



# AIR PARTNER PLC

Annual report 2006



# Corporate statement

25 years ago, Air Partner was a small, successful air taxi operator and aircraft charter broker based at London's second airport, Gatwick. The Company had a sales turnover of £1 million, traded under the name of Air London and was an unlisted player in an unknown market.

In the intervening years the Company, under the Air Partner brand, has transformed itself into the only truly global aircraft charter provider, is listed on the London Stock Exchange, and has many of the biggest institutional shareholders owning the majority of its shares. In that period it has traded over £1 billion of successful contracts.

The Company's professional advice, smart procurement and logistical expertise combine with personal recommendations to provide a unique capability, that is best described as 'the global trading floor for aircraft charter'.

In selling the highest quality of air travel to the most discerning of clients, Air Partner offers value added services that make the difference between an ordinary flight and a highly successful operation delivering tangible results. Air Partner is proud of its stable and growing client base, which is serviced by its 150 highly-professional traders and logistics experts, providing global solutions at best value-for-money rates.

For in today's market, it is not enough to organise a carrier to perform a described mission; traders must be supported by a logistics team that oversees the flight, ensuring thorough preparation with no margin for error. Critical to this is Air Partner's unique 24-hour Operations Centre in the UK, and its global network of offices stretching from Europe, across the Middle East, to Asia, the Far East and across the Pacific to North America. Each office is manned by local teams that have the contact network to mate local knowledge with global expertise and support – in short a bespoke premier charter service.

<b>IFC</b> Corporate statement	<b>23</b> Independent auditor's report
<b>01</b> Highlights	<b>24</b> Consolidated income statement
<b>02</b> At a glance	<b>24</b> Consolidated statement of recognised income and expense
<b>04</b> Chairman's statement	<b>25</b> Consolidated balance sheet
<b>06</b> Chief Executive's review	<b>26</b> Company balance sheet
<b>10</b> Gold Air	<b>27</b> Consolidated cash flow statement
<b>11</b> Directors and Senior Management	<b>27</b> Reconciliation of net cash flow to movement in net funds
<b>12</b> Advisors	<b>28</b> Notes to the financial statements
<b>13</b> Directors' report	<b>47</b> Notice of Annual General Meeting
<b>17</b> Directors' remuneration report	
<b>20</b> Corporate governance statement	

# Highlights



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

Sales up 15% to £140.4m (£122.5m)\*

Operating profit up 15% to £4.6m (£4.0m)\*

Profit before tax up 16% to £5.1m (£4.4m)\*

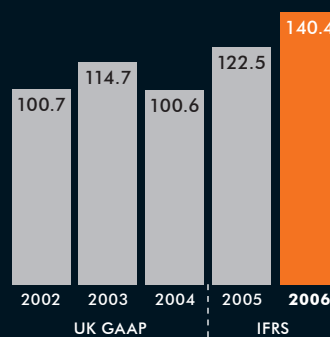
Basic EPS up 15% to 35.5p (30.6p)\*

Proposed final dividend up 10% to 12.1p (11.0p)

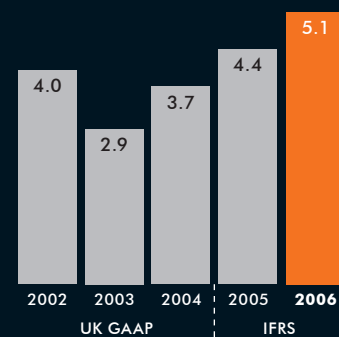
Proposed full year core dividend up 10% to 18.2p (16.5p)

\* International Financial Reporting Standard adjusted figures

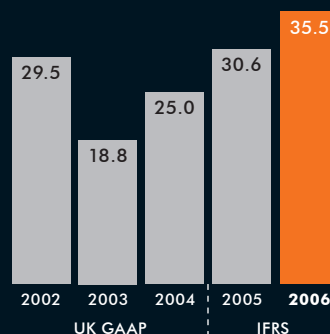
Turnover (£m)



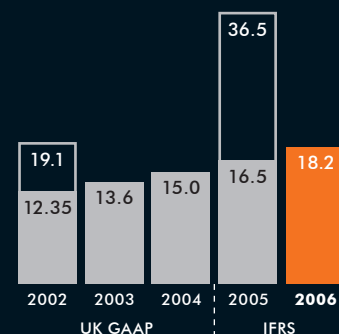
Profit before tax (£m)



Basic earning per share (pence)



Dividend per share (pence)



Special dividend

# At a glance

Air Partner PLC is the world's largest corporate aircraft charter company with 20 offices in a dozen countries, spanning Europe, North America, the Middle East and Asia. The Group operates a full 24-hour flight operations centre providing clients with instant access to its chartered aircraft services year round.

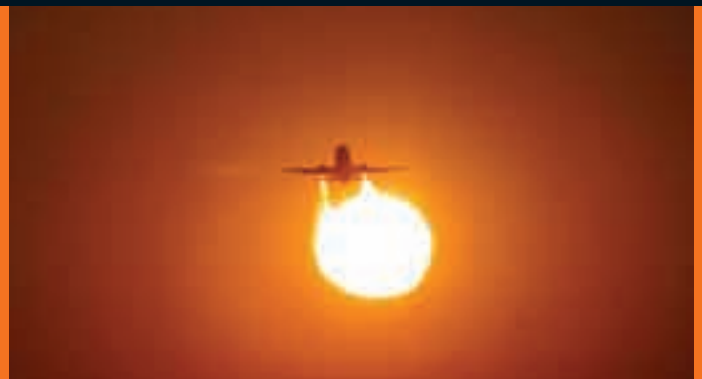
## **Air Partner PLC: a world player**

Air Partner is a people business; over the last three decades its team of professionals has established and earned an enviable reputation for masterminding some of the most complex civil aviation operations flown today. New missions are launched at a moment's notice, flying key movers and shakers into, and out from, the most obscure or challenging airports; additionally it flies tens of thousands of flights each year to the more traditional business and leisure destinations.

The Company was established 45 years ago and has become the largest retailer of high quality airliner, executive jet and freight charters anywhere. This year (2006), the Company employs almost 150 aviation professionals, has a market cap of \$100m and sales approaching \$0.25bn. It will fly in excess of 40,000 flight hours.

Air Partner provides aircraft charter to industry, commerce and Governments – a business strategy that was proven in the United Kingdom 20 years ago, and in the last decade was rolled out across the wider business world. This is a British company taking its expertise into a global market, offering a "Global and Local" service.

The Company prides itself on its independence and puts its market leadership down to the ability of its team to personalise the service, whilst maintaining the highest levels of quality, professional expertise and independent advice. Every flight is tailor-made by people who really understand the needs of clients and know how to deliver perfect flights, with attention to detail that is second to none. Best value-for-money is assured using its own smart procurement methods, guaranteeing that clients receive the finest and most suitable aircraft at the lowest market rates on the day.



### The highest degree of specialism across all client sectors

Air Partner PLC is the market leader for Government charters, with 35% of Group sales deriving from this sector. It is vetted, authorised and used by Royal families and Governments from 30 countries, in addition to the NGOs such as the United Nations, the Red Cross and the EU. Over the last decade alone, many thousands of contracts worth over \$500m have been successfully completed for the Governments of a dozen Western Powers including six of the current G8 member states.

In recognition of service excellence, in 2004 the CEO, David Savile, was granted a Royal Warrant as Provider of Aircraft Charter to Her Majesty Queen Elizabeth II, an honour granted to no other aviation company. The Company is pleased to have been serving the Royal Household continuously since 1998.

Air Partner is, however, no elitist supplier: its services are depended on by a wide range of users, all of whom have the need for logistical excellence and first time delivery. With over 100 flights being despatched on average every business day, the team is equally accomplished at organising a business jet to fly a CEO around Europe or North America as it is co-ordinating 70 large passenger jets to move 10,000 delegates to a major product launch. Furthermore, outside business hours, the duty operations team has the privilege of arranging hundreds of life-saving air ambulance and organ transplant flights each year.

In addition to its dominant role in the Government and Corporate sectors, over the last two years the Company has made significant investment in the retail (HNWI) sector. In 2004 it launched its Jet Membership Programme, a card scheme that entitled members to fixed prices and guaranteed availability on quality business jets. This summer it has upgraded and expanded it into today's JetCard product ([www.thejetcard.co.uk](http://www.thejetcard.co.uk)).

The Company also operates the only integrated corporate air evacuation service available today. Subscription clients have priority access to a wide range of aircraft suitable for rescuing corporate employees from the world's hotspots to points of safe haven, with procedures assured through intensive military-style pre-planning.

In summary, Air Partner is a world-class aircraft charter company, with the talent, experience and professionalism to provide the ideal aircraft solution for any client need. However simple or extreme that need may be, the Company has all the required skills and facilities to deliver success, and a proven operational, commercial and financial reputation to give users real peace of mind.

"The Company employs almost 150 aviation professionals, has a market cap of \$100m and sales approaching \$0.25bn."

# Chairman's statement



Tony Mack Chairman

**Record financial results produced in a more normalised year of trading**

**Strong contribution from all products and areas of the Group**

**Twelfth consecutive year of a 10% core dividend increase**

**Focus on geographic and product diversity rewarded**

I am pleased to report that your Company has, once again, enjoyed a buoyant year producing significant growth in both sales and profit. At the time of the interim results forward bookings were 14% ahead of the prior year and this positive trend continued throughout the second half of the financial year. Accordingly, Group sales grew by 15% to £140.4 million (2005: £122.5 million)\*, with profit before tax for the year ended 31 July 2006 up by 16% to £5.13 million (2005: £4.41 million)\*. Diluted earnings per share increased by 15% to 34.4p (2005: 29.8p)\* and the unaudited Group cash position, as at 30 September 2006, was £15.6 million (FY2005: £15.4 million). The directors have recommended payment of a final dividend of 12.1p, making the total for the year 18.2p (2005: 16.5p, excluding a 20.0p special dividend) representing an increase in the core dividend of 10% for the twelfth consecutive year.

Air Partner's 2005 record results benefited from one off, non-repeating contracts, while this year has been characterised by a more normalised pattern of trading and further delivery against the Group's stated strategy. The announcement of back-to-back record financial results is a testimony to the robustness and resilience of the Group today. Air Partner has worked hard to diversify its revenue streams both by geography and product, thereby successfully positioning the Group to take advantage of the significant increases in air travel that have occurred in the last decade.



Quality



Dependability

“I am pleased to report that your Company has, once again, enjoyed a buoyant year producing significant growth in both sales and profit.”

The ongoing globalisation of markets in an ever-increasing time-short society continues to drive growth in the aviation industry, and particularly private charter. Consequently, the demand for Air Partner’s services is more diverse and broad-based than ever before. In the period under review 35% of turnover came from the Government sector and Air Partner acted for six of the G8 group of Governments. In addition, increasing stringent security requirements have made conventional airline travel more exasperating, fuelling demand for Air Partner’s private jet services amongst businesses, VIPs and high net worth individuals (“HNWI”).

The continued HNWI population growth has led to Air Partner developing a new JetCard service focused on this market. The JetCard is designed to enable users to benefit from Air Partner’s unprecedented track record flying Royalty, Heads of State, Government ministers and high level corporate executives, by allowing them to buy private jet usage on a prepaid basis. The Group’s investment in JetCard has created a world-class Air Partner product, providing guaranteed jet availability, at fixed rates and with a money-back option if our clients’ need change.

In line with the Group’s stated strategy to invest in the growing private jet market, I am delighted that the Air Partner is also announcing today the acquisition of a leading London-based private jet operator, Gold Air. A full statement on the acquisition is available on RNS, but the transaction is immediately earnings enhancing and provides Air Partner with control of the UK’s newest private jet fleet without owning the aircraft.

Current trading remains strong and advanced bookings are significantly ahead of this time last year. The Group continues to invest at all levels for future success and accordingly, your Board remains confident of Air Partner’s future success.



**Tony Mack**  
Chairman  
11 October 2006

\* International Financial Reporting Standard adjusted comparatives.



Speed



Safety

# Chief Executive's review



David Savile Chief Executive

## Continued strong growth in all forms of private aviation transportation

## JetCard launched to capture more of growing HNWI market

## Further strengthening of team and management

## Post balance sheet date acquisition of Gold Air International Limited ("Gold Air") positions the Group to take further market share in private jet market

It is extremely pleasing to report on yet another strong year for the Group. The results reinforce our belief in our corporate strategy which continues to deliver double-digit percentage growth in both sales and profit, and allows us to pay increasing dividends for our shareholders. It also provides us with real evidence that our investment into people, management and training is being rewarded.

Although Air Partner has reported two consecutive record financial years, they were strikingly different in composure. 2005 was driven by five significant one-off contracts, but 2006 was notable for its wider spread of business, pleasingly derived from meaningful contributions across the whole Group; all of Air Partner's established territories were profitable and all but two increased sales or profitability. This provides evidence that the Group is integrally strong and that each part is a net positive contributor. In addition our four start-up offices Japan, Italy, US West Coast, and Spain are on track for profitability in line with internal budgets. The successes in the period under review stem from a strong market, an efficient structure, advanced team skills, real perseverance and effective management. They are a testament to the Group's focus on diversifying its earnings by geography, product and industry sector.

The rapid growth in the private jet charter market is driven by three key factors: strong Western economies, an increasingly 'cash-rich time-poor' society, and a mass air-transport network burdened by heightened security measures. In addition, growing personal and corporate wealth, dependence on low-cost carriers and fears over global security, have all helped push customers towards the services provided by Air Partner. The Group does not expect any of these factors to diminish in the foreseeable future.



Attention to detail



Training



“...on 11 October 2006 we announced the acquisition of Gold Air International Ltd, a London-based private jet operator and aircraft management company.”

However, to lay the credit of these results solely at the door of the marketplace would be to deny the extraordinary efforts of our teams who, across each and every shift, have fully utilised the opportunities presented to them. It is through their professionalism that Air Partner continues to build its outstanding reputation for successful flights, including some of the most demanding of missions that are undertaken by the civilian sector today. The result is not only another record year, but a pointer to the Group’s potential future profitability.

The increase in sales over 2005 in logistical terms equates to almost 5,000 additional flights, with most of this in the second half of the year. While this has challenged our teams, their commitment has been outstanding in covering additional workloads while new team members have been recruited and trained. Hence we continue to invest for growth on all fronts and I am pleased to report that in line with this our active client numbers have increased by 18% in the last twelve months.

The Group operates in three key sectors: Government, Corporate, and Private (High net worth individual or “HNWI”). Air Partner is the leading supplier to the Government sector and this year has worked with six of the G8, and a further 20 smaller Governments and Heads of State. In addition, we remain a leading player in the corporate sector providing solutions to complex itineraries for some of the largest companies in the world. In the year under review both the Government and Corporate sectors have provided good levels of business and the teams have performed well.

Last year the Group announced that it would make significant investment in developing its position in the HNWI Jet-for-Leisure market, and our launch of The JetCard ([www.JetCard.co.uk](http://www.JetCard.co.uk)) in

July 2006 represents a planned £2 million commitment over the next two years. In addition to this, on 11 October 2006 we announced the acquisition of Gold Air, a London-based private jet operator and aircraft management company, for £4.4 million. These two strategic moves provide us with an unrivalled base from which to profitably build market share in the HNWI sector and in doing so, the Group’s Private sector will increase its competition with fractional ownership schemes like US rival NetJets. NetJets was the first mover in the European jet card market, and should be credited with increasing the awareness and acceptability of private jet travel; over the last two years a significant number of new customers have been introduced to private jet travel through their prolific advertising campaigns. Today Air Partner has positioned itself to seek a share of this market and we are proud of our unique ability to offer a full range of world class, branded private jet services that offer Air Partner’s clients five different ways to access private jet use.

The full details of today’s acquisition of Gold Air are available on RNS. However, the earnings enhancing transaction is in line with the Group’s stated strategy to further invest in the private jet market and post the transaction, Air Partner will control the UK’s newest fleet of private jets, have added 150 active customers to its client base and further diversified its revenue streams to include private jet management and sales – all without owning the fleet.

The expansion of our international office network continues to serve us well, providing a greater range of opportunities from which to develop increasing business. Having established a backbone of offices that spans 15,000 miles across the key business centres, we now have the structure for further growth.



Presence



Value

# Chief Executive's review continued

## Geographic review

### The UK

This has always been, and remains, the powerhouse of Group profitability. However the stride towards diversification of profits sees the UK now generating 52% (2005: 61%) of overall Group PBT. After an impressive 2005 performance, the UK did well to continue both sales growth and fee income, as it expanded its team and launched the JetCard scheme, causing a small drop in profitability.

We continue to secure an increasing number of contracts, both of ad hoc and short-term nature and opportunities continue in abundance.

Prior to the launch of JetCard at the year-end, our existing Jet Membership Programme exceeded its year target in both card sales and profitability. This work provides an ideal springboard for our new product.

### Europe

Our French offices re-established their former impressive profitability track record, doubling PBT over 2005 levels on sales that increased 35% year on year. This team is pre-eminent amongst its domestic competitors and their success is evidence of this.

The German team saw further sales growth and new client acquisitions, despite an uncertain business environment. However, profitability was affected due to tighter margins and a weaker contribution from its normally strong Austrian satellite. Since the year-end we have consolidated our Frankfurt operation into an expanding central office in Cologne, as it takes on a larger team.

This year our Italian office welcomed a new country manager, relocated to the heart of the business district in Milan, and has subsequently moved into operational profit on the back of significant additional business. We are confident it will be profitable by the half year.

The Swiss office in Zurich continues profitably, albeit on reduced figures.

Unusually for a newly-seeded office, I am pleased to report that Spain achieved profitability in its very first year. The immediate future is also positive.

### The USA

Now comprising three East Coast and one West Coast office, this territory now provides the second largest contribution, representing 27% of Group PBT. The US again produced an extremely impressive performance, matching the exceptional nature of last year. Client numbers increased, with over a quarter of fee income deriving from new clients, particularly in the entertainment sector, specifically targeted by our team in San Francisco.

### Rest of the World

Further afield, our UAE team, based at the main airport in Dubai has continued to win new contracts and new clients. As a result, we invested in new team members and have doubled profitability from last year.

The Asian and Far Eastern offices each provide important client and supply functions for the main Western parts of the Group, where their contribution increases local earnings. We are very pleased to have them as key components in our global team.

“Having a backbone of offices that spans 15,000 miles across the key business centres, we now have the structure for further growth.”

“Having for the first time achieved profits in excess of £5 million, we hope that this will provide a new benchmark for the Group to maintain and exceed going forward.”

Our Australian leasing operation continued satisfactorily during the year reported, as the contract matured through its fifth of six and a half years. Post year-end, we realised the value of two of the four Metro-liners, selling them above book value and with future rental compensation. We have re-invested part of the funds in a 1995 Saab SF340B which is more than ten years younger than our previous average airframe age. The Saab is a more desirable aircraft with potentially firmer residuals; the move allows us to maintain a steady income flow from the stronger of our two lessees.

#### Current trading and outlook

While two back-to-back record years and more progress against our stated aims is extremely encouraging, shareholders need to remember that we have built this business on ad hoc demand. The market for air travel continues to boom, and with it, the need for exclusive air travel. Chartering your own aircraft remains the consistent answer for clients who prefer to be in control of air travel for either their goods or themselves. For private jet users, you decide who travels, be it your family or your business colleagues, so there are no unfamiliar faces on board and hence no security risk. You stipulate when and where you go, and in what degree of style, space and comfort.

The strong performance of our private jet business is underpinned by the solid foundations of the commercial aircraft division which continues to perform ahead of expectations. In today's climate of high security and longer delays, the Group provides an ideal

alternative solution to scheduled air travel, at an affordable and high quality level. We therefore believe that our business has a strong and increasingly profitable future. Within the medium term, there will always be the risk of cyclicalities as economies vary around the world. However the progress made in recent years to diversify our earnings streams leaves us less exposed to cyclical downturns than ever before.

The reality of our business is that our clients reserve aircraft at short notice. Today is no different, and it can be a mistake to read too much into forward bookings; that said, our current forwards are considerably in excess of the comparable situation last year, reinforcing our view that the market remains strong, and providing cause for further encouragement. Having for the first time achieved profits in excess of £5 million, we hope that this will provide a new benchmark for the Group to maintain and exceed going forward.



**David Savile**  
Chief Executive  
11 October 2006



# Gold Air



## The Acquisition of Gold Air International Limited

On 11 October 2006 Air Partner acquired 100% of Gold Air International Ltd for £4.4m.

London-based Gold Air is one of the UK's top private jet operators and aircraft management companies. The acquisition provides the Group with its own licensed aircraft operator that hosts a fleet of Lear 45s and Hawker 800, and with orders for two Global 5000 long-range jets, due in 2009. The fleet is the youngest and highest quality aircraft in the UK charter fleet, with five of the six Lears delivered new from the factory in the last year, the most recent being in October 2006. All aircraft are managed for third-party owners. When the Global 5000 fleet arrive Air Partner will be hosting the latest aircraft in the UK long-haul large, mid-size, and small jet markets.

Hence Air Partner gains control of six new best-in-class charter aircraft from today. Control provides Air Partner with:

- Guaranteed capacity for Air Partner's current ad hoc charter clients;
- Guaranteed capacity for Air Partner's JetCard clients; and
- A new shop front for Air Partner's private jet division, in that it is now an end operator of jets as well as the world's largest corporate charter broker.

The acquisition also widens our product range; we will now offer five different ways of using a private jet. They are:

- **ad hoc charters** booked as needed, according to the length of the trip, with no commitment going forward;
- **JetCard** 25-hours use, prepaid, at a fixed competitive rate with guaranteed availability;
- **contract hire** the ability to buy 100 or more hours on our new Lear 45 fleet, at preferential rates. Guaranteed availability on one specific type, flown by an elite pool of professional pilots; in essence, it's like having your own private jet, but without any capital cost;
- **private jet management** for those that already own a private jet, or have one on order, we offer a full turnkey operation to maximise your investment; and
- **private jet sales** we have a team of aircraft professionals who will walk you through all aspects of ownership and work alongside you to strike the most suitable purchase deal for your own needs.

Together, these activities make Air Partner a full service provider, global one-stop shop for executive and VIP air transport, for ad hoc users, contract customers and owners.



# Directors and Senior Management

## Directors



**Anthony Mack**  
Executive Chairman, Aged 57  
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 47  
Has over 25 years' experience in aircraft charter, 23 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.



**Mark Briffa**  
Chief Operating Officer, Aged 42  
Having worked for Air Partner for over ten years, in February 2006, Mark was appointed Chief Operating Officer with responsibility for all Group trading activities. He has over 17 years' experience in the aviation industry, and brings a wealth of trading and personnel talent to the Board.



**Stephanie White MBA**  
Finance Director, Aged 43  
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.



**Sir Srikanthan MBA, ACMA**  
Non-executive director, Aged 55  
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.\*



**Richard Everitt**  
Non-executive director, Aged 57  
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.\*

\* Members of the Audit and Remuneration Committees.

## Senior Group Management

### UK Board



**Justin Barber**  
Director



**David Macdonald**  
Director



**Philip Mathews**  
Director (& USA)



**Simon King**  
Finance, London

### Principal Country Managers



**Gilles Meynard**  
France



**Birte Kipke**  
Germany & Austria



**Kevin Ducksbury**  
Italy, Spain & Switzerland



**Roula Rabbat**  
UAE

# Advisors

## Secretary and registered office

Stephanie White  
Platinum House  
Gatwick Road  
Crawley  
West Sussex RH10 9RP

## Registered number

980675

## Stockbrokers

Oriel Securities Limited  
125 Wood Street  
London EC2V 7AN

## Auditor

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

## Solicitors

Travers Smith  
10 Snow Hill  
London EC1A 2AL

## Principal bankers

NatWest Bank PLC  
16 The Boulevard  
Crawley  
West Sussex RH10 1XU

## Registrars

Capita IRG Plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

# Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2006.

## 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 pages 4 to 5 and the Chief Executive's review set out on pages 6 to 9 gives an assessment of the business, including a list of the principal risks and uncertainties facing the Group. The Chief Executive's review also includes details of expected future developments in the business of the Group.

## Results and dividends

The results for the year are set out in the income statement and show a profit, after taxation and minority interests, of £3,429,000 (2005: £2,904,000 restated under International Financial Reporting Standards. Under UK Generally Accepted Accounting Practice this figure was £3,142,000).

An interim dividend of 6.1 pence (2005: 5.5 pence) per share was paid on 19 May 2006. Subject to shareholders' approval, the directors recommend the payment of a final dividend of 12.1 pence (2005: 31.0 pence of which 20.0 pence related to a special dividend) per share that will be paid 1 December 2006 to shareholders on the register at 3 November 2006, making a total dividend for the year of 18.2 pence (2005: 36.5 pence) per share. The shares will be marked ex-dividend on 1 November 2006.

## 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 2006	1 August 2005
A G Mack*†	1,761,567	1,761,567
D C W Savile	124,153	124,153
S J White	93,205	93,205
M A Briffa	—	—
S Srikanthan*†	—	—
R Everitt*†	—	—

\* 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 19.
- 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) A G Mack & S J White retire by rotation in accordance with the Company's Articles of Association and, both being eligible, will offer themselves for re-election at the Annual General Meeting.
- f) M A Briffa was appointed to the Board on 1 February 2006 and in accordance with the Company's Articles of Association will offer himself for election at the Annual General Meeting.
- g) The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

## Substantial shareholdings

Apart from the interest of A G Mack, the directors are aware of the following interests of 3% or more as at 1 October 2006.

Shareholder:	Number of shares	% held
Framlington Investment Management Ltd	1,602,500	16.58%
Schroder Investments Ltd	1,075,000	11.12%
Hermes Investment Management Ltd	940,525	9.73%
Deutsche Bank	450,000	4.66%
F&C Asset Management	447,666	4.63%
Dresdner Bank	335,000	3.47%

## 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.

# Directors' report continued

## Charitable and political contributions

The Group made charitable contributions totalling £5,558 (2005: £15,781), 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 2006, the Company had an average of 14 days (2005: 15 days) and the Group 23 days (2005: 19 days), purchases outstanding in Trade Creditors.

## Financial instruments

There are detailed disclosures on the Group's treasury policy and key financial risks in note 15 to the accounts on page 36.

## Risks and uncertainties

The key risk to the Group is that, operating in an ad hoc industry, forward visibility to turnover and earnings is extremely hard to gauge with accuracy. Client needs for our service also vary from year to year, and therefore, in the short term, can mean earnings fluctuations.

## 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

The Annual General Meeting of the Company is to be held at 10am on 22 November 2006 at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP. The notice for this meeting is set out at the end of this document.

Resolution 8 to be proposed at the Annual General Meeting asks shareholders to grant the directors authority under Section 80 of the Companies Act 1985 (the "Act") to allot shares up to a maximum aggregate nominal value of £193,560.72, being approximately 40.05% of the nominal issued ordinary share capital of the Company as at 11 October (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 share options which, subject to the approval of resolution 10 below will be a lesser amount than the authorised but unissued share capital of the Company. Such amount is the maximum permitted amount under the best practice Corporate Governance guidelines). The authority will expire at the end of five years from the date of the passing of the resolution. The directors have no present intention of exercising such authority. Subject to the approval of resolution 10 referred to below, the resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 23 November 2005.

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 9 asks shareholders to grant the directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £24,163.80 (being 5% of the Company's issued ordinary share capital as at 11 October 2006) 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 five years from the date of the passing of the resolution. Subject to the approval of resolution 10 referred to below, the resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 23 November 2005.

Resolution 10 to be proposed at the Annual General Meeting asks shareholders to approve an increase in the authorised share capital of the Company from £575,000 to £750,000. The proposed increase represents an increase of 30.4% to the current authorised share capital. The current nominal value of the issued share capital is £483,275.90 being approximately 84% of the authorised share capital. The principal reason for the proposed increase is to enlarge this headroom to give the directors flexibility to issue additional shares in the future if the directors consider this appropriate.



### Annual General Meeting (continued)

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 966,552 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 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 649,375 ordinary shares have been granted and are outstanding as at 11 October 2006 (being the latest practicable date prior to the posting of this document) representing 6.72% 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 11 October 2006 would represent 7.46% 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 increase to the 'overall dilution limit' contained in Rule 4 of the Air Partner PLC Company Share Option Plan 2003 (the "CSOP") from 10% to 15%. The dilution limit relates to the number of ordinary shares which may be issued under any share option scheme or share scheme operated by the Company (a "relevant scheme"). The limit is expressed as a percentage of ordinary shares in issue immediately before any proposed grant of new options and takes into account the number of new shares issued or issuable pursuant to options/awards granted under relevant schemes in the ten years to the proposed date of grant.

### 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.

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

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 1985.

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

# Directors' report continued

## Directors' statement as to the disclosure of information to auditors

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 information relevant to the preparation of their report 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.

## 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.

Over the past year our investment in employee training has increased. The Group recognises the importance of development of all team members in securing the future of the business, and it is developing new initiatives to provide advice, support and training to enhance this function.

## Auditor

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.

## Post balance sheet events

On the 11 October Air Partner announced the acquisition of the entire issued share capital in Gold Air International Limited ("Gold Air") from Shed Group Limited ("Shed"), a subsidiary of Gold Group Limited ("Gold Group").

The purchase price is cash £4.4m based on a cash-free, debt-free basis, satisfied with existing cash resources. Under the terms of the transaction Air Partner will discharge Gold Air's current £3m debt with National Westminster Bank, and pay £1.4m to Shed. There will also be an additional payment to the extent that Gold Air's net assets at 30 September 2006 exceed £600,000, excluding bank debt.

The net asset position is to be determined by the parties drawing up and agreeing completion accounts immediately following completion. It is likely that Air Partner will have to make an additional payment of £940,000 and this sum is to be placed into a joint escrow account at completion pending settlement of the completion accounts.



**S J White**  
Company Secretary  
11 October 2006

# Directors' remuneration report

## Information not subject to audit

Membership of the Remuneration Committee is set out on page 11. 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 evaluation of the performance of the Board and its individual members was undertaken during the year with the assistance of Independent Remuneration Solutions Ltd. As part of the process, each director was interviewed and these findings were presented to the Chairman of the Remuneration Committee for discussion. The recommendations of the report were debated and generally adopted by the Board.

Travers Smith, the Company's solicitors, provides 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 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, performance related 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 rise by an average of 8.1% in 2006/07 for the executive directors, which reflects the recommendations agreed from the review by Independent Remuneration Solutions Ltd.

### 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, M A Briffa 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 Remuneration 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 is only one scheme open to directors at the current time, which was approved in 2003. This 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.

The Board proposes to increase the existing share option scheme, details of which are included in the Directors' report.

## Service contracts

The executive directors have service contracts which contain a twelve-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

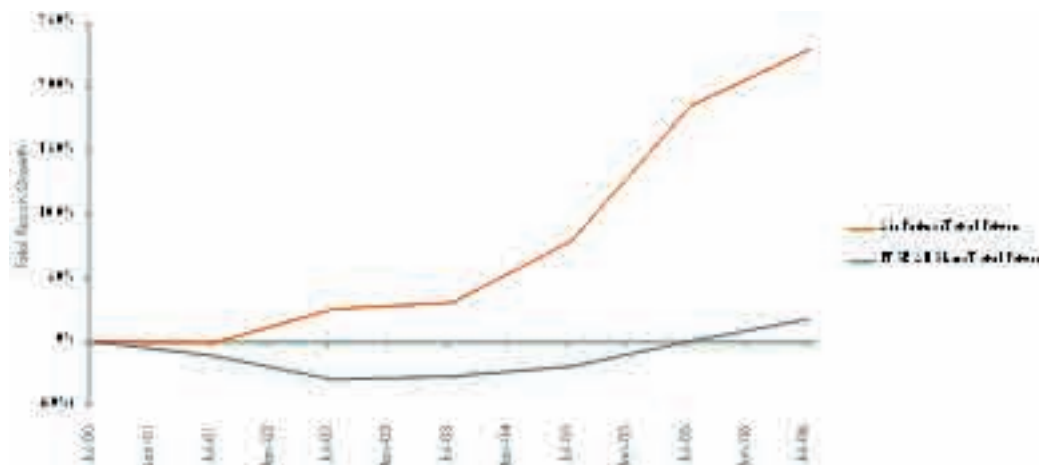
The non-executive directors' appointments, fees and benefits are made and determined by the Chairman and the two executive directors. Each non-executive director holds a letter of appointment. For R Everitt this is dated October 2004 and for S Srikanthan July 2000, and includes a rolling three-month notice clause.

# Directors' remuneration report continued

## Information not subject to audit (continued)

### 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

### Directors' emoluments

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

	Salary/fees £	Performance related bonus £	Benefits £	Pension contributions £	<b>2006 Total £</b>	2005 Total £
<b>Executive directors:</b>						
A G Mack	71,541	22,908	17,946	—	<b>112,395</b>	136,810
D C W Savile	190,000	131,520	2,235	22,800	<b>346,555</b>	256,715
S J White	135,000	104,347	2,680	16,200	<b>258,227</b>	192,186
M A Briffa (appointed 1 February 2006)	40,000	27,912	411	2,000	<b>70,323</b>	N/A
<b>Non-executive directors:</b>						
S Srikanthan	23,055	—	—	—	<b>23,055</b>	19,470
R Everitt	20,055	—	—	—	<b>20,055</b>	11,358
	<b>479,651</b>	<b>286,687</b>	<b>23,272</b>	<b>41,000</b>	<b>830,610</b>	<b>616,539</b>

There were also gains on the exercise of share options of £147,000 for each of D C W Savile and S J White in 2005.

## 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	Number of options				31 July 2006	Exercise price	Earliest date of exercise	Expiry date
		31 July 2005	Granted	Exercised	Lapsed				
D C W Savile	a)	40,000	—	—	—	<b>40,000</b>	295.00p	6 August 2006	6 August 2013
	b)	10,000	—	—	—	<b>10,000</b>	387.50p	31 July 2007	31 July 2014
		50,000	—	—	—	<b>50,000</b>			
S J White	a)	40,000	—	—	—	<b>40,000</b>	295.00p	6 August 2006	6 August 2013
	b)	10,000	—	—	—	<b>10,000</b>	387.50p	31 July 2007	31 July 2014
		50,000	—	—	—	<b>50,000</b>			
M A Briffa	a)	75,000	—	—	—	<b>75,000</b>	295.00p	6 August 2006	6 August 2013
	b)	10,000	—	—	—	<b>10,000</b>	387.50p	31 July 2007	31 July 2014
		85,000	—	—	—	<b>85,000</b>			
A G Mack		—	—	—	—	N/A	N/A	N/A	
S Srikanthan		—	—	—	—	N/A	N/A	N/A	
R Everitt		—	—	—	—	N/A	N/A	N/A	

The options are exercisable as follows:

a & b) These options have no performance criteria.

The market price of the shares at 31 July 2006 was 650 pence (31 July 2005: 597 pence) and ranged between 578 pence and 720 pence during the year. The average share price during the year was 648 pence.

On behalf of the Board



**S Srikanthan**

Chairman of the Remuneration Committee  
11 October 2006

# Corporate governance statement

The Company 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 2003 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 2006 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 does not consist exclusively of independent non-executive directors as envisaged by the Code as A G Mack is a member of the Committee (C.3.1).
- 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 which met four 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 (B.2.1).
- 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. No formal review is carried out on an annual basis, although the Board keeps such controls under ongoing review. This covers all controls including financial, operational and compliance controls in addition to risk management systems (C.2.1).
- e) There is also no annual review on the potential implementation of an internal audit function (C.3.5).
- f) 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.4.6).
- g) Performance evaluation of the Board, its Committees and the individual directors is ongoing on a month to month basis and is not formally recorded or minuted (A.6.1).
- h) 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 are currently under review.

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 of four executive and two non-executive directors, including the Chairman who is responsible for running the Board and remains fully committed to this role. 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 G Mack, the Chief Executive is D C W Savile and the senior independent non-executive director is S Srikanthan.

Both of the non-executive directors are considered to be independent of management and free from any business or other relationship which could materially affect their independent judgement.

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.

During the year the Board met on twelve occasions. A G Mack and S Srikanthan were absent for one meeting each.

Executive directors periodically visit Air Partner offices throughout the world where they are briefed on various aspects of the Group's operations and unique market characteristics.

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 AGM.

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 Company'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 Finance Director, effective communication with its shareholders, customers, employees and other stakeholders.

### 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.

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 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 meeting on pages 47 to 48. 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 Company'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 Company is delegated to D C W Savile, S J White, M A Briffa and the Senior Management team.

### Audit Committee report

The Audit Committee met twice during the year under the chairmanship of S Srikanthan along with R Everitt as a non-executive director and A G Mack, who represents the shareholders by virtue of his 18.23% shareholding. All members attended both meetings. Although not members, the external auditor and the Finance Director were invited to attend these meetings, allowing the Finance Director to leave at the end of the each meeting in order for the committee to have private discussions with the 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.

# Corporate governance statement continued

## Audit Committee report (continued)

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. 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 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. 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 S Srikanthan to provide recommendations to the Board on the framework for executive director remuneration. The other members of the Committee are R Everitt and A G Mack. The Remuneration Committee met twice in the year with all members in attendance. The Remuneration Committee's report is given in full on pages 17 to 19.

## 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. Currently the Board feels that a formal internal audit function is not required given the other controls in place. The key procedures currently in place are as follows:

- detailed and comprehensive budgeting systems, with a full operating forecast for twelve months and a longer term, five year financial 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

We have audited the Group and parent company financial statements on pages 24 to 46. We have also audited the information in the Directors' remuneration report that is described as having been audited. This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities in relation to the financial statements on page 15. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the Directors' report, the unaudited part of the Directors' remuneration report 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 International Standards on Auditing (UK and Ireland) 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 part of the Directors' remuneration report to be audited. 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 Group's and 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 part of the Directors' remuneration report to be audited 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 part of the Directors' remuneration report to be audited.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 July 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 July 2006;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards to the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.

## BAKER TILLY

Registered Auditor, Chartered Accountants

Crawley

23 October 2006

# Consolidated income statement

for the year ended 31 July 2006

Continuing operations	Note	2006 £'000	2005 £'000
<b>Revenue</b>	2	<b>140,368</b>	122,521
Cost of sales		<b>(124,819)</b>	(108,283)
<b>Gross profit</b>		<b>15,549</b>	14,238
Administrative expenses		<b>(10,948)</b>	(10,263)
<b>Operating profit</b>		<b>4,601</b>	3,975
Finance income	5	<b>534</b>	468
Finance costs	5	<b>(6)</b>	(29)
<b>Profit before tax</b>		<b>5,129</b>	4,414
Taxation	6	<b>(1,537)</b>	(1,427)
<b>Profit for the period</b>		<b>3,592</b>	2,987
<b>Attributable to:</b>			
Equity holders of the parent		<b>3,429</b>	2,904
Minority interests		<b>163</b>	83
		<b>3,592</b>	2,987
<b>Earnings per share:</b>			
Basic	8	<b>35.5p</b>	30.6p
Diluted	8	<b>34.4p</b>	29.8p

# Consolidated statement of recognised income and expense

for the year ended 31 July 2006

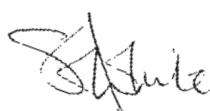
	2006 £'000	2005 £'000
Exchange differences on translation of foreign operations	<b>(271)</b>	135
Net (expense)/income recognised directly in equity	<b>(271)</b>	135
Profit for the period	<b>3,592</b>	2,987
<b>Total recognised income and expense for the period</b>	<b>3,321</b>	3,122
<b>Attributable to:</b>		
Equity holders of the parent	<b>3,158</b>	3,039
Minority interests	<b>163</b>	83
	<b>3,321</b>	3,122

# Consolidated balance sheet

as at 31 July 2006

	Note	2006 £'000	2005 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	425	2,373
Deferred tax assets	17	315	228
		<b>740</b>	2,601
<b>Current assets</b>			
Trade and other receivables	12	23,613	11,691
Cash and cash equivalents	14	11,931	15,437
		<b>35,544</b>	27,128
<b>Non-current assets held for sale</b>	25	<b>1,582</b>	—
<b>Total assets</b>		<b>37,866</b>	29,729
<b>Current liabilities</b>			
Trade and other payables	13	(8,618)	(6,048)
Current tax liabilities		(796)	(521)
Bank overdrafts and loans	14	—	(343)
Other creditors		(15,129)	(9,165)
		<b>(24,543)</b>	(16,077)
<b>Net current assets</b>		<b>11,001</b>	11,051
<b>Non-current liabilities</b>			
Trade and other payables	13	(110)	(111)
Deferred tax liabilities	17	(76)	(134)
		<b>(186)</b>	(245)
<b>Total liabilities</b>		<b>(24,729)</b>	(16,322)
<b>Net assets</b>		<b>13,137</b>	13,407
<b>Equity</b>			
Share capital	19 & 20	483	483
Share premium account	20	2,581	2,581
Hedging reserve	20	(28)	9
Translation reserve	20	(114)	157
Share option reserve	20	496	300
Retained earnings	20	9,545	9,702
<b>Equity attributable to equity holders of the parent</b>	20	<b>12,963</b>	13,232
<b>Minority equity interest</b>		<b>174</b>	175
<b>Total equity</b>		<b>13,137</b>	13,407

These financial statements were approved and authorised for issue by the Board on 11 October 2006 and are signed on its behalf by:



**S J White**  
Director




**A G Mack**  
Director

# Company balance sheet

as at 31 July 2006

	Note	2006 £'000	2005 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	275	275
Deferred tax assets	17	274	213
Investments	10	310	1,002
		<b>859</b>	1,490
<b>Current assets</b>			
Trade and other receivables	12	10,517	3,321
Cash and cash equivalents	14	5,512	10,708
		<b>16,029</b>	14,029
<b>Non-current assets held for sale</b>	25	<b>692</b>	—
<b>Total assets</b>		<b>17,580</b>	15,519
<b>Current liabilities</b>			
Trade and other payables	13	(2,553)	(2,250)
Current tax liabilities		(517)	(373)
Bank overdrafts and loans	14	—	(343)
Other creditors		(5,195)	(2,131)
		<b>(8,265)</b>	(5,097)
<b>Net current assets</b>		<b>7,764</b>	8,932
<b>Net assets</b>		<b>9,315</b>	10,422
<b>Equity</b>			
Share capital	19 & 20	483	483
Share premium account	20	2,581	2,581
Hedging reserve	20	(28)	9
Share option reserve	20	496	300
Retained earnings	20	5,783	7,049
<b>Total equity</b>		<b>9,315</b>	10,422

These financial statements were approved and authorised for issue by the Board on 11 October 2006 and are signed on its behalf by:



**S J White**  
Director



**A G Mack**  
Director

# Consolidated cash flow statement

for the year ended 31 July 2006

	Note	2006 £'000	2005 £'000
<b>Net cash from operating activities</b>	21	<b>154</b>	5,937
<b>Investing activities</b>			
Interest received		<b>534</b>	468
Proceeds on disposal of property, plant and equipment		<b>32</b>	1
Investments		—	(69)
Purchases of property, plant and equipment		<b>(208)</b>	(294)
<b>Net cash from investing activities</b>		<b>358</b>	106
<b>Financing activities</b>			
Dividends paid		<b>(3,586)</b>	(1,602)
Decrease in bank loans		<b>(343)</b>	(323)
Proceeds on issue of shares		—	1,317
<b>Net cash used in financing activities</b>		<b>(3,929)</b>	(608)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,417)</b>	5,435
Opening cash and cash equivalents		<b>15,437</b>	9,983
Effect of foreign exchange rate changes		<b>(89)</b>	19
<b>Closing cash and cash equivalents</b>		<b>11,931</b>	15,437

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2006

	Note	2006 £'000	2005 £'000
(Decrease)/increase in cash and cash equivalents in the year		<b>(3,417)</b>	5,435
Cash outflow from movement in debt financing		<b>343</b>	323
Effect of foreign exchange rate changes		<b>(89)</b>	4
Movement in net funds during the period		<b>(3,163)</b>	5,762
Opening net funds		<b>15,094</b>	9,332
<b>Closing net funds</b>	22	<b>11,931</b>	15,094

# Notes to the financial statements

for the year ended 31 July 2006

## 1 Accounting policies

### a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS"), interpretations ("IFRIC") issued by the International Accounting Standards Board ("IASB") for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 26 on page 42. The last financial statements prepared under UK GAAP were for the year ended 31 July 2005 and the date of transition to IFRS was therefore 1 August 2004.

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.

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:

IAS 21	Amendment – Net investment in a Foreign Operation
IAS 39	Amendment – Fair Value Option
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures; and the related amendment to IAS 1 on Capital Disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2 Share-based Payment
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

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 and its subsidiary undertakings, all of which have been made up to 31 July 2006.

#### 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.

#### 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.

### 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. The Group has taken advantage of the exemption conferred by IFRS 1 not to fully retrospectively apply IAS 21.

## 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
Plant 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. Income from aircraft leasing is recognised on a straight-line basis over the term of the relevant lease.

### f) Share-based payments

The Group has applied the requirements of IFRS 2 share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 August 2005. 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. The fair value of the options granted is measured using the Black Scholes 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.

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

From time to time the Group uses derivative financial instruments to hedge certain exposure to foreign exchange risk from trading activities. From 1 August 2004, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value at each balance sheet date. Any assets or liabilities recognised on the balance sheet date are taken via the profit and loss account to a hedging reserve in equity.

### 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.

The fair value of forward currency contracts is calculated by reference to the current forward exchange rates for contracts with similar maturity profiles.

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

# Notes to the financial statements continued

for the year ended 31 July 2006

## 1 Accounting policies (continued)

### 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) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## 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 following table provides analysis between each geographical market:

	United Kingdom £'000	Europe £'000	United States of America £'000	Rest of the World £'000	Consolidated £'000
<b>2006</b>					
Revenue	66,427	48,147	21,734	4,060	140,368
Segment operating profit	2,197	608	1,365	431	4,601
Finance income	—	—	—	—	534
Finance costs	—	—	—	—	(6)
Profit before tax	—	—	—	—	5,129
Taxation	—	—	—	—	(1,537)
Profit for the period	—	—	—	—	3,592
Segment assets	13,813	17,301	3,271	3,481	37,866
Segment liabilities	6,294	16,344	1,267	824	24,729
Depreciation	73	59	6	307	445
Capital expenditure	102	45	2	59	208
<b>2005</b>					
Revenue	61,213	36,184	22,127	2,997	122,521
Segment operating profit	2,246	473	1,194	62	3,975
Finance income	—	—	—	—	468
Finance costs	—	—	—	—	(29)
Profit before tax	—	—	—	—	4,414
Taxation	—	—	—	—	(1,427)
Profit for the period	—	—	—	—	2,987
Segment assets	13,608	10,472	2,312	3,337	29,729
Segment liabilities	4,515	9,593	1,075	1,139	16,322
Depreciation	104	67	11	314	496
Capital expenditure	225	56	6	7	294



## 2 Segmental analysis (continued)

	2006 £'000	2005 £'000
<b>Business segment – revenue</b>		
Air charter	138,724	120,718
Aircraft leasing	534	523
Travel agency	1,108	1,266
Insurance	2	14
	<b>140,368</b>	<b>122,521</b>
<b>Business segment – operating profit</b>		
Air charter	4,336	3,972
Aircraft leasing	232	(34)
Travel agency	30	30
Insurance	3	7
	<b>4,601</b>	<b>3,975</b>
Finance income	534	468
Finance costs	(6)	(29)
Profit before tax	5,129	4,414
Taxation	(1,537)	(1,427)
Profit for the period	<b>3,592</b>	<b>2,987</b>

## 3 Profit from operations

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

	2006 £'000	2005 £'000
Net foreign exchange (gain)/loss	(82)	51
Depreciation of property, plant and equipment	445	496
Operating lease rentals – land and buildings	353	335
Staff costs (see note 4)	7,513	6,136
Auditors' remuneration:		
Group	146	133
Company	68	55

Included in the above are fees to the principal auditor and its network firms, disclosed below:

Group	– audit fees	– statutory audit	89	60
	– tax services	– compliance services	8	8
	– other services	– advisory services	28	8

# Notes to the financial statements continued

for the year ended 31 July 2006

## 4 Directors and employees

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

	2006 Number	2005 Number
Operations	104	97
Administration	36	27
	<b>140</b>	124

	2006 £'000	2005 £'000
<b>The aggregate payroll costs comprised:</b>		
Wages and salaries	6,260	5,227
Social security costs	1,099	781
Other pension costs	154	128
	<b>7,513</b>	6,136

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.

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 13 to 16 and the Directors' remuneration report on pages 17 to 19.

## 5 Finance income and costs

	2006 £'000	2005 £'000
<b>Finance income</b>		
Interest on bank deposits	534	468
	<b>2006 £'000</b>	2005 £'000
<b>Finance costs</b>		
Interest on bank overdrafts and loans	6	29

## 6 Tax

	2006 £'000	2005 £'000
Current income tax:		
UK corporation tax	785	871
Foreign tax	897	736
Current income tax charge	1,682	1,607
Deferred tax (see note 17)	(145)	(180)
	<b>1,537</b>	1,427

Corporation tax is calculated at 30% (2005: 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 6 Tax (continued)

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

	2006 £'000	2006 %	2005 £'000	2005 %
Profit on ordinary activities before tax	5,129	—	4,414	—
Tax at the UK corporation tax rate of 30% (2005: 30%)	1,539	100%	1,324	93%
Tax effect of expenses that are not deductible in determining taxable profit	206	13%	174	12%
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	142	9%	168	12%
Tax effect of capital allowances in excess of depreciation	(39)	(2%)	(15)	(1%)
Tax effect of other allowable deductions	(58)	(4%)	(161)	(11%)
Tax effect of other timing differences	(123)	(8%)	(75)	(6%)
Tax effect of movement of tax payable	(10)	—	(5)	—
Tax effect of prior year adjustments	(120)	(8%)	17	1%
	1,537	100%	1,427	100%

## 7 Dividends

	2006 £'000	2005 £'000
<b>Amounts recognised as distributions to equity holders in the period</b>		
Final dividend for year ended 31 July 2005 of 11 pence (2004: 10 pence) per share	1,063	931
Special dividend for year ended 31 July 2005 of 20 pence (2004: N/A) per share	1,933	—
Interim dividend for year ended 31 July 2006 of 6.1 pence (2005: 5.5 pence) per share	590	547
	3,586	1,478
<b>Proposed final dividend for the year ended 31 July 2006 of 12.1 pence (2005: 31 pence including special) per share</b>	1,170	2,996

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:

	2006 £'000	2005 £'000
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	3,429	2,904
Earnings for the purposes of diluted earnings per share	3,429	2,904
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,665,518	9,495,237
Effect of dilutive potential ordinary shares: share options	314,851	250,285
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,980,369	9,745,522

# Notes to the financial statements continued

for the year ended 31 July 2006

## 9 Property, plant and equipment

Group	Short leasehold property and leasehold improvements £'000	Aircraft £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 August 2004	376	3,143	1,120	149	4,788
Exchange adjustments	—	141	8	1	150
Additions	82	—	191	21	294
Disposals	—	—	(98)	(6)	(104)
At 31 July 2005	458	3,284	1,221	165	5,128
Exchange adjustments	—	(167)	(9)	—	(176)
Additions	22	52	89	45	208
Transfer to assets for sale	—	(3,169)	—	—	(3,169)
Disposals	—	—	(19)	(103)	(122)
<b>At 31 July 2006</b>	<b>480</b>	<b>—</b>	<b>1,282</b>	<b>107</b>	<b>1,869</b>
<b>Depreciation</b>					
At 1 August 2004	376	956	831	79	2,242
Exchange adjustments	—	101	2	1	104
Charge for the year	1	313	173	23	510
Disposals	—	—	(95)	(6)	(101)
At 31 July 2005	377	1,370	911	97	2,755
Exchange adjustments	—	(76)	(9)	—	(85)
Charge for the year	16	293	118	18	445
Transfer to assets for sale	—	(1,587)	—	—	(1,587)
Disposals	—	—	(16)	(68)	(84)
<b>At 31 July 2006</b>	<b>393</b>	<b>—</b>	<b>1,004</b>	<b>47</b>	<b>1,444</b>
<b>Net book values</b>					
<b>At 31 July 2006</b>	<b>87</b>	<b>—</b>	<b>278</b>	<b>60</b>	<b>425</b>
At 31 July 2005	81	1,914	310	68	2,373
<b>Company</b>					
		Short leasehold property £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 August 2004		376	527	89	992
Additions		82	137	13	232
Disposals		—	(35)	—	(35)
At 31 July 2005		458	629	102	1,189
Additions		22	62	26	110
Disposals		—	—	(74)	(74)
<b>At 31 July 2006</b>		<b>480</b>	<b>691</b>	<b>54</b>	<b>1,225</b>
<b>Depreciation</b>					
At 1 August 2004		376	407	46	829
Charge for the year		1	105	12	118
Disposals		—	(33)	—	(33)
At 31 July 2005		377	479	58	914
Charge for the year		16	63	9	88
Disposals		—	(2)	(50)	(52)
<b>At 31 July 2006</b>		<b>393</b>	<b>540</b>	<b>17</b>	<b>950</b>
<b>Net book values</b>					
<b>At 31 July 2006</b>		<b>87</b>	<b>151</b>	<b>37</b>	<b>275</b>
At 31 July 2005		81	150	44	275

## 10 Investments

Company	Total £'000
Shares in subsidiary undertakings at cost at 1 August 2004 and at 1 August 2005	1,002
Transfer of investment to assets for resale	(692)
Shares in subsidiary undertakings at cost at 31 July 2006	<b>310</b>

The following is a list of the principal trading subsidiaries of which Air Partner PLC is the beneficial owner of the whole, or such lesser percentage as is stated of the issued share capital.

Name	Principal activity	Country of incorporation	Holding
Air Partner International SAS	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 Srl	Air charter broking	Italy	100%
Air Partner Leasing Pty Limited	Aircraft leasing	Australia	100%

In the opinion of the directors the investments in the Company's subsidiary undertakings are worth at least the amount at which they are stated in the balance sheet.

## 11 Profit for the financial year

The Group accounts do not include a separate income statement for Air Partner PLC (the parent undertaking) as permitted by Section 230 of the Companies Act 1985. The parent company profit after tax for the financial year is £2,320,000 (2005: £1,901,000) including dividends from subsidiary companies of £283,000 (2005: £93,500).

## 12 Trade and other receivables

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade receivables	<b>18,579</b>	9,338	<b>7,543</b>	2,522
Amounts owed by Group undertakings	—	—	<b>1,024</b>	459
Other receivables	<b>114</b>	187	<b>45</b>	47
Prepayments and accrued income	<b>4,920</b>	2,166	<b>1,905</b>	293
	<b>23,613</b>	11,691	<b>10,517</b>	3,321

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

## 13 Trade and other payables

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Amounts falling due within one year:</b>				
Trade payables	<b>7,870</b>	5,769	<b>2,315</b>	2,156
Other taxation and social security payable	<b>748</b>	279	<b>238</b>	94
	<b>8,618</b>	6,048	<b>2,553</b>	2,250
<b>Amounts falling due after one year:</b>				
Trade payables	<b>110</b>	111	—	—
	<b>110</b>	111	—	—

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

# Notes to the financial statements continued

for the year ended 31 July 2006

## 14 Bank overdrafts and loans

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loans	—	343	—	343

The above loan, which was paid off in its entirety during the year, was a US Dollar bank loan with an interest fixed at six month US LIBOR. Weighted average rate for the period was 4.45% (2005: 4.42%).

## 15 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. 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.

### b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

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

### c) Liquidity risk

The Group aims to mitigate liquidity risk by managing cash within its operations and ensuring that cash collection is efficiently managed. Any excess cash is placed on low-risk, short-term interest-bearing deposits.

### d) Price risk

The Group's exposure to changing market prices on the value of financial instruments has an impact on the carrying value of financial assets or liabilities at fair value through profit and loss.

### e) Foreign currency risk

The Group has invested in foreign operations outside the United Kingdom and also buys and sells good 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.

### f) 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, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below:

	2006 £'000	2005 £'000
Forward foreign exchange contracts	5,237	878

Changes in the fair value of non-hedging currency derivