



AIR PARTNER PLC

Annual report 2004





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

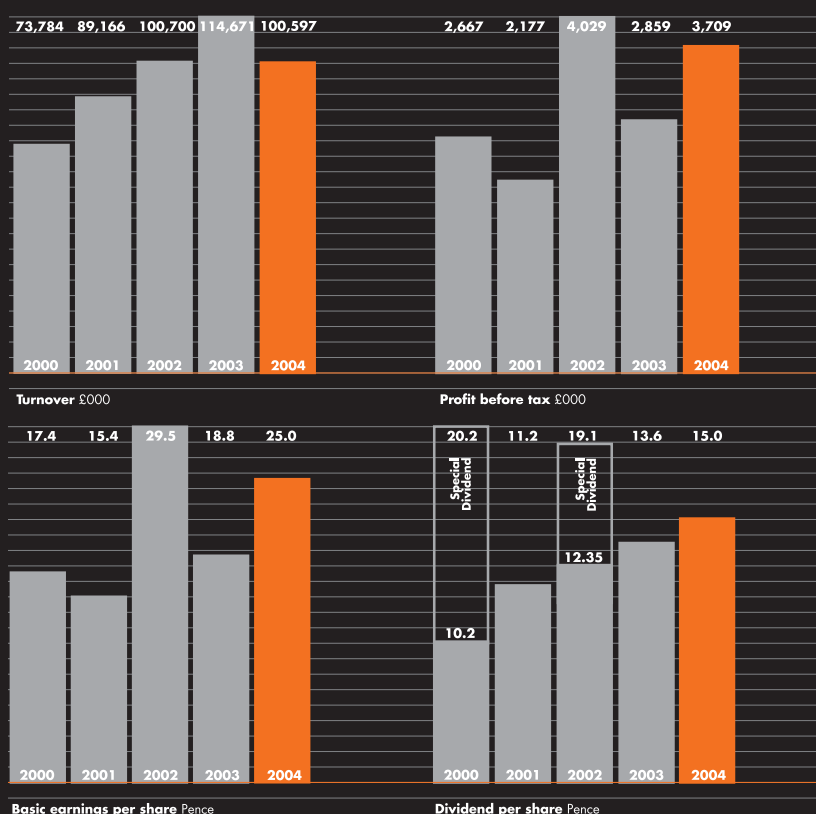
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Cover: A Challenger 604 Business Jet stands ready waiting for another Air Partner corporate group

LG Photo

We are entirely focused on establishing Air Partner as the only truly global air charter provider. Charter that comes with quality, dependability, financial security and a consistency echoed the whole world over. One world, one standard.

Air Partner is best described as a global trading floor for aircraft charter. The team of over 100 aviation professionals and support staff is by far the largest dedicated to chartering corporate aircraft anywhere. We specialise in providing quality advice, personal recommendation and the smart procurement of all types of aircraft, worldwide – a team equally at home organising a Lear Jet to fly the CEO around Europe or North America, as co-ordinating 70 large passenger jets together moving 10,000 guests to a major product launch at some Riviera destination. The size, scale, experience and quality of the team and the service are unique. Last year our team contracted over 35,000 flight hours, despatching flights to the four corners of the earth on a daily basis.



Chairman's statement



"I AM DELIGHTED TO REPORT THAT THE PRE-TAX PROFITS OF THE GROUP HAVE INCREASED BY 30% TO £3.71 MILLION (2003: £2.86 MILLION), IN TURN IMPROVING THE EARNINGS PER SHARE BY 33% TO 25.0P (2003: 18.8P). THE BUSINESS MIX OVER THE LAST TWELVE MONTHS HAS CHANGED, PRODUCING LOWER VOLUME BUT HIGHER MARGIN BUSINESS. THE GROUP'S GROSS PROFIT REFLECTED THIS, INCREASING BY 2% TO £11.8 MILLION."

I am delighted to report that the pre-tax profits of the Group have increased by 30% to £3.71 million (2003: £2.86 million), in turn improving the earnings per share by 33% to 25.0p (2003: 18.8p). The business mix over the last twelve months has changed, producing lower volume but higher margin business. The Group's gross profit reflected this, increasing by 2% to £11.8 million.

The Directors recommend increasing the final dividend to 10p making a total dividend of 15p (2003: 13.6p); this is in line with the Group's dividend policy. Group cash increased to £9.98 million (2003: £8.95 million).

Since the cessation of official hostilities in Iraq, there has been a slow down in the work that Air Partner executed in this arena. However it is pleasing to report that in other areas the Group's more conventional, higher margin, commercial sources of business have improved, strengthening the Group's gross margin. This is as a direct consequence of management's focus on diversifying Air Partner's revenue streams.

Our continued focus on costs and rightsizing the Group has again had a positive impact, particularly in the US, which has moved

from a loss-making position to contributing a healthy profit for the Group. Similarly the business in Germany has become a profit source. In line with our stated strategy, cost control remains a key focus and in the year under review has helped reduce the Group overhead by 6.5% to £8.3 million.

In January we had the exciting news that the Company had been granted a Royal Warrant of Appointment to Her Majesty the Queen. I feel that this is not only an endorsement of the Group's strong commitment to quality, service and value but that it adds to the overall worth of the Group.

Recently, the aviation industry has proved difficult to predict; however Air Partner's geographic and market spread has, once again, helped us produce a robust set of results. We remain focused on our core strategy of organic and geographic growth. Opening new offices and developing services remains central to the Group's strategy for growing future sales and profits. Our estimate is that we still have only around 1% of the global market available to brokers, so there remains plenty of room for the Group to develop and grow.

Current trading is substantially above that of last year and I am delighted to report that

forward charter bookings are significantly higher than at the same time in 2003. Despite these early encouraging signs, the market in the coming year is expected to remain challenging, but your Directors remain firmly optimistic of the medium term growth potential of your Company.

After more than 8 years of loyal service to the Group our non-executive Director Rowland Cobbold has decided not to stand for re-election at our AGM. We would like to thank him for his committed and highly valued contribution to the growth of the Group. We will announce the appointment of a new non-executive Director shortly.

As always, my heartfelt thanks go to the great team of people at Air Partner who have produced these results.

Tony Mack

Chairman

6 October 2004



Doing the
a matter of

impossible as
routine



www.airpartner.com

Chief Executive's review



"IT IS PLEASING TO REPORT THAT THE GROUP HAS PRODUCED ANOTHER STRONG PERFORMANCE IN THE PAST TWELVE MONTHS OF TRADING. WE STARTED THE FINANCIAL YEAR FACING DIFFICULT AND UNCERTAIN TIMES FOR THE AIR TRANSPORT MARKET YET THE TEAM HAS USED ITS SKILLS TO OFFSET THESE UNCERTAINTIES, DELIVERING STRONG RESULTS FROM THE OPPORTUNITIES PRESENTED TO THEM."

It is pleasing to report that the Group has produced another strong performance in the past twelve months of trading. We started the financial year facing difficult and uncertain times for the air transport market yet the team has used its skills to offset these uncertainties, delivering strong results from the opportunities presented to them.

The directors believe that the Group's expanding global diversity is one of the major components assisting in the delivery of more consistent and better results. Over the past decade, our strategy has been to grow organically and geographically, remaining within our core skills. This approach continues to serve us well today and, given that we face very different trading conditions in each territory, the business mix ensures we have enough opportunities to deliver a more predictable year-end result, despite any regional disappointments that might arise. The aim remains to produce smoother growth across the Group.

Secondly, balanced overheads are important for delivering profit growth in our changing environment. The Group finances its new office openings from within the trading account each year and therefore careful

assessment is required to determine when to seed for future growth, and when to keep a tight rein on current costs. The Group continues to maintain its focus on costs and it is pleasing to note their containment in the year under review.

Divisional review

UK

The UK Division accounted for 52% of Group sales. The slow recovery seen in the first half of the year has continued, notably increasing in pace in the final quarter. The Commercial Aircraft Division, dealing with the charter of airliners to Industry and Governments, remains a key component of UK profits.

The Executive Aircraft Division, which specialises in the provision of business jets, has seen a substantial recovery in activity this year with flight contracts up 40%; however the recovery did not start until the 2nd half of the year and predominantly came in the 4th quarter. This division's performance tends to follow the economic climate closer than our other business units.

The Freight Division suffered a significant drop in sales (which broadly accounts for the Group sales being down 12%); however, as stated in Air Partner's Pre-close



Trading update (5 August 2004) this was expected, as a number of high volume, low margin Gulf contracts in 2003 were non-repeating. Despite this, the division remained profitable; it continues to be a key component in our future growth plans and is set on moving from short-term opportunism to medium-term maturity.

France

The Paris office and its three regional satellites continue to deliver a strong performance and 2004 was no exception. Although sales and profits remained static, the French office is a key part of our international operation and we are especially pleased with the performance given the current state of the French market. Air Partner's confidence in this territory is borne out by its market leadership.

Germany & Austria

Despite the German economy remaining poor, and our local offices suffering another year of difficult trading conditions, the German operation successfully restored profitability to their Division. This is very encouraging and credit must go to the team who are committed and who have worked under extremely difficult circumstances. The outlook remains

difficult but I am confident that the team will continue along this path of progress.

The US

The changes made in 2003 have proven to be appropriate. The re-alignment of costs, and the creation of a smaller but highly focused team in Washington, New York, and Fort Lauderdale, has delivered an impressive turn-around, with significant improvement made in client loyalty, sales, and repeat business. Pleasingly, the team have also worked well together to win new accounts in a highly competitive environment, putting the Division on a strong footing for the new financial year. The directors recognise the outstanding contributions made by each member of the US team.

Switzerland

Despite the charter market being small, our team's presence is significant for the wider Group, and the Zurich office continues to meet their targets. We continue to invest in a growing team.

Other operations

The Middle East office, in the United Arab Emirates, has moved into profit ahead of expectations. This is as a result of the hard

work injected by the local team in Dubai, and the respect for the Group's VIP capabilities. Such young businesses are difficult to establish, especially given the cultural differences from our traditional business model, but the Dubai team has proved adept in its skills and tenacious in its approach, and tangible returns are now being seen. Air Partner's association in Singapore is in early development with no direct costs incurred. The Indian office in Delhi was launched in March this year and we are pleased with the partnership created there. In both places our local staff have won huge internal respect for their local knowledge and expertise, which in turn provides your Company with a competitive advantage. Our clients gain significantly when we arrange flights within the Asia Pacific region, and we are confident that as global buyers become more demanding, the benefit of a global network of experienced traders will be increasingly recognised.

Away from core broking operations, the Australian Leasing contract continues to perform to target and is meeting expectations. The Emergency Planning Division remains profitable and has won new contracts this

Chief Executive's review



year; however it has failed to reach the targets set and subsequently fresh resources are being committed as part of an overhaul of the business unit in the new financial year. The directors continue to believe in the potential of this operation. Our small IATA in-house business travel agency also contributes a small profit and greatly assists in winning collaborative scheduled/charter contracts for the Group.

Summary

Your Group has delivered an impressive set of results, especially when compared to similar businesses in its sector. Progress has been made in many areas and the strength and inherent value of the Group continues to increase. This has been derived from a more predictable performance, despite the fact that clients in our industry traditionally only book in an ad hoc or short-term manner. Our systems, control, and procedures continue to keep our business risk at an extremely low level and provide us with trading stability, and our recently completed AXIS computer system is equally delivering on expectations. The team were delighted to be granted a Royal Warrant as Supplier of Aircraft Charter to Her Majesty The Queen, this January.

Above all, the strength of the Air Partner Group is deeply rooted in the increasing skills and loyalty of its team of traders and back-office team members. The ongoing success of the individuals and their respective divisions has greatly enhanced the Group, and it is clear that people draw a high degree of satisfaction as we win together. Client loyalty, won from delivering hard-fought customer service managed through our excellent Flight Logistics teams, is at an all-time high.

Looking into the future, most of our critical business units are reporting forward bookings significantly ahead of this time last year although it is early to conclude how much of this stems from a rising market, and how much stems from a change away from the shortening lead-in times we have experienced since 9/11. We are also encouraged by the increase in business from clients in the financial sector.

The commoditisation of mass-market air transportation, and the fight between full service airlines and their low-cost rivals continues to result in falling in-flight service standards. This often leaves bespoke charter as one of the only sources of time-efficiency and satisfaction in the skies. Meanwhile on the ground, the main hub airports continue

to resemble congested shopping centres, further enhancing the attractiveness of using chartered aircraft through quiet business airfields; the latter offer a real alternative to the corporate traveller who prefers simply to pass through, rather than to wait or shop.

Finally, our plan to open offices in new territories is as active as ever; we have half a dozen currently under consideration, although timings remain very much governed by local market opportunities and the availability of key local personnel.

Your Group is well placed to maintain steady progress along the lines of recent years.

David Savile

Chief Executive
6 October 2004

Directors



From left to right: Sri Srikanthan, Anthony Mack, The Hon Rowland Cobbold, Stephanie White and David Savile

Anthony Mack

Executive Chairman, Aged 55

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.*

David Savile

Chief Executive, Aged 45

Has over 24 years' experience in aircraft charter, 21 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.

Stephanie White MBA

Finance Director, Aged 41

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

The Hon Rowland Cobbold

Non-executive director, Aged 60

Joined the Board as a non-executive in 1996. Rowland has over 32 years' experience in the aviation and tourism industry. He is currently Chairman of Ecco Tours Ltd and a Director of Groundstar Ltd and was formerly Marketing Director of Cathay Pacific Airways Ltd.*

Sri Srikanthan MBA, ACMA

Non-executive director, Aged 53

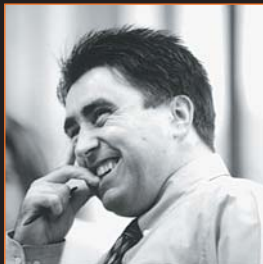
Sri is a Senior Lecturer in Finance and Accounting at Cranfield University. He is currently acting as a consultant to a wide range of companies and is also a non-executive director of an engineering services company.*

*Denotes membership of both the Remuneration and Audit Committee

Senior management

Senior Group Management

UK Board



Mark Briffa
Managing Director



Justin Barber
Director



David Macdonald
Director



Simon King
Finance, London



Peter Saxton
EPD, London

Country managers



Gilles Meynard
France



Birte Kipke
Germany & Austria



Brigitte Schuepbach
Switzerland



Verena Hitz
Switzerland



Philip Mathews
USA

Air Partner – the business by activity



Business Flights

Providing modern and highly sophisticated business jets to allow executives to maximise their working hours. Charter remains less than half the cost per hour flown compared with ownership, be it outright or fractional ownership.



Conference/Incentive

With scheduled carriers gearing their product at individuals or small groups to provide the airline with the best yield, group organisers find that chartering their own airliner is a highly practical and economic solution, and puts them back in control.



Product Launches

Moving more than a thousand clients, press, or other guests to a launch involves an increasing risk of problems as the numbers rise. To avoid a PR nightmare, the logistics of such an operation require detailed scrutiny and years of hands-on relevant experience.



First Class Cabins

Quality matters; we are totally focused on making sure our passengers expectations are either met or exceeded. Safety, quality, dependability, accuracy on every mission. Standards matter; details matter.



Head of State

Flying for a reigning king or queen requires the highest belief in your team, and your corporate systems, so that no slip in professionalism can ever happen. In simple terms, 99 times out of 100 is just not acceptable. Once you have such systems, why not apply it to all clients?



Relief Aid

Our team just love to rise to the occasion to make that difference; surely this is one of the most satisfying parts of our day's work.



Air Ambulances

Life-saving flights, arranged at a moment's notice, carry the injured home to specialist hospitals; over recent years we have repatriated patients from some of the most obscure places on the earth. On-board care facilities now match the best that is available on the ground.



Air Evacuations

We remain the only Company to offer a pre-planned air evacuation service to bolster corporate evacuation plans from the numerous hotspots around the world today. Our 24 hour ops centre provides instant solutions even in the most demanding of circumstances.



Organ Transplants

Our nightly transplant flights specialise in moving body organs between participating hospitals as operating theatres use the nocturnal hours to perform life-saving surgery. As with all our flights, timely performance is critical.



Vital Freight

Sometimes that 'bit' just has to 'go now!' Traditional air freight waits for the next available flight. When lost time is lost profits or lost reputation, chartering means the solution has started and you are back in control of your destiny.



Government Flights

Owning aircraft for occasional use doesn't make sense, especially when the requirement is different every time. Governments use us to solve a diverse range of needs from Ministerial to prisoner travel.



IPO Road-Shows

Many missions are only viable by charter; taking a dozen financiers around 10 cities in 4 days in a flexible way can only be achieved travelling by business jet, and saves both time and money in large quantities.



Point-to-Point

Despite airports being the scourge of some local communities, sometimes there never seems to be one around when you want one. Our Helicopter division solves that problem!



Trade Delegations & Team Travel

Whether it is a trade mission, a Pop or Premier Division sports tour, or a world air cruise, you need a great aircraft to 'live' on, and a highly dedicated crew to be your 'family' host. Our team specialises in putting such acts together in a way no one else knows how.



Corporate Branding

Inviting thousands of guests to travel on your dedicated charter aircraft gives further marketing opportunities. Many clients take advantage of well-travelled aircraft carrying their brand image through some of the busiest airports in their marketplace.



Cruise Connections

The Cruise Ship industry is experiencing a boom, and discerning passengers expect efficient air links to the ships. We provide regular transfers to thousands of passengers every month.



Corporate Shuttles

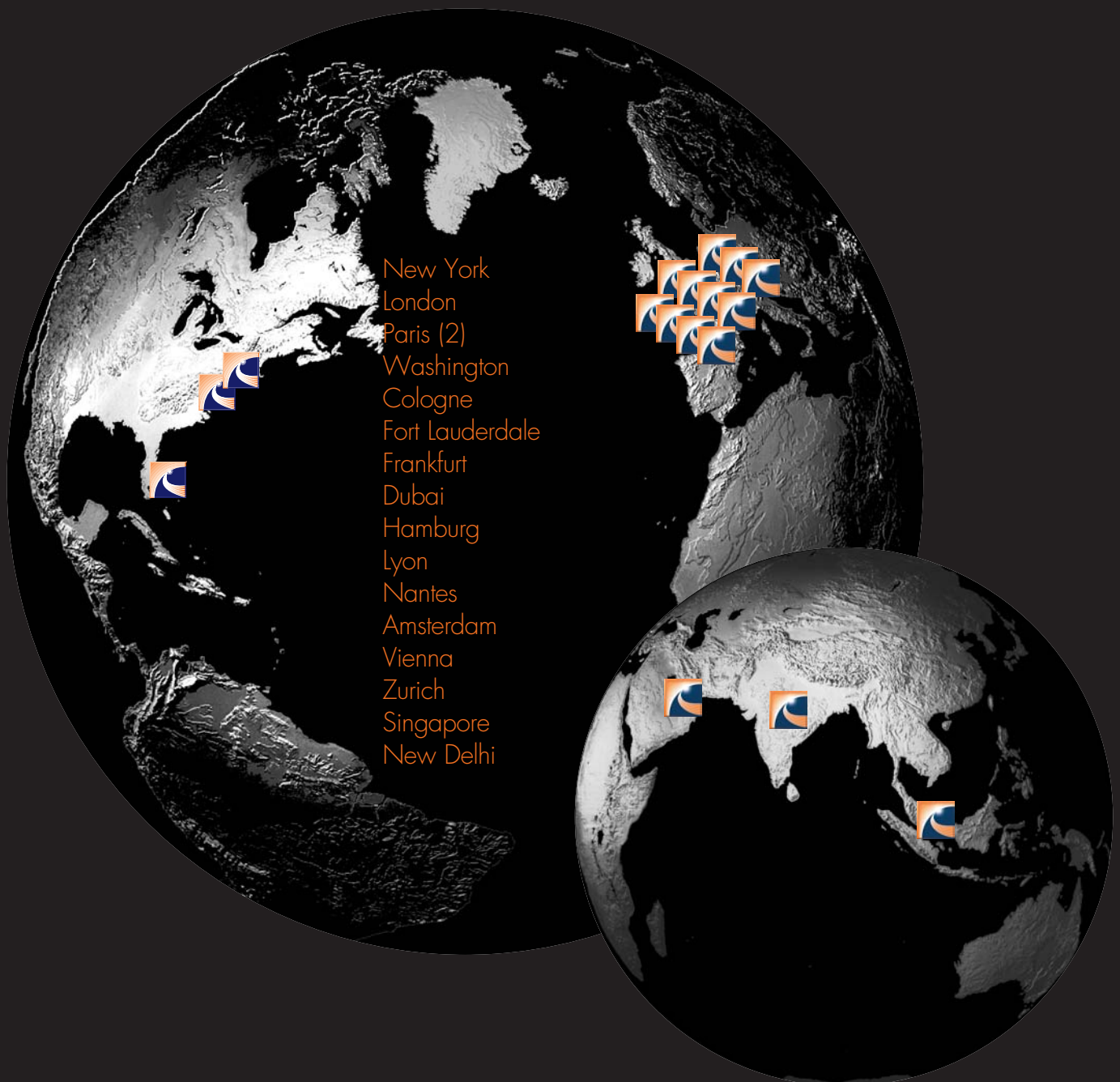
Many manufacturers today site their production facilities away from major urban areas, but need efficient air links from local airports to move employees on a daily basis. Dedicated charter aircraft provide major time savings for key executives.



Immediate Response

People charter their own aircraft often because there is no other way of going 'now'; our service is tailored to being able to launch aircraft often quicker than passengers can get themselves to the airport.

Air Partner – the business by geography A global network of 17 offices across 10 countries spanning Europe, North America, the Middle East and the Far East that provides local knowledge, worldwide.





Air Partner launches up to 100 flights every single day; here a Gulfstream 300 is prepared for an Intra-Gulf sector

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2004.

Principal activity and business review

The principal activity of the Group during the year continued to be that of air charter brokers hiring aircraft for charter to its customers. The Chairman's statement on page 2 and the Chief Executive's review of the business set out on pages 4 to 6 give further information.

A detailed review of business for the year and future developments is given in the Chief Executive's review.

Results and dividends

The results for the year are set out in the profit and loss account and show a profit, after taxation and minority interests, of £2,324,000 (2003: £1,739,000).

An interim dividend of 5.0 pence (2003: 4.5 pence) per share was paid on 4 June 2004. Subject to shareholders' approval, the directors recommend the payment of a final ordinary dividend of 10.0 pence (2003: ordinary 9.1 pence) per share that will be paid on 26 November 2004 to shareholders on the register at 29 October 2004, making a total dividend for the year of 15.0 pence (2003: 13.6 pence).

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 5.0 pence each fully paid up.

	31 July 2004	1 August 2003
A G Mack*†	1,761,567	3,756,567
D C W Savile	108,703	108,703
R J F Cobbold*†	5,000	5,000
S J White	81,405	81,405
S Srikanthan*†	—	—

* Member of the Remuneration Committee.

† Member of the Audit Committee.

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 16.

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) D C W Savile 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.

Substantial shareholdings

Apart from the interest of A G Mack, the directors are aware of the following interests of 3% or more as at 31 July 2004.

Shareholder:	Number of shares	% held
Framlington Investment Management Ltd	1,862,500	19.99%
Schroder Investments Ltd	940,916	10.10%
Hermes Investment Management Ltd	890,525	9.56%
Deutsche Bank	350,000	3.76%

Going concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

For this reason, the Board continues to adopt the going concern basis for the preparation of accounts.

Charitable and political contributions

The Group made charitable contributions totalling £10,265 (2003: £6,012) during the year. 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 the 31 July 2004, the Company had an average of 19 days (2003: 12 days) and the Group 30 days (2003: 17 days), purchases outstanding in Trade Creditors.

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.

Annual General Meeting

Resolution 9 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares of 5p 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 931,489 ordinary shares. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to 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. The minimum price payable by the Company for the purchase of its own ordinary shares will be 5p 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.

Company law has been changed recently to allow the Company to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company intends to take advantage of these developments to the extent that it exercises the authority to buy back its shares, so as to hold the purchased shares in treasury.

Resolution 10 is being proposed to seek the authority required by the UK Listing Authority for a listed company to utilise any shares that it holds in treasury, resulting from a purchase of own shares, as described above, in connection with its employee share option schemes. For example, the Company will be able to use treasury shares to satisfy awards of share options under these schemes. The Company considers that the ability to use treasury shares in this manner (which in any event is expressly envisaged by the new treasury share legislation) will be in the best interests of the Company and its shareholders as a whole.

Equal opportunities

The Group has a policy of offering equal opportunities to employees at all levels in respect of job applicants and conditions of work.

The Group adopts a policy of non-discrimination in the employment of disabled persons, and in the event of individuals becoming disabled whilst in the employment of the Group it would arrange appropriate training in order to facilitate their continued employment.

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 quarterly newsletters, special technical advisor visits, circulars and team briefings.

Auditor

During the year the directors appointed Baker Tilly as auditor of the Company. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Baker Tilly as auditor of the Company will be proposed at the Annual General Meeting.

By order of the Board

S J White

Secretary
6 October 2004

Directors' remuneration report

Information not subject to audit

Membership of the Remuneration Committee is set out on page 7. 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.

The Remuneration Committee has consulted from time to time Independent Remuneration Solutions Ltd, a leading firm of executive remuneration consultants, for independent advice particularly in reference to external comparisons; the last formal review was completed in May 2002. Travers Smith Braithwaite, the Company's solicitors, provide advice in relation to any legal matters and share options rules.

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 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.

The package consists of basic salary, share options, performance related bonuses and pensions. Other benefits include private health for themselves and families, life cover and reimbursement of home telephone expenses. The Chairman also receives a fully expensed car.

Individual components of remuneration:

Basic salary and benefits

This is intended to reflect the individual responsibility, performance and experience of each director. The Committee has determined that salaries will rise by 4% in 2004/05, which is in line with other employees of the Group.

Personal performance bonus

Each executive director (excluding the Chairman) is entitled to performance related pay up to a maximum of 10% of salary for achieving specific non-financial targets based on the medium-term strategy of the business. These targets were fully achieved in the current year.

Profit related bonus

The bonus is based on a 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. Bonuses paid to each director reflect individual areas of responsibility and the achievement of the target. No director can be paid more than 100% of their salary in bonuses in any one year. Any bonus amount over 100% is accumulated and paid in the following year.

Pensions

Under the terms of their service contracts, D C W Savile and S J White 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 committee's discretion. The aggregate exercise price for all outstanding options awarded during a ten-year period may not exceed four times the individual's relevant emoluments. There are currently two schemes approved by shareholders, one in 1998 and the second in 2003. Options have been granted under the 1998 scheme and details are shown below. Grants of 40,000 shares were made to both D C W Savile and S J White in August 2003, and further grants of 10,000 shares each were made in July 2004. The 2003 scheme does not have any performance criteria. Grants are awarded under both 'approved' and 'unapproved' parts of the Plan according to current Inland Revenue 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.

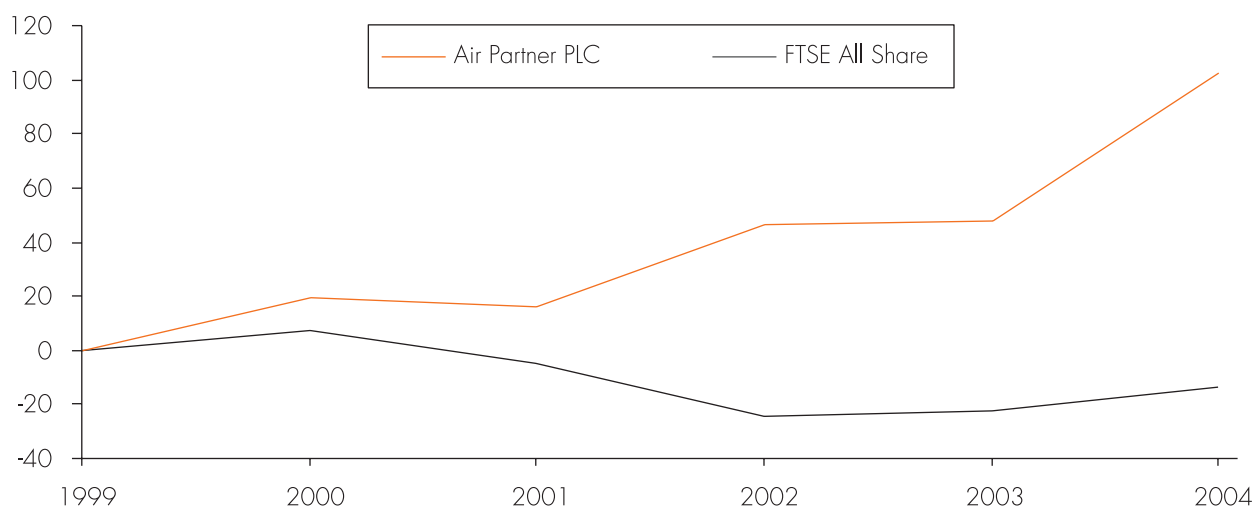
The policy on termination payments is that the Company does not normally make payments beyond its contractual obligations, however, in exceptional circumstances, an additional ex-gratia payment may be considered based on factors including the director's past contribution and the circumstances of the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

Non-executive directors

The non-executive directors' appointments, fees and benefits are made and determined by the Chairman and the two executive directors. Each non-executive director holds a letter of appointment, for R J F Cobbold this is dated January 1996 and for S Srikanthan July 2000, which include 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 was selected as it represents the broadest equity market index in which the Company is a constituent member.

Information subject to audit

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

	Salary/fees £	Performance related bonus £	Benefits £	2004 Total £	2003 Total £
Executive directors:					
A G Mack	52,412	18,560	28,586	99,558	99,092
D C W Savile	165,360	49,769	1,875	217,004	204,449
S J White	119,600	38,906	1,857	160,363	146,968
M E Guina	—	—	—	—	89,012
Non-executive directors:					
R J F Cobbold	18,720	—	—	18,720	18,000
S Srikanthan	18,720	—	—	18,720	18,000
	374,812	107,235	32,318	514,365	575,521

The Chairman's salary was set at £82,755 but Mr Mack regularly elects to draw less than his full entitlement.

In addition to the above, pension contributions for D C W Savile were £16,536 (2003: £15,900), and S J White £11,960 (2003: £11,150).

Directors' remuneration report

Information subject to audit (continued)

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:

	Notes	31 July 2003	Granted	Exercised	Lapsed	31 July 2004	Exercise price	Earliest date of exercise	Expiry date
D C W Savile	a	100,000	—	—	—	100,000	403.00p	2 July 2003	2 July 2008
	b	—	40,000	—	—	40,000	295.00p	6 August 2006	6 August 2013
	c	—	10,000	—	—	10,000	387.50p	31 July 2007	31 July 2014
		100,000	50,000			150,000			
S J White	a	100,000	—	—	—	100,000	403.00p	2 July 2003	2 July 2008
	b	—	40,000	—	—	40,000	295.00p	6 August 2006	6 August 2013
	c	—	10,000	—	—	10,000	387.50p	31 July 2007	31 July 2014
		100,000	50,000			150,000			
A G Mack		—	—	—	—	—	N/A	N/A	N/A
		—				—			
R J F Cobbold		—	—	—	—	—	N/A	N/A	N/A
		—				—			
S Srikanthan		—	—	—	—	—	N/A	N/A	N/A
		—				—			

The options are exercisable as follows:

- a) The options are exercisable on all the shares comprised in any option from 2 July 2002 provided that basic earnings per share during the period between the date of grant and the accounting date last preceding the date of exercise have increased by at least 100% if the option is exercised after the fifth but prior to the sixth anniversary of the date of grant; at least 130% if exercised after the sixth but prior to the seventh anniversary of the date of grant or at least 165% during the period between the date of grant and the accounting date preceding the eighth anniversary of the date of grant if exercised after the seventh but prior to the tenth anniversary of the date of grant. The Company's share price growth must also exceed that of the FTSE Fledgling (excluding companies within the information technology sector) Index between the date of grant and the date of exercise.
- b & c) These options have no performance criteria.

No share options were exercised in the year by any of the directors, however aggregate gains made on the exercise of shares in 2003 amounted to £48,825 for both D C W Savile and S J White.

The market price of the shares at 31 July 2004 was 387.5 pence (31 July 2003: 295 pence) and ranged between 295 pence and 460 pence during the year. The average share price during the year was 391.86 pence.

On behalf of the Board

Rowland Cobbold

Chairman of the Remuneration Committee
6 October 2004

Corporate governance

The Board is responsible to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance have been applied to the Company and the Company's compliance with the provisions set out in Section 1 of the Combined Code.

In the opinion of the directors, the Group has complied throughout the period with Section 1 of the Code of Best Practice with the exception of the following items (references in brackets are to paragraphs in the Combined Code):

- a) An Audit Committee was constituted on 25 September 2002, and met for the first time on that date. However this committee does not consist exclusively of independent non-executive directors as envisaged by the Code as A G Mack is a member of the Committee (D3.1).
- b) The non-executive directors have rolling three-month contracts rather than contracts for a fixed term as envisaged by the Code. However, at least one third of all directors retire by rotation at each Annual General Meeting (A6.1).
- c) The Remuneration Committee which met three times during the year does not consist exclusively of independent non-executive directors as envisaged by the Code as A G Mack is a member of the Committee (B2.2).
- d) Although the Company has clear procedures and controls in place there is no formal framework laid down for the manner in which the Board reviews the effectiveness of these internal controls. A review is carried out at least on an annual basis. This covers all controls including financial, operational and compliance controls in addition to risk management. In addition, there is no minuted evidence of this annual assessment of the Group's system of controls, (D2.1).

The Board and its committees

The Board is comprised of Tony Mack, who owns 18.91% of the issued share capital of Air Partner PLC and carries out the role of Executive Chairman, David Savile who performs the role of Chief Executive Officer, Stephanie White who is Group Finance Director, and the independent non-executive directors; Rowland Cobbold, the senior non-executive director and Sri Srikanthan, whose biographies appear on page 7. These appointments represent a range of experience and calibre that brings independent judgement on all issues that are vital to the continued success of the Group. All directors are subject to re-election at the first opportunity after appointment and are required to submit themselves for re-election at least every three years thereafter. The Board is responsible to the shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the financial statements is set out on page 18.

The Board has adopted a formal schedule of matters specifically reserved to it for decision. The directors have access to the Company Secretary, Stephanie 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, is responsible for ensuring that directors receive appropriate training on appointment and as necessary and, if requested to do so by individual directors, facilitates the provision of independent professional advice at the Company's expense. The Board meets regularly throughout the year, reviewing trading performance and setting and monitoring strategies. The Board receives appropriate and timely information in order to enable it to properly discharge its duties.

The Group has constituted a Remuneration Committee under the Chairmanship of Rowland Cobbold to provide recommendations to the Board on the framework for executive director remuneration. The other members of the committee are Sri Srikanthan and Tony Mack. The Committee's Report is given in full on pages 14 to 16.

An Audit Committee has been constituted with Sri Srikanthan as Chairman. Other members include Rowland Cobbold and Tony Mack, who represents the shareholders by virtue of his 18.91% shareholding. The Audit Committee meets with the external auditors bi-annually to review historic numbers and any future changes that will affect the business going forward.

Baker Tilly 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 outlining how potential conflicts of interest have been satisfactorily addressed.

Relations with shareholders

The Group considers its relationship with its shareholders to be of a high priority. The Chief Executive's review on pages 4 to 6 includes a detailed review of the Group's business and future developments. There is regular dialogue with institutional investors.

The Board uses the Annual General Meeting to communicate with both private and institutional investors and welcomes their participation. The Chairman aims to have the Chairman of the Remuneration Committee 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 Meeting on pages 35 to 36. In accordance with the Combined Code the votes cast by proxy will again be declared at the meeting after the votes have been cast.

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.

Statement of directors' responsibilities

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for ensuring that the director's report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

The maintenance and integrity of the web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the prevention and detection of fraud and other irregularities.

Independent auditor's report

We have audited the financial statements on pages 20 to 34. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report that is described as having been audited ("the auditable part").

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Remuneration Report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 July 2004 and of the Group profit for the year then ended; and
- the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditor
Chartered Accountants
12 Gleneagles Court
Brighton Road
Crawley, West Sussex
RH10 6AD
6 October 2004

Consolidated profit and loss account

for the year ended 31 July 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	100,597	114,671
Cost of sales		(88,796)	(103,114)
Gross profit		11,801	11,557
Administrative expenses		(8,297)	(8,869)
Operating profit		3,504	2,688
Interest receivable	4	239	244
Interest payable	5	(34)	(73)
Profit on ordinary activities before taxation	6	3,709	2,859
Taxation	7	(1,174)	(909)
Profit on ordinary activities after taxation		2,535	1,950
Minority equity interests		(211)	(211)
Profit attributable to members of Air Partner PLC		2,324	1,739
Dividends	8	(1,396)	(1,303)
Retained profit for the financial year and transferred to reserves		928	436
Earnings per share			
– basic	9	25.0p	18.8p
– diluted	9	24.7p	18.8p

Turnover and profit on ordinary activities before taxation for the current and previous years relate wholly to continuing activities.

The accompanying notes are an integral part of these financial statements.

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2004

	2004 £'000	2003 £'000
Profit for the financial year	2,324	1,739
Exchange adjustment on retranslation of net assets of subsidiary undertakings	(79)	292
Total recognised gains and losses relating to the year	2,245	2,031

Consolidated balance sheet

as at 31 July 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible fixed assets	10	2,546	3,120
		2,546	3,120
Current assets			
Debtors	13	13,848	12,875
Cash at bank and in hand		9,983	8,955
		23,831	21,830
Creditors: amounts falling due within one year	14	(16,575)	(15,679)
Net current assets		7,256	6,151
Total assets less current liabilities		9,802	9,271
Creditors: amounts falling due after more than one year	14	(427)	(849)
Provision for liabilities and charges	15	(197)	(128)
Net assets		9,178	8,294
Capital and reserves			
Called up share capital	17	466	465
Share premium account	18	1,281	1,254
Profit and loss account	18	7,268	6,419
Equity shareholders' funds	19	9,015	8,138
Minority interests - equity		163	156
		9,178	8,294

The financial statements on pages 20 to 34 were approved by the Board of directors at a meeting held on 6 October 2004 and were signed on its behalf by:

A G Mack **S J White**
Chairman Director

The accompanying notes are an integral part of these financial statements.

Company balance sheet

as at 31 July 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible fixed assets	10	163	340
Investments	12	933	933
		1,096	1,273
Current assets			
Debtors	13	5,622	9,009
Cash at bank and in hand		6,336	4,583
		11,958	13,592
Creditors: amounts falling due within one year	14	(5,443)	(6,838)
Net current assets		6,515	6,754
Total assets less current liabilities		7,611	8,027
Creditors: amounts falling due after more than one year	14	(326)	(739)
Net assets		7,285	7,288
Capital and reserves			
Called up share capital	17	466	465
Share premium account	18	1,281	1,254
Profit and loss account	18	5,538	5,569
Equity shareholders' funds	19	7,285	7,288

The financial statements on pages 20 to 34 were approved by the Board of directors at a meeting held on 6 October 2004 and were signed on its behalf by:

A G Mack

Chairman

S J White

Director

The accompanying notes are an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 July 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	20	4,189	3,703
Returns on investments and servicing of finance	21	(8)	30
Taxation		(1,262)	(960)
Capital expenditure	21	(149)	(285)
Equity dividends paid		(1,326)	(1,814)
Cash inflow before use of liquid resources and financing		1,444	674
Management of liquid resources	21	(1,900)	850
Financing	21	(319)	43
(Decrease)/increase in cash in the year		(775)	1,567

The accompanying notes are an integral part of these financial statements.

Reconciliation of net cash flow to movement in net funds

	Notes	2004 £'000	2003 £'000
(Decrease)/increase in cash in the year		(775)	1,567
Cash outflow/(inflow) from short-term deposits	22	1,900	(850)
Cash outflow from debt and financing	22	347	459
Exchange adjustments	22	13	(54)
Movement in net funds in the year		1,485	1,122
Net funds at 1 August 2003	22	7,847	6,725
Net funds at 31 July 2004	22	9,332	7,847

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 July 2004

1 Accounting policies

The following accounting policies, have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiary undertakings all of which have been made up to 31 July 2004.

Where the acquisition method of accounting is required to be adopted the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 230 of the Companies Act 1985, Air Partner PLC has taken advantage of the exemption from the requirement to present its own profit and loss account.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off for any impairment in value.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. In respect of the Group's principal activities (being that of air charter brokers hiring aircraft for charter to its customers), the provision of travel agency services, and aircraft leasing, the full contract value is recognised as turnover. As regards the provision of aviation insurance services only the commission is recognised as turnover in equal amounts over the period of the contract. Revenue is recognised only after the contract has been fulfilled, or in the case of a series of flights, at the point where individual flights have been performed.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold property	– over life of lease
Leasehold improvements	– over life of 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

Taxation

The charge for taxation is based on the profit for the year, and takes into account deferred taxation.

Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration over the fair value of the separable net assets acquired) in respect of acquisitions is capitalised. In accordance with Company policy positive goodwill is amortised to nil by equal annual instalments over its estimated useful economic life of three years. Any impairment charge is included within operating profits.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies have been translated into sterling at the rates of exchange prevailing at their completion or if hedged forward, at the rate of exchange under the related foreign currency agreements. Any assets or liabilities in foreign currencies at the year-end have been translated into sterling at the rates of exchange prevailing at the year-end. All differences on exchange are reflected in the results for the year.

The balance sheet and results of the overseas subsidiaries have been translated at the rate of exchange prevailing at the year-end.

The exchange difference arising on the retranslation of the opening net assets of the overseas subsidiaries is taken directly to reserves.

Leases

Operating leases are charged to the profit and loss account on a straight line basis, and provision is made over the minimum term of the lease for any charges payable on termination.

Pension costs

The Group contributes to the personal pension schemes of certain employees and this cost is charged to the profit and loss account in the year in which it is incurred.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares granted at less than market value are recognised over the period of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.

2 Segmental reporting

Classes of business	Profit before tax and interest		Net assets		Turnover	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Air Charter	3,486	2,638	9,049	8,181	99,538	113,642
Travel agency	8	30	59	52	1,046	1,005
Insurance	10	20	70	61	13	24
	3,504	2,688	9,178	8,294	100,597	114,671

Geographical location	Net assets		Turnover by destination (client residence)		Turnover by source	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
UK	6,532	6,532	36,642	57,460	52,773	65,960
Rest of the World	2,646	1,762	63,955	57,211	47,824	48,711
	9,178	8,294	100,597	114,671	100,597	114,671

Further information including the analysis of profit before interest and tax between the different geographical segments of the Group is not given as in the opinion of the directors the disclosure would be seriously prejudicial to the commercial interests of the Group.

Notes to the financial statements

for the year ended 31 July 2004

3 Directors and employees

The average number of persons (including directors) employed by the Group during the year was:

	2004 Number	2003 Number
Operations	87	88
Administration	25	24
	112	112

	2004 £'000	2003 £'000
Staff costs for the above persons (including directors):		
Wages and salaries	4,517	4,507
Social Security costs	640	790
Pension costs	112	133
	5,269	5,430

The Company contributes to personal pension plans of certain employees and this cost is charged to the profit and loss account in the year in which it is incurred.

The Group's policy on performance related bonus enabled 10 (2003: 9) of the employees (other than directors) to achieve total emoluments of over £50,000 and in 2004 7 (2003: 6) of these to achieve emoluments in excess of £75,000.

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 12 to 13 and the Directors' Remuneration Report on pages 14 to 16.

4 Interest receivable

	2004 £'000	2003 £'000
Bank interest receivable	239	244

5 Interest payable

	2004 £'000	2003 £'000
On bank loans and overdrafts	34	73

6 Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off:		
Owned tangible fixed assets	589	605
Operating lease rentals:		
land and buildings	225	241
Loss on sale of fixed assets	1	23
Auditors' remuneration (see also note 25):		
Audit fees – Group	67	73
Audit fees – Company	52	50
Other fees paid to the auditors and their associates	47	52

7 Tax on profit on ordinary activities

(a) Analysis of charge in the period

	2004 £'000	2003 £'000
Current tax:		
UK corporation tax on profits of the period	538	641
Adjustments in respect of prior periods	24	(46)
Overseas taxation	555	268
Total current tax as below:	1,117	863
Deferred tax:		
Origination and reversal of timing differences	57	46
Tax on profit on ordinary activities	1,174	909

The taxation represents an effective tax rate of 31.7% (2003: 31.8%) compared to the standard rate of 30% (2003: 30%). The actual tax charge for the current and previous years differs from that under the standard rate for the reasons set out in the following reconciliation:

(b) Factors affecting tax charge for the period

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	3,709	2,859
Current tax at 30%	1,113	857
Effects of:		
Expenses not deductible for tax purposes	17	12
Capital allowances in excess of depreciation	(2)	(38)
Other timing differences	(47)	31
Taxed at a lower rate	(2)	—
Double tax relief	—	(5)
Adjustments in respect of previous periods	24	(46)
Utilisation of tax losses	(49)	19
Different rate of tax payable by some foreign subsidiaries	63	33
Total current tax charge	1,117	863

8 Dividends

	2004 £'000	2003 £'000
Interim dividend of 5 pence (2003: 4.5 pence) per share – paid	465	456
Final dividend of 10 pence (2003: 9.1 pence) per share – proposed	931	847
	1,396	1,303

The directors have declared a final dividend of 10.0 pence per share payable on 26 November 2004 to shareholders on the register at the close of business on 29 October 2004.

9 Earnings per share

Basic earnings per share is calculated on the basis of profit for the year ended 31 July 2004 of £2,324,000 (2003: £1,739,000) and 9,303,138 shares (2003: 9,247,124) being the weighted average number of shares in issue for the year.

The diluted earnings per share is calculated on the basis of profit for the year ended 31 July 2004 of £2,324,000 (2003: £1,739,000) and 9,421,037 shares (2003: 9,263,886) calculated as follows:

	2004 Number	2003 Number
Basic weighted average number of shares	9,303,138	9,247,124
Dilutive effect of:		
Employee share options	117,899	16,762
	9,421,037	9,263,886

Notes to the financial statements

for the year ended 31 July 2004

10 Tangible fixed assets

Group	Short leasehold property £'000	Aircraft £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 August 2003	376	3,298	1,619	146	5,439
Exchange adjustment	—	(155)	(37)	(2)	(194)
Additions	—	—	141	8	149
Disposals	—	—	(603)	(3)	(606)
At 31 July 2004	376	3,143	1,120	149	4,788
Depreciation					
At 1 August 2003	376	706	1,180	57	2,319
Exchange adjustment	—	(33)	(27)	(1)	(61)
Charge for the year	—	283	280	26	589
Disposals	—	—	(602)	(3)	(605)
At 31 July 2004	376	956	831	79	2,242
Net book values					
At 31 July 2004	—	2,187	289	70	2,546
At 31 July 2003	—	2,592	439	89	3,120

Company	Short leasehold property £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 August 2003	376	1,070	89	1,535
Additions	—	33	—	33
Disposals	—	(576)	—	(576)
At 31 July 2004	376	527	89	992
Depreciation				
At 1 August 2003	376	787	32	1,195
Charge for the year	—	196	14	210
Disposals	—	(576)	—	(576)
At 31 July 2004	376	407	46	829
Net book values				
At 31 July 2004	—	120	43	163
At 31 July 2003	—	283	57	340

11 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 August 2003	69
At 31 July 2004	69
Amortisation	
At 1 August 2003	69
At 31 July 2004	69
Net book values	
At 31 July 2004	—
At 31 July 2003	—

12 Investments

Company	2004 £'000
Shares in subsidiary undertakings at cost at 1 August 2003	933
At 31 July 2004	933

The principal trading subsidiaries of Air Partner PLC as at 31 July 2004 are listed below:

Name	Principal activity	Country of incorporation	Holding %
Air Partner Insurance Consultants Limited	Aviation insurance services	England and Wales	100
Air Partner International SARL	Air charter broking	France	55
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 Leasing (PTY) Limited	Aircraft leasing	Australia	100

The issued share capital of each subsidiary consists entirely of ordinary shares and all trading companies operate in their respective countries of incorporation. All investments are held by the Company.

13 Debtors

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Due within one year:				
Trade debtors	11,252	3,030	10,247	3,812
Amount owed by Group undertakings	—	1,779	—	3,264
Other debtors	22	—	100	19
Deferred tax asset	132	120	114	95
VAT recoverable	60	40	71	35
Corporation tax recoverable	5	—	12	—
Other prepayments and accrued income	2,377	653	2,331	1,784
	13,848	5,622	12,875	9,009

14 Creditors

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Due within one year:				
Bank loan	325	325	369	369
Trade creditors	7,372	2,407	4,659	1,948
Other creditors	812	117	1,036	140
Corporation tax	461	246	556	481
Other taxes and social security costs	346	92	200	—
Proposed dividend	1,129	931	1,059	846
Accruals and deferred income	6,130	1,325	7,800	3,054
	16,575	5,443	15,679	6,838
Due after more than one year:				
Bank loan	326	326	739	739
Other creditors	101	—	110	—
	427	326	849	739

Notes to the financial statements

for the year ended 31 July 2004

1.5 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2004 £'000	2003 £'000
Difference between accumulated depreciation and capital allowances	(137)	(76)
Other timing differences	72	62
	(65)	(14)

Group

	Deferred tax £'000
Balance at 1 August 2003	128
Amounts provided in the year	69
Balance at 31 July 2004	197

	2004 £'000	2003 £'000
Deferred tax asset (note 1.3)	132	114
Deferred tax liability provision	(197)	(128)
	(65)	(14)

1.6 Financial instruments

The Group's principal financial instruments, other than derivatives, comprise cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group also has various other financial instruments, such as trade debtors and trade creditors that arise from its operational activities.

The Group's treasury policy does not permit the use of derivative instruments apart from the forward purchase of foreign currency.

The main risks arising from the Group's financial instruments are interest rate and foreign currency exchange risks. The Board agrees and reviews policy for managing each of these risks. These policies have been consistent throughout the year and are summarised below.

Interest rate risk

The Group's policy permits it to borrow in both fixed and floating rates of interest.

Foreign currency risk

It is the Group's policy to minimise its exposure to movements in foreign exchange rates against sterling.

The Group has transactional currency exposures that arise, primarily, as a result of sales and purchases in foreign currency in the ordinary course of business.

The Group's policy is to cover all material risks by matching currencies within its trading contracts where appropriate, and by the use of forward foreign exchange contracts.

The disclosures given below exclude short-term debtors and creditors except those relating to currency exposure.

	Fixed rate financial assets £'000	Financial assets on which no interest is payable £'000	Total £'000
Interest risk – financial assets			
Sterling	6,158	133	6,291
US Dollar	599	560	1,159
Euro	359	1,611	1,970
Swiss Francs	—	129	129
Other	419	15	434
	7,535	2,448	9,983

The fixed rate financial assets comprise cash on money market deposits for fixed lengths of time at various predetermined market rates and cash on call deposit.

16 Financial instruments (continued)

Interest risk – financial liabilities		£'000
Capital repayable amounts falling due:		
Within one year or less		325
More than one year but not more than two years		326
		651

The financial liability is a USD bank loan, repayable over three years by quarterly instalments of both capital and interest. The interest rate is fixed at six month US LIBOR. Weighted average rate for the period was 4.437% (2003: 4.248%). The loan is due to be repaid in full by 14 May 2006.

Currency exposure

The table below shows the Group's currency exposures that give rise to net currency gains or losses recognised in the profit and loss account on the maturity of the underlying exposure. Such exposures comprise monetary assets and liabilities that are not denominated in the functional currency of the operating unit involved.

	£'000
US Dollar	(1,209)
Swiss Francs	(48)
Euro	1,146
Other	78

At 31 July 2004, the Group also held various forward exchange contracts taken out to hedge expected future foreign currency requirements.

Fair values

The fair value of all financial assets and financial liabilities is not materially different from the carrying value. Therefore, the fair value is not separately disclosed. At 31 July 2004, the Group had forward exchange contracts with a nil carrying value and a fair value, based on estimated market values, of £1,873,000 (2003: £312,000).

Hedges

Gains and losses on instruments used for hedging purposes are not recognised until the instrument matures. At 31 July 2004, unrecognised losses amounted to £32,000 (2003: gain of £17,000) which are expected to be recognised within the next 12 months.

17 Called up share capital

	Number of shares	2004 £'000	2003 £'000
Equity shares:			
Authorised: ordinary shares of 5.0 pence each	11,500,000	575	575
Equity shares:			
Allotted, called up and fully paid	9,314,893	466	465

During the year 14,620 ordinary 5.0 pence shares were allotted following the exercise of share options. Total consideration received amounted to £27,129.

At the year-end, options in respect of 1,000,000 (2003: 469,620) ordinary 5.0 pence shares granted under Air Partner Share Option Schemes, were outstanding as follows:

Number of shares	Option price	Options exercisable
55,000	215.0 pence per share	The options are exercisable on all the shares comprised in any option from 10 July 2001 and expire on 10 July 2007.
300,000	403.0 pence per share	The options are exercisable on all the shares comprised in any option from 2 July 2003 and expire on 2 July 2008.
355,000	295.0 pence per share	The options are exercisable on all the shares comprised in any option from 6 August 2006 and expire on 6 August 2013.
30,000	308.92 pence per share	The options are exercisable on all the shares comprised in any option from 6 August 2006 and expire on 6 August 2013.
190,000	387.5 pence per share	The options are exercisable on all the shares comprised in any option from 31 July 2007 and expire on 31 July 2014.
70,000	403.0 pence per share	The options are exercisable on all the shares comprised in any option from 31 July 2007 and expire on 31 July 2014.

Notes to the financial statements

for the year ended 31 July 2004

18 Reserves

	Group share premium account £'000	Group profit and loss account £'000	Company share premium account £'000	Company profit and loss account £'000
At 1 August 2003	1,254	6,419	1,254	5,569
Issue of shares under share option scheme	27	—	27	—
Retained profit for the year	—	928	—	(31)
Exchange adjustment	—	(79)	—	—
At 31 July 2004	1,281	7,268	1,281	5,538

The Company has taken advantage of the provisions of Section 230 of the Companies Act 1985 and has not published its own profit and loss account. Of the profit on ordinary activities after taxation for the year, £1,365,000 is dealt with in the accounts of the holding company (2003: £1,639,000) including dividends from a subsidiary company of £242,000 (2003: £260,000).

19 Reconciliation of movement in shareholders' funds

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Profit for the year	2,324	1,365	1,739	1,639
Dividends	(1,396)	(1,396)	(1,303)	(1,303)
	928	(31)	436	336
Issue of shares under share option scheme	28	28	502	502
Exchange adjustment	(79)	—	292	—
Net addition to shareholders' funds	877	(3)	1,230	838
Opening shareholders' funds	8,138	7,288	6,908	6,450
Closing shareholders' funds	9,015	7,285	8,138	7,288

20 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £'000	2003 £'000
Operating profit	3,504	2,688
Depreciation	589	605
Loss on sale of fixed assets	1	23
(Increase) in debtors	(962)	(247)
Increase in creditors	1,057	634
Net cash inflow from operating activities	4,189	3,703

21 Analysis of cash flows for headings netted in the cash flow statement

	2004 £'000	2003 £'000
Returns on investment and servicing of finance		
Interest paid	(34)	(73)
Interest received	239	244
Dividends paid to minority interests	(213)	(141)
Net cash (outflow)/inflow from returns on investment and servicing of finance	(8)	30
Capital expenditure		
Purchase of tangible fixed assets	(149)	(312)
Sale of tangible fixed assets	—	27
Net cash outflow from capital expenditure	(149)	(285)
Management of liquid resources		
(Increase)/decrease in short-term deposits	(1,900)	850
Net cash (outflow)/inflow from management of liquid resources	(1,900)	850
Financing		
Share options exercised	28	502
Repayment of unsecured loan	(347)	(459)
Net cash (outflow)/inflow from financing	(319)	43

22 Analysis of net funds

	1 August 2003 £'000	Cash flow £'000	Exchange £'000	31 July 2004 £'000
Cash at bank and in hand	3,299	(775)	(76)	2,448
Short term deposits	5,656	1,900	(21)	7,535
	8,955	1,125	(97)	9,983
Debt due after more than one year	(739)	347	67	(325)
Debt due within one year	(369)	—	43	(326)
Net funds	7,847	1,472	13	9,332

23 Contingent liabilities

The Group has a terminable indemnity for £240,000 (2003: £240,000) in respect of a passenger sales agency agreement.

24 Commitments

	2004 £'000	2003 £'000
Group		
Annual commitments under non-cancellable operating leases:		
Land and buildings:		
Within one year	81	103
Between two and five years	15	9
Over five years	129	129
	225	241

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for the year ended 31 July 2004

25 Principal auditors' fees

	Principal auditor		Previous principal auditor	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Audit fees				
Statutory audit	45	—	10	67
Audit-related regulatory reporting	1	—	—	1
Tax services				
Compliance services	7	—	8	7
Other services				
Accountancy services	1	—	31	33

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 2pm on 24 November 2004 at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP 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 7 will be proposed as ordinary resolutions and resolution 8 will be proposed as a special resolution:

- 1) To receive the directors' report and accounts for the year ended 31 July 2004 together with the auditor's report on those accounts and on the auditable part of the directors remuneration report.
- 2) To declare and approve the payment of a final dividend for the year ended 31 July 2004 of 10p per ordinary share.
- 3) To approve the Directors' Remuneration Report for the year ended 31 July 2004.
- 4) To elect R Everitt as a director.
- 5) To re-elect D C W Savile as a director.
- 6) To re-appoint Baker Tilley 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.
- 7) THAT with effect from the time of the passing of this resolution the directors be unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £155,004.55 being one third of the share capital currently in issue, to such persons and at such times and on such terms as they think proper during the period of five years from the date of the passing of this resolution 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 the said Section 80 be and are hereby revoked.
- 8) THAT the directors be and are empowered in accordance with section 95 Companies Act 1985 (the "Act") to sell treasury shares (as defined in section 162 of the Act) and, subject to the passing of resolution 7 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 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution, in each case as if section 89(1) and sub-sections (1) – (6) of section 90 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 8.1 above) of equity securities up to an aggregate nominal value not exceeding £23,287.23;

and this power, unless renewed, shall expire at the end of five years from the date of the passing of this resolution 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.

Notice of meeting

Special business

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

- 9) THAT the Company be and is hereby generally and unconditionally authorised for the purpose of section 166 Companies Act 1985 to make market purchases (as defined in section 163 of the said 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 931,489;
 - 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 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;
 - 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.
- 10) THAT, where the Company holds shares in treasury in accordance with section 162A Companies Act 1985, the Company be and is hereby authorised to transfer such shares or sell such shares for cash (or any of them) for the purposes of or pursuant to an employee's share scheme provided that this resolution shall be without prejudice to the generality of section 162D Companies Act 1985.

S J White

Company Secretary
6 October 2004

- (1) A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- (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 2p.m. on 22 November 2004 at the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- (3) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 2p.m. on 22 November 2004 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 2p.m. 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.
- (4) 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.
- (5) The following documents are available for inspection at the registered office of the Company, 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; and
 - (b) copies of service contracts between the directors and the Company or its subsidiary undertakings.

Advisors

Secretary and Registered Office

Stephanie White

Platinum House, Gatwick Road
Crawley, West Sussex RH10 9RP

Stockbrokers

Oriel Securities Limited

4 Wood Street
London EC2V 7JB

Auditors

Baker Tilly

Chartered Accountants
and Registered Auditor
12 Gleneagles Court, Brighton Road
Crawley, West Sussex RH10 6AD

Solicitors

Travers Smith Braithwaite

10 Snow Hill
London EC1A 2AL

Principal bankers

NatWest Bank PLC

16 The Boulevard
Crawley, West Sussex RH10 1XU

Registrars

Capita IRG Plc

Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Registered number

980675



