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 balance sheet date, and are discounted to present value where the effect is material.

l) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. 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.

m) Assets under construction

Assets under construction are carried at cost less any recognised impairment losses. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

n) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

1 ACCOUNTING POLICIES *continued*

o) 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 1(p) impairment of assets below.

p) Impairment of assets

The Group assesses whether there are any indicators of impairment for all assets at each reporting date. Goodwill is allocated to cash-generating unit for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment, investments measured using a cost basis and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value-in-use to the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash-generating unit's or asset's value in use, 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 risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

These calculations require the use of estimates (see note 9)

q) Intangible assets – arising on business combinations

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be reliably measured. The cost of such intangible assets is their fair value at the acquisition date. Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer relationships – 33% per annum on a straight-line basis

r) Inventories

Inventories represent spare aircraft parts which are used in the repair and maintenance of all aircraft used by the Group. Inventories are valued at the lower of cost and net realisable value computed on the first in first out basis. Items are invoiced out to customers when utilised in repairs and maintenance.

s) Financial assets

Financial assets held by the Group, other than hedging instruments, are classified into the following categories:

- Loans and receivables
- Financial assets at fair value through profit or loss

Generally, Air Partner recognises all financial assets using trade day accounting. An assessment of whether a financial asset is impaired is made at each reporting date. For receivables, this is based on the latest credit information available, i.e. recent defaults and external credit ratings. Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty. All income and expense relating to financial assets are recognised in the income statement line item 'Finance Cost' or 'Finance Income' respectively.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Derivative financial instruments are dealt with in note 1(j) on page 57.

t) Financial liabilities and equity instruments issued by the Group

*Equity instruments*

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.

*Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items 'Finance Costs' and 'Finance Income'.

u) Dividends

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

v) Segmental reporting

At 31 July 2009, the Group is organised into geographical businesses. The geographic regions are the Group's primary reporting format for segment information as they represent the dominant source and nature of the Group's risks and returns. The Group's secondary reporting format is business segments: Private Jets, Commercial Jets, Freight and Other.

Segment assets include all intangible assets, property, plant and equipment, inventories, trade and other receivables, cash and cash equivalents and deferred tax assets. Segment liabilities comprise mainly trade and other payables and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment.

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 2 SEGMENTAL ANALYSIS

Segmental information is presented in respect of the Group's geographical and business markets. The primary format, geographical segments, is based on the Group's management and internal reporting structure and is organised in four areas: United Kingdom, Europe, United States of America and the Rest of the World. The figures in the segments are based on the location of the asset.

The following table provides analysis between each geographical market:

| 2009 | United Kingdom £'000 | Europe £'000 | United States of America £'000 | Rest of the World £'000 | Consolidated £'000 |
|---|---|---|---|---|---|
| Revenue | 108,713 | 70,283 | 12,057 | 3,245 | 194,298 |
| Segment operating profit before exceptionals | 3,198 | 959 | (192) | (463) | 3,502 |
| Exceptional items | (2,811) | (275) | – | – | (3,086) |
| Segment operating profit after exceptionals | 387 | 684 | (192) | (463) | 416 |
| Finance income | – | – | – | – | 496 |
| Finance costs | – | – | – | – | (11) |
| Profit before tax | – | – | – | – | 901 |
| Taxation | – | – | – | – | (939) |
| Loss for the period | – | – | – | – | (38) |
| Segment assets | 25,151 | 18,275 | 3,469 | 1,554 | 48,449 |
| Segment liabilities | 16,694 | 15,322 | 833 | 313 | 33,162 |
| Amortisation | 175 | – | – | – | 175 |
| Depreciation | 237 | 65 | 2 | 87 | 391 |
| Capital expenditure | 551 | 85 | 2 | 651 | 1,289 |

| 2008 | United Kingdom £'000 | Europe £'000 | United States of America £'000 | Rest of the World £'000 | Consolidated £'000 |
|---|---|---|---|---|---|
| Revenue | 152,000 | 76,589 | 19,088 | 3,638 | 251,315 |
| Segment operating profit | 5,934 | 1,626 | 882 | 19 | 8,461 |
| Finance income | – | – | – | – | 784 |
| Finance costs | – | – | – | – | (2) |
| Profit before tax | – | – | – | – | 9,243 |
| Taxation | – | – | – | – | (2,892) |
| Profit for the period | – | – | – | – | 6,351 |
| Segment assets | 31,846 | 21,564 | 3,407 | 1,483 | 58,300 |
| Segment liabilities | 20,811 | 19,090 | 1,143 | 174 | 41,218 |
| Amortisation | 175 | – | – | – | 175 |
| Depreciation | 252 | 64 | 2 | 72 | 390 |
| Capital expenditure | 641 | 56 | – | - | 697 |

The secondary format, business segments, is derived by allocating revenue based on the size of aircraft being flown or whether cargo is involved.

Private jets are aircraft with up to 20 seats; commercial jets are aircraft with over 20 seats and, freight are flights primarily carrying cargo. All remaining activities are classified as other.

| Business segment – revenue | 2009 £'000 | 2008 £'000 | Business segment – assets | 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|---|
| Private jets | 46,373 | 58,644 | | 14,531 | 17,210 |
| Commercial jets | 123,698 | 165,415 | | 26,288 | 35,016 |
| Freight | 20,039 | 24,687 | | 4,502 | 3,138 |
| Other | 4,188 | 2,569 | | 3,128 | 2,936 |
| | 194,298 | 251,315 | | 48,449 | 58,300 |

| Business segment – operating (loss)/profit | | | Business segment – capital expenditure | | |
|---|---|---|---|---|---|
| Private jets | (950) | 3,178 | | 67 | 289 |
| Commercial jets | 3,454 | 4,418 | | 499 | 375 |
| Freight | 890 | 558 | | 60 | 17 |
| Other | 108 | 307 | | 663 | 16 |
| Exceptional items | (3,086) | – | | – | – |
| | 416 | 8,461 | | 1,289 | 697 |
| Finance income | 496 | 784 | | | |
| Finance costs | (11) | (2) | | | |
| Profit before tax | 901 | 9,243 | | | |
| Taxation | (939) | (2,892) | | | |
| (Loss)/profit for the period | (38) | 6,351 | | | |

## 3 OPERATING PROFIT

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

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Net foreign exchange loss | 43 | 551 |
| Change in the fair value of derivative financial instruments | (214) | (47) |
| Exceptional items (see note 31) | (3,086) | – |
| Depreciation of property, plant and equipment | 391 | 390 |
| Amortisation of intangible fixed assets | 175 | 175 |
| Operating lease rentals – land and buildings | 592 | 543 |
| Operating lease rentals – aircraft leasing | 1,673 | 1,040 |
| Staff costs (see note 4) | 14,323 | 14,215 |
| Auditors' remuneration | | |
| Group | 136 | 118 |
| Company | 70 | 75 |

Included in the above are fees to the principal auditor and its network firms, disclosed over the page.

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 3 OPERATING PROFIT *continued*

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| The analysis of auditors' remuneration is as follows: | | |
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 70 | 75 |
| Total audit fees | 70 | 75 |
| Fees payable to the Company's auditors and their associates for other services to the Group | | |
| The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside Great Britain) | – | – |
| Tax services | 7 | 18 |
| Other services | – | – |
| Total non-audit fees | 7 | 18 |

## 4 DIRECTORS AND EMPLOYEES

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

| | 2009 Number | 2008 Number |
|---|---|---|
| Operations | 184 | 190 |
| Administration | 72 | 62 |
| | 256 | 252 |

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| The aggregate payroll costs comprised: | | |
| Wages and salaries | 11,984 | 12,165 |
| Social security costs | 1,976 | 1,719 |
| Pension costs | 363 | 331 |
| | 14,323 | 14,215 |

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' Report on pages 34 to 40 and the Directors' Remuneration Report on pages 41 to 43.

## 5 FINANCE INCOME AND COSTS

| Finance income | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Interest on bank deposits | 445 | 771 |
| Interest on loans to related parties | 51 | 13 |
| | 496 | 784 |

Bank deposits have been classified as loans and receivables in accordance with IAS 39.

| Finance costs | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Interest on bank overdrafts | 11 | 2 |

Bank overdrafts have been classified as financial liabilities measured at amortised cost in accordance with IAS 39.

## 6 TAX

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Current income tax: | | |
| UK corporation tax | 743 | 1,803 |
| Foreign tax | 409 | 1,264 |
| Current income tax charge | 1,152 | 3,067 |
| Deferred tax (see note 22) | (213) | (175) |
| | 939 | 2,892 |

Corporation tax is calculated at 28% (2008: 28%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is 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:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | 901 | 9,243 |
| Tax at the UK corporation tax rate of 28% (2008: 28%) | 252 | 2,588 |
| Tax effect of expenses that are not deductible in determining taxable profit | 812 | 108 |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | 41 | 256 |
| Net tax effect of capital allowances and depreciation | 109 | (5) |
| Tax effect of other temporary differences | (104) | 62 |
| Tax effect of prior year adjustments | (171) | (117) |
| | 939 | 2,892 |

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 7 DIVIDENDS

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period | | |
| Special dividend for year ended 31 July 2007 of 60.0 pence per share | – | 6,111 |
| Final dividend for year ended 31 July 2008 of 22.6 pence (2007: 13.3 pence) per share | 2,306 | 1,356 |
| Interim dividend for year ended 31 July 2009 of 8.1 pence (2008: 7.4 pence) per share | 826 | 754 |
| | 3,132 | 8,221 |
| Proposed final dividend for the year ended 31 July 2009 of 22.6 pence (2008: 22.6 pence per share) | 2,315 | 2,303 |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 8 EARNINGS PER SHARE

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

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Earnings | | |
| Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent | (38) | 6,351 |
| Earnings for the purposes of diluted earnings per share | (38) | 6,351 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 10,200,067 | 10,138,500 |
| Effect of dilutive potential ordinary shares: share options | 43,080 | 157,769 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 10,243,147 | 10,296,269 |

## 9 GOODWILL

| Group | Goodwill £'000 |
|---|---|
| Cost | |
| At 1 August 2007 | 3,619 |
| Additions | 755 |
| At 1 August 2008 | 4,374 |
| Additions | – |
| At 31 July 2009 | 4,374 |
| Provision for impairment | |
| At 1 August 2007 | – |
| Impairment in year | – |
| At 1 August 2008 | – |
| Impairment in year | (2,106) |
| At 31 July 2009 | (2,106) |
| Net book value | |
| At 31 July 2009 | 2,268 |
| At 31 July 2008 | 4,374 |

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. Impairment is recognised as an exceptional item above operating profit in the consolidated income statement. The goodwill addition in the prior year relates to the acquisition of the 45% minority interest of Air Partner International SAS.

Goodwill in Air Partner Private Jets Limited has been measured on the basis of its value in use, by applying cash flow projections based on the financial forecasts circulated to the Board covering a five-year period and is allocated to the United Kingdom reporting segment. In the case of goodwill in Air Partner International SAS, the period reviewed in terms of financial forecasts is five years. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The estimated growth rates are based on past performance and expectation of future changes in the market. The rate used to discount the forecast cash flows from each unit is 10%.

Air Partner Private Jets Limited has suffered from a global downturn in the private jet aviation market, which has led to lower prices, lower yields, less flying hours and less optimisation. The Group has revised its cash flow forecasts for this company as a result. The goodwill recognised on the acquisition of Air Partner Private Jets Limited has been reduced via the recognition of an impairment loss of £2,106,000. Further details of this are provided in the Chief Executive's Review.

## 10 OTHER INTANGIBLE ASSETS

| Group | Customer relationships £'000 |
|---|---|
| Cost | |
| At 1 August 2007 & 1 August 2008 | 525 |
| Additions | – |
| At 31 July 2009 | 525 |
| Amortisation | |
| At 1 August 2007 | 146 |
| Charge for the year | 175 |
| At 1 August 2008 | 321 |
| Charge for the year | 175 |
| At 31 July 2009 | 496 |
| Net book value | |
| At 31 July 2009 | 29 |
| At 31 July 2008 | 204 |

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 11 PROPERTY, PLANT AND EQUIPMENT

| Group | Short leasehold property and leasehold improvements £'000 | Aircraft £'000 | Fixtures and equipment £'000 | Assets under construction £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 August 2007 | 188 | 753 | 1,291 | – | 78 | 2,310 |
| Exchange adjustments | – | 102 | 113 | – | 9 | 224 |
| Additions | 20 | – | 199 | 389 | 89 | 697 |
| Disposals | – | – | (202) | – | – | (202) |
| At 1 August 2008 | 208 | 855 | 1,401 | 389 | 176 | 3,029 |
| Exchange adjustments | – | 14 | 104 | – | 5 | 123 |
| Additions | 10 | 650 | 463 | 126 | 40 | 1,289 |
| Disposals | – | – | (323) | – | (24) | (347) |
| (see note 31) | – | – | – | (515) | – | (515) |
| At 31 July 2009 | 218 | 1,519 | 1,645 | – | 197 | 3,579 |
| **Depreciation** | | | | | | |
| At 1 August 2007 | 36 | 68 | 762 | – | 23 | 889 |
| Exchange adjustments | – | 10 | 83 | – | 7 | 100 |
| Charge for the year | 20 | 72 | 263 | – | 35 | 390 |
| Disposals | – | – | (202) | – | – | (202) |
| At 1 August 2008 | 56 | 150 | 906 | – | 65 | 1,177 |
| Exchange adjustments | – | 2 | 101 | – | 4 | 107 |
| Charge for the year | 21 | 92 | 237 | – | 41 | 391 |
| Disposals | – | – | (320) | – | (14) | (334) |
| At 31 July 2009 | 77 | 244 | 924 | – | 96 | 1,341 |
| **Net book value** | | | | | | |
| At 31 July 2009 | 141 | 1,275 | 721 | – | 101 | 2,238 |
| At 31 July 2008 | 152 | 705 | 495 | 389 | 111 | 1,852 |

| Company | Short leasehold property and leasehold improvements £'000 | Fixtures and equipment £'000 | Assets under construction £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 August 2007 | 106 | 767 | – | 40 | 913 |
| Additions | 4 | 115 | 389 | 28 | 536 |
| Disposals | – | – | – | – | – |
| At 1 August 2008 | 110 | 882 | 389 | 68 | 1,449 |
| Additions | 2 | 417 | 126 | – | 545 |
| Disposals | – | (1) | – | – | (1) |
| Costs written off (see note 31) | – | – | (515) | – | (515) |
| At 31 July 2009 | 112 | 1,298 | – | 68 | 1,478 |
| **Depreciation** | | | | | |
| At 1 August 2007 | 35 | 606 | – | 15 | 656 |
| Charge for the year | 17 | 79 | – | 12 | 108 |
| Disposals | – | – | – | – | – |
| At 1 August 2008 | 52 | 685 | – | 27 | 764 |
| Charge for the year | 18 | 114 | – | 10 | 142 |
| Disposals | – | (1) | – | – | (1) |
| At 31 July 2009 | 70 | 798 | – | 37 | 905 |
| **Net book value** | | | | | |
| At 31 July 2009 | 42 | 500 | – | 31 | 573 |
| At 31 July 2008 | 58 | 197 | 389 | 41 | 685 |

## 12 INVESTMENTS

| Company | Total £'000 |
|---|---|
| Shares in subsidiary undertakings at cost at 1 August 2007 | 3,193 |
| Additions | 882 |
| Liquidation of dormant subsidiaries | (15) |
| Shares in subsidiary undertakings at cost at 1 August 2008 | 4,060 |
| Additions | 1 |
| Impairment of investment in Air Partner Private Jets Limited | (592) |
| Shares in subsidiary undertakings at cost at 31 July 2009 | 3,469 |

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 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 Leasing Pty Limited | Aircraft leasing | Australia | 100% |
| Air Partner Leasing Pty No. 2 Limited | Aircraft leasing | Australia | 100% |
| Air Partner Private Jets Limited | Aircraft management | England and Wales | 100% |
| Air Partner Benelux BV | Air charter broking | Holland | 100% |
| Air Partner Sweden AB | Air charter broking | Sweden | 100% |
| Air Partner Investments Limited | Holding company | England and Wales | 100% |

Air Partner Investments Limited was incorporated on 20 October 2008.

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.

## 13 OTHER RECEIVABLES

| Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Amounts owed by Group undertakings | 3,000 | 2,500 |
| | 3,000 | 2,500 |

## 14 INVENTORIES

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Aircraft parts | 424 | 434 |
| | 424 | 434 |

## 15 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Gross trade receivables | 18,040 | 23,171 | 7,193 | 9,332 |
| Allowance for bad and doubtful debts | (539) | (485) | (60) | (72) |
| Trade receivables | 17,501 | 22,686 | 7,133 | 9,260 |
| Amounts owed by Group undertakings | – | – | 2,160 | 1,276 |
| Social security and other taxes | 169 | 128 | 55 | 78 |
| Other receivables | 3,700 | 679 | 265 | 6 |
| Prepayments and accrued income | 5,137 | 6,895 | 2,028 | 2,090 |
| | 26,507 | 30,388 | 11,641 | 12,710 |

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

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 15 TRADE AND OTHER RECEIVABLES *continued*

All trade and other receivables have been reviewed for indicators of impairment.

Reconciliation of bad and doubtful debt provision

| Group | £'000 |
|---|---|
| At 1 August 2007 | 159 |
| Receivables written off during the year | (92) |
| Provision for doubtful receivables | 418 |
| At 1 August 2008 | 485 |
| Receivables written off during the year | (209) |
| Provision for doubtful receivables | 263 |
| At 31 July 2009 | 539 |

In addition, some of the unimpaired trade receivables are past due at the reporting date. The age of financial assets past due but not impaired is as follows:

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Not more than 3 months | 6,328 | 5,250 |
| More than 3 months but not more than 6 months | 735 | 1,195 |
| More than 6 months but not more than 1 year | 263 | 57 |
| More than 1 year | 675 | 260 |

## 16 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Amounts falling due within one year: | | | | |
| Trade payables | 9,476 | 9,296 | 2,980 | 2,927 |
| Other taxation and social security payable | 557 | 744 | 128 | 144 |
| | 10,033 | 10,040 | 3,108 | 3,071 |

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

## 17 OTHER LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Deferred income | 12,797 | 17,997 | 6,114 | 8,001 |
| Accruals | 8,595 | 10,884 | 5,792 | 6,854 |
| Other liabilities | 1,179 | 622 | 129 | 145 |
| | 22,571 | 29,503 | 12,035 | 15,000 |

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

## 18 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 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 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 | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Cash held at year end on fixed interest rates | 11,134 | 12,057 | 8,809 | 8,159 |
| Cash held at year end on variable interest rates | 5,003 | 8,699 | 826 | 2,410 |
| | 16,137 | 20,756 | 9,635 | 10,569 |

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.

| | Effect on profit before tax | | | |
|---|---|---|---|---|
| | 100 basis points increase | | 100 basis points decrease | |
| Group | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Cash held at year end on variable interest rates | 50 | 87 | (50) | (87) |

| | Effect on profit before tax | | | |
|---|---|---|---|---|
| | 100 basis points increase | | 100 basis points decrease | |
| Company | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Cash held at year end on variable interest rates | 8 | 24 | (8) | (24) |

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

18 FINANCIAL INSTRUMENTS *continued*

b) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Cash and cash equivalents | 16,137 | 20,756 | 9,635 | 10,569 |
| Trade and other receivables | 26,338 | 30,260 | 11,586 | 12,632 |
| | 42,475 | 51,016 | 21,221 | 23,201 |

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, with exposure being spread over a large number of customers.

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

Refer to note 9 for the reconciliation of impairment losses.

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 2009, the Group's liabilities have contractual maturities which are summarised below:

| Group | Current | | | | Non-current | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 6 months | | 6 to 12 months | | 1 to 5 years | | More than 5 years | |
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Trade and other payables | 9,476 | 9,296 | – | – | – | – | – | – |
| Other liabilities | 22,571 | 29,503 | – | – | – | – | – | – |
| Derivative financial liabilities | 3 | 217 | – | – | – | – | – | – |
| | 32,050 | 39,016 | – | – | – | – | – | – |

| Company | Current | | | | Non-current | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 6 months | | 6 to 12 months | | 1 to 5 years | | More than 5 years | |
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Trade and other payables | 2,980 | 2,927 | – | – | – | – | – | – |
| Other liabilities | 12,035 | 15,000 | – | – | – | – | – | – |
| Derivative financial liabilities | 3 | 217 | – | – | – | – | – | – |
| | 15,018 | 18,144 | – | – | – | – | – | – |

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 for buys/sells 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:

| Group | 2009 £'000 | | | | 2008 £'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | Eur € | US $ | GBP £ | Other | Eur € | US $ | GBP £ | Other |
| Nominal amounts | | | | | | | | |
| Financial assets | 20,427 | 3,355 | 17,919 | 774 | 21,613 | 3,943 | 24,346 | 1,114 |
| Financial liabilities | 13,784 | 825 | 16,951 | 487 | 17,704 | 1,056 | 19,747 | 509 |
| Short-term exposure | 34,211 | 4,180 | 34,870 | 1,261 | 39,317 | 4,999 | 44,093 | 1,623 |
| Financial assets | – | – | – | – | – | – | – | – |
| Financial liabilities | – | – | – | – | – | – | – | – |
| Long-term exposure | – | – | – | – | – | – | – | – |
| | 34,211 | 4,180 | 34,870 | 1,261 | 39,317 | 4,999 | 44,093 | 1,623 |

| Company | 2009 £'000 | | | | 2008 £'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | Eur € | US $ | GBP £ | Other | Eur € | US $ | GBP £ | Other |
| Nominal amounts | | | | | | | | |
| Financial assets | 3,351 | 314 | 17,288 | 268 | 741 | 112 | 21,985 | 363 |
| Financial liabilities | 162 | – | 14,736 | 117 | 83 | – | 17,844 | – |
| Short-term exposure | 3,513 | 314 | 32,024 | 385 | 824 | 112 | 39,829 | 363 |
| Financial assets | – | – | 3,000 | – | – | – | 2,500 | – |
| Financial liabilities | – | – | – | – | – | – | – | – |
| Long-term exposure | – | – | 3,000 | – | – | – | 2,500 | – |
| | 3,513 | 314 | 35,024 | 385 | 824 | 112 | 42,329 | 363 |

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

18 FINANCIAL INSTRUMENTS *continued*

d) Foreign currency risk *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 2009 (2008: 10%). A 15% change also assumed for the Sterling/US Dollar exchange rate (2008: 10%).

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 balance sheet 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% (2008: 10%) and 15% (2008: 10%) respectively then this would have had the following impact:

| | 2009 £'000 | | | 2008 £'000 | | |
|---|---|---|---|---|---|---|
| Group | Eur € | US $ | Total | Eur € | US $ | Total |
| Financial assets | (1,857) | (438) | (2,295) | (1,965) | (358) | (2,323) |
| Financial liabilities | 1,253 | 108 | 1,361 | 1,602 | 98 | 1,700 |
| Effect of profit before tax | (604) | (330) | (934) | (363) | (260) | (623) |

| | 2009 £'000 | | | 2008 £'000 | | |
|---|---|---|---|---|---|---|
| Company | Eur € | US $ | Total | Eur € | US $ | Total |
| Financial assets | (44) | 18 | (26) | (68) | (10) | (78) |
| Financial liabilities | 1 | – | 1 | 9 | – | 9 |
| Effect of profit before tax | (43) | 18 | (25) | (59) | (10) | (69) |

If Sterling had weakened against the Euro and US Dollar by 10% (2008: 10%) and 15% (2008: 10%) respectively then this would have had the following impact:

| | 2009 £'000 | | | 2008 £'000 | | |
|---|---|---|---|---|---|---|
| Group | Eur € | US $ | Total | Eur € | US $ | Total |
| Financial assets | 2,270 | 592 | 2,862 | 2,401 | 438 | 2,839 |
| Financial liabilities | (1,532) | (146) | (1,678) | (1,958) | (120) | (2,078) |
| Effect of profit before tax | 738 | 446 | 1,184 | 443 | 318 | 761 |

| | 2009 £'000 | | | 2008 £'000 | | |
|---|---|---|---|---|---|---|
| Company | Eur € | US $ | Total | Eur € | US $ | Total |
| Financial assets | 691 | 135 | 826 | 83 | 12 | 95 |
| Financial liabilities | (10) | – | (10) | (11) | – | (11) |
| Effect of profit before tax | 681 | 135 | 816 | 72 | 12 | 84 |

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. These derivatives are classified as trading instruments and are therefore not accounted for under hedge accounting.

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.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below and their related fair value is as follows (terms not exceeding three months from 31 July 2009):

| Group & Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Forward foreign exchange contracts | 1,028 | 7,707 |
| Financial liability | (3) | (217) |

Changes in the fair value of derivative financial instruments amounting to £214,000 have been credited to the income statement in the year (2008: charge of £47,000).

The fair value of these contracts has been estimated using the contract exchange rate and the bank's current forward rate, which is quoted at a discounted rate.

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 currently has no long-term debt and therefore has no gearing.

19 FINANCIAL ASSETS BY CATEGORY

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Current Assets | | |
| Derivative financial instruments: | | |
| Financial assets held at fair value through profit or loss | | |
| Designated through profit or loss | – | – |
| Held for trading | – | – |
| Non-financial instruments | 952 | 562 |
| Loans and receivables | | |
| Financial assets measured at amortised cost | 42,475 | 51,016 |
| | 43,427 | 51,578 |

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 19 FINANCIAL ASSETS BY CATEGORY *continued*

| Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Current Assets | | |
| Derivative financial instruments: | | |
| Financial assets held at fair value through profit or loss | | |
| Designated through profit or loss | – | – |
| Held for trading | – | – |
| Non-financial instruments | 55 | 78 |
| Loans and receivables | | |
| Financial assets measured at amortised cost | 21,221 | 23,201 |
| | 21,276 | 23,279 |

Forward contracts classified as held for trading are not held for speculative trading purposes, but are used to manage foreign currency risk.

The directors consider that the carrying amount of the financial assets approximate their fair value.

## 20 FINANCIAL LIABILITIES BY CATEGORY

| Group | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Current Liabilities | | |
| Derivative financial instruments: | | |
| Financial liabilities measured at fair value through profit or loss | | |
| Designated through profit or loss | – | – |
| Held for trading | (3) | (217) |
| Non-financial instruments | (1,094) | (2,166) |
| Trade payables | | |
| Financial liabilities measured at amortised cost | (32,047) | (38,799) |
| | (33,144) | (41,182) |

| Company | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Current Liabilities | | |
| Derivative financial instruments: | | |
| Financial liabilities measured at fair value through profit or loss | | |
| Designated through profit or loss | – | – |
| Held for trading | (3) | (217) |
| Non-financial instruments | (595) | (980) |
| Trade payables | | |
| Financial liabilities measured at amortised cost | (15,015) | (17,927) |
| | (15,613) | (19,124) |

Forward contracts classified as held for trading are not held for speculative trading purposes, but are used to manage foreign currency risk.

The directors consider that the carrying amount of the financial liabilities approximate their fair value.

## 21 SHARE-BASED PAYMENTS

The Company has a share option scheme that entitles certain senior staff of the Group to shares in the Company. Options are exercisable at the price equal to the average quoted market price of the Company's shares on the date of the grant. The vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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

| | 2009 Number of share options | 2009 Weighted average exercise price (pence) | 2008 Number of share options | 2008 Weighted average exercise price (pence) |
|---|---|---|---|---|
| Outstanding at beginning of the period | 613,375 | 877.2 | 773,500 | 749.8 |
| Granted during the period | 336,250 | 530.9 | 87,675 | 870.9 |
| Forfeited during the period | (63,250) | 943.7 | (32,900) | 1,162.2 |
| Exercised during the period | (51,600) | 344.8 | (214,900) | 372.4 |
| Modified during the period | (167,100) | 1,316.0 | – | – |
| Outstanding at the end of the period | 667,675 | 627.8 | 613,375 | 877.2 |
| Exercisable at the end of the period | 73,500 | 381.2 | 125,100 | 366.2 |

The weighted average remaining contractual life of share options outstanding at the year end is 8.28 years (2008: 7.25 years).

The range of exercise prices of outstanding share options at the year end was between 295.0 pence to 884.0 pence (2008: 295.0 pence to 1,316.0 pence).

Weighted average market price for the year on the exercise of options was 502.0 pence (2008: 1,206.0 pence).

The fair value received in return for share options granted are measured by reference to the fair value of the share options granted. The estimate of fair value of the services received is measured based on the Trinomial model. Options prior to 2007 were valued under the Black Scholes model. The contractual life of the option (10 years) is used as an input into this model.

The inputs into the Trinomial model are as follows:

| | 27 November 2008 | 23 July 2009 |
|---|---|---|
| Underlying share price (pence) | 540p | 510p |
| Exercise price (pence) | 545p | 507p |
| Expected volatility | 45% | 50% |
| Vesting period | 3 years | 3 years |
| Option life | 10 years | 10 years |
| Employee exit rate | 15% | 20% |
| Employee exercise multiple | 1.5 | 1.5 |
| Risk-free interest rate | 3.97% | 4.00% |
| Dividend yield | 5.0% | 5.0% |

The share option awards are granted under a service condition, there are no performance or market conditions associated with the share options.

Expected volatility was determined by calculating the historical volatility of the Group's share price since July 1999, along with six other quoted companies that were considered to exhibit some degree of comparability with Air Partner.

The total charge for the year relating to employee share-based payment plans was £353,000 (2008: £346,000), all of which related to equity share-based payment transactions.

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 21 SHARE-BASED PAYMENTS *continued*

During the year, the Directors considered that a batch of share options granted at a market value of 1,316.0 pence were so significantly above the current market value of Air Partner shares, there was only a remote chance of them being exercised in the near future. As a result each share option holder was given up to 70% of the number of shares options originally received at a price of 507.0 pence, the market price at the date of grant. The vesting period remained unchanged at three years. 63,610 new options were issued in place of the existing 167,100 share options. The incremental fair value of the options granted was 164.0 pence, calculated as the difference between the fair value of the option before the modification date (0.0 pence) and the fair value of the new option (164.0 pence).

## 22 DEFERRED TAX

Deferred tax has been calculated at 28% in respect of UK companies and at the prevailing 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 | Net accelerated tax depreciation £'000 | Tax losses £'000 | Share-based payment adjustment £'000 | Intangibles £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 August 2007 | 60 | – | 136 | (115) | 81 |
| Credit to the income statement | 39 | 42 | 41 | 53 | 175 |
| At 1 August 2008 | 99 | 42 | 177 | (62) | 256 |
| Credit to the income statement | 54 | 21 | 86 | 52 | 213 |
| At 31 July 2009 | 153 | 63 | 263 | (10) | 469 |

| Company | Net accelerated tax depreciation £'000 | Share-based payment adjustment £'000 | Total £'000 |
|---|---|---|---|
| At 1 August 2007 | 100 | 136 | 236 |
| (Expense)/credit to income statement | (21) | 41 | 20 |
| At 1 August 2008 | 79 | 177 | 256 |
| (Expense)/credit to income statement | (17) | 86 | 69 |
| At 31 July 2009 | 62 | 263 | 325 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Deferred tax liabilities | (18) | (36) | – | – |
| Deferred tax assets | 487 | 292 | 325 | 256 |
| | 469 | 256 | 325 | 256 |

No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the overseas tax paid by the dividend paying subsidiaries overall is sufficient to fully offset any UK tax liability.

## 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's social contribution levels. The amount of expense related to such pension contributions is disclosed in note 4.

## 24 SHARE CAPITAL

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Authorised | | |
| 15,000,000 (2008: 15,000,000) ordinary shares of 5.0 pence each | 750 | 750 |
| Issued and fully paid | | |
| 10,241,393 (2008: 10,189,793) ordinary shares of 5.0 pence each | 512 | 509 |

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

## 25 STATEMENT OF CHANGES IN EQUITY

| Group | Share capital £'000 | Share premium account £'000 | Share option reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Opening equity as at 1 August 2008 | 509 | 4,264 | 591 | 356 | 11,362 | 17,082 |
| Exchange differences on translation of foreign operations | – | – | – | 843 | – | 843 |
| Net gain recognised directly in equity | – | – | – | 843 | – | 843 |
| Share option movement for period | – | – | 353 | – | – | 353 |
| Loss for the period | – | – | – | – | (38) | (38) |
| Total recognised income and expense for the period | – | – | 353 | – | (38) | 315 |
| Dividends | – | – | – | – | (3,132) | (3,132) |
| Issue of shares under share option scheme | 3 | 176 | (48) | – | 48 | 179 |
| Closing equity as at 31 July 2009 | 512 | 4,440 | 896 | 1,199 | 8,240 | 15,287 |

| Company | Share capital £'000 | Share premium account £'000 | Share option reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Opening equity as at 1 August 2008 | 509 | 4,264 | 591 | 6,292 | 11,656 |
| Share option movement for period | – | – | 353 | – | 353 |
| Profit for the period | – | – | – | 3,974 | 3,974 |
| Total recognised income and expense for the period | – | – | 353 | 3,974 | 4,327 |
| Dividends | – | – | – | (3,132) | (3,132) |
| Issue of shares under share option scheme | 3 | 176 | (48) | 48 | 179 |
| Closing equity as at 31 July 2009 | 512 | 4,440 | 896 | 7,182 | 13,030 |

### 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.

Financial Statements *continued*

Notes to the financial statements *continued*
for the year ended 31 July 2009

## 26 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Operating profit for the period | 416 | 8,461 | 4,024 | 5,320 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 566 | 565 | 142 | 108 |
| Costs written off (hangar project) | 536 | – | 536 | – |
| Impairment of goodwill/investment | 2,106 | – | 592 | – |
| Movement on financial liability | (214) | 47 | (214) | 47 |
| Share option cost for period | 353 | 346 | 353 | 346 |
| Operating cash flows before movements in working capital | 3,763 | 9,419 | 5,433 | 5,821 |
| Decrease/(increase) in receivables | 3,881 | (3,713) | 388 | (2,604) |
| Decrease/(increase) in inventories | 10 | (39) | – | – |
| (Decrease)/increase in payables | (6,613) | 6,584 | (3,127) | 6,072 |
| Cash generated from operations | 1,041 | 12,251 | 2,694 | 9,289 |
| Income taxes paid | (2,396) | (2,809) | (1,089) | (1,598) |
| Interest paid | (11) | (2) | (4) | (1) |
| | (1,366) | 9,440 | 1,601 | 7,690 |

## 27 OPERATING LEASE ARRANGEMENTS

| The Group as lessee | 2009 Land and buildings £'000 | 2008 Land and buildings £'000 | 2009 Aircraft leasing £'000 | 2008 Aircraft leasing £'000 |
|---|---|---|---|---|
| Minimum lease payments under operating leases recognised as costs for the year | 592 | 543 | 1,673 | 1,040 |

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

| | | | | |
|---|---|---|---|---|
| Within one year | 255 | 585 | – | – |
| In the second to fifth year inclusive | 754 | 2,292 | – | 1,800 |
| After five years | 20,481 | 19,440 | – | – |
| | 21,490 | 22,317 | – | 1,800 |

Operating lease payments represent rentals payable by the Group for certain office properties it uses and for certain aircraft in its Air Partner Private Jets Limited business. Leases are negotiated in isolation, dependent on the trading conditions in the country/region concerned.

Operating leases relate to an aircraft that is owned by the Group.

| The Group as lessor | 2009 Aircraft leasing £'000 | 2008 Aircraft leasing £'000 |
|---|---|---|
| Within one year | – | 151 |
| In the second to fifth year inclusive | – | 453 |
| After five years | – | – |
| | – | 604 |

Aircraft leasing rental income earned during the year was £98,000 (2008: £154,000).

## 28 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 is £3,974,000 (2008: £5,660,000) including dividends from subsidiary companies of £271,000 (2008: £1,592,000).

## 29 RELATED PARTY TRANSACTIONS

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

| Trading transactions | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Subsidiaries | | |
| Sales to subsidiaries | 114 | 220 |
| Purchases from subsidiaries | 2,477 | 2,485 |
| Amounts owed by subsidiaries at 31 July | 2,160 | 1,118 |

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

| Loans to related parties | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Loans to Air Partner Private Jets Limited | 3,000 | 2,658 |

Loans repayable to the Company carry interest at a rate of 1% above the Bank of England's base rate per annum.

During the year, the Lee Baron Group Limited charged fees to the Group of £33,500 (2008: £82,500) and Gleeds Building Surveying Limited £55,700 (2008:£nil) in respect of project management on the development of a hangar in Biggin Hill. P Savile, brother of D C W Savile, a director, is employed by Gleeds Building Surveying Limited and was previously employed by Lee Baron Group Limited. The initial contract negotiation for this was supervised by S J White and A G Mack, independent of D C W Savile. At the year end there was a balance of £11,500 (2008:£nil) owed to Gleeds Building Surveying Limited and £nil owed to Lee Baron Group Limited (2008: £7,500).

During the year, M Barber was employed as a contractor in the engineering department of Air Partner Private Jets Limited. M Barber, brother of J Barber, a director, is employed by Avmarine Consultancy Limited and was paid £28,894 during the course of the year (2008: £nil). The contract rates were agreed by the Board excluding J Barber. At the year end there was a balance of £3,000 (2008: £nil) owed to M Barber.

## 30 CONTINGENT LIABILITIES

The Group has a terminable indemnity for £240,000 (2008: £240,000) in respect of a passenger sales agency agreement and also a bank guarantee for £4,500 (2008: £4,500) lodged in regard to certain employee rights in Dubai.

## 31 EXCEPTIONAL ITEMS

Exceptional items are those items the Group considers to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance. Exceptional items are as follow:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Impairment of assets in relation to the purchase of Air Partner Private Jets Limited | 2,106 | – |
| Redundancy costs in relation to the restructuring program | 444 | – |
| Write-off of costs relating to the proposed hangar development | 536 | – |
| | 3,086 | – |

## 32 EVENTS AFTER THE BALANCE SHEET DATE

On 19 August 2008 the Group signed an 80 year ground rent lease on a site at Biggin Hill for an annual rent of £261,189. On 1 October 2009 a mutual release from this lease was signed by both Air Partner plc and Biggin Hill Airport Limited.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP at 11am on 9 December 2009 for the transaction of the following business:

## Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions of which 1 to 9 will be proposed as ordinary resolutions and resolution 10 will be proposed as a special resolution:

1 TO receive the Directors' Report and accounts for the year ended 31 July 2009 together with the auditor's report on those accounts and on the auditable part of the Directors' Remuneration Report.

2 TO approve the Directors' Remuneration Report for the year ended 31 July 2009.

3 TO declare and approve the payment of a final dividend for the year ended 31 July 2009 of 22.6 pence per ordinary share to holders of ordinary shares registered at the close of business on 13 November 2009.

4 TO re-elect M A Briffa as a director.

5 TO re-elect A G Mack as a director.

6 TO elect J Barber as a director, who has been appointed as a director since the last Annual General Meeting of the Company.

7 TO elect C W Pollard as a director, who has been appointed as a director since the last Annual General Meeting of the Company.

8 TO re-appoint Mazars LLP as auditor to the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to fix their remuneration.

9 THAT the directors be generally and unconditionally authorised, pursuant to Section 551 of the Companies Act 2006 (the 'Act'), to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by Sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £170,519.00 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next Annual General Meeting and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority, so that all previous authorities of the directors pursuant to Section 80 of the Companies Act 1985 be and are hereby revoked.

10 THAT the directors be and are empowered in accordance with Section 570 of the Companies Act 2006 (the 'Act') to sell treasury shares (as defined in Section 724 of the Act) and, subject to the passing of resolution 9 set out in the Notice convening this Meeting, make other allotments of equity securities (and the expression 'allotment of equity securities' and like expressions used in this resolution shall have the meaning given to them by virtue of Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution, in each case as if Section 561 and sub-sections (1) – (6) of Section 562 of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:

i) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering (other than the Company itself in respect of any shares held by it as treasury shares) where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

ii) the allotment (otherwise than pursuant to paragraph 9(i) above) of equity securities up to an aggregate nominal value not exceeding £25,603.48; and this power, unless renewed, shall expire at the end of the next Annual General Meeting but shall extend to the making, before such expiry, of an offer or agreement which would or might require an allotment of equity securities to be made after such expiry and the directors may make an allotment of equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

## Special business

As special business to consider and, if thought fit, to pass the following resolutions as special resolutions:

11 THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 5 pence each in the capital of the Company ('ordinary shares') provided that:

i) the maximum number of ordinary shares hereby authorised to be purchased is 1,024,139;

ii) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5 pence per share, being the nominal amount thereof;

iii) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);

iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and

v) the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

12 THAT pursuant to section 21 of the Companies Act 2006, the Articles of Association of the Company be deleted in their entirety and the regulations contained in the document submitted to the meeting, and initialled by the Chairman for the purpose of identification, be approved and adopted as the Articles of Association in substitution of and to the exclusion of, the existing Articles of Association of the Company.

13 THAT a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

S J White
Company Secretary
14 October 2009

# Notice of Annual General Meeting *continued*

1 A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than 1 proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Completion of the Form of Proxy will not prevent you from attending and voting in person. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person').

2 To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 6pm on 7 December 2009 at the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

3 Any member or his proxy attending the meeting has the right to ask any question at the meeting relating to the business of the meeting.

4 Pursuant to section 360 B of the Act and regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 6pm on 7 December 2009 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 11am on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5 In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

6 The following documents are available for inspection at the registered office of the Company at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting:

a) the register of interests of the directors and their families in the share capital of the Company;

b) copies of service contracts between the directors and the Company or its subsidiary undertakings; and

c) copies of the current Articles of Association of the Company, the proposed Articles of Association of the Company and a version of the Articles of Association showing the proposed changes.

7 As at 13 October 2009 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 10,241,393 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 October 2009 are 10,241,393.

8 The information required to be published by Section 311(A) of the Act (information about the contents of this notice and numbers of shares in the company and voting rights exercisable at the meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.airpartner.com/investors

9 Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in section 153(2) of the Act) may:

a) require the Company, under Section 338 of the Act, to give notice of a resolution which may properly be moved at the Meeting. Any such request, which must comply with section 338(4) of the 2006 Act, must be received by the Company no later than 6 weeks before the date fixed for the Meeting;

b) require the company, under Section 338A of the Act to include a matter (other than a proposed resolution) in the business to be dealt with at the Meeting. Any such request, which must comply with Section 338A(3) of the Act, must be received by the Company no later than 6 weeks before the date fixed for the Meeting; and

c) require the Company, under Section 527 of the Act to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

10 A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

11 If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

# Explanatory notes of principal changes to the Company's Articles of Association

The Company's current Articles of Association (the 'Current Articles') were adopted on 10 December 2008. It is proposed in resolution 12 to adopt new Articles of Association (the 'New Articles') in order to update the Current Articles and in particular to take account of changes in English company law following the implementation of the last parts of the Companies Act 2006 on 1 October 2009 and also the coming into force of the Companies (Shareholders' Rights) Regulations 2009.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 82 of this document.

### 1 The company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a Company's Memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's Articles of Association but the Company can remove some of these provisions by special resolution.

The Companies Act 2006 states that unless a Company's articles provide otherwise, a Company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause which, by virtue of the Companies Act 2006, is to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 12 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability and the location of the Company's registered office, the New Articles also contain express provisions reflecting these statements.

### 2 Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

### 3 Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

### 4 Redeemable shares

Under the Companies Act 1985 if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the normal way.

### 5 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985 a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require for shareholder authority to do any of these things and it will no longer be necessary to articles to contain enabling provision. Accordingly, the relevant enabling provisions have been removed in the New Articles.

### 6 Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

### 7 Use of seals

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

### 8 Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly this power has been removed in the New Articles.

### 9 Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies set out in secondary legislation.

### 10 Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

### 11 Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

### 12 Notice of general meetings

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

### 13 Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been amended to reflect this requirement.

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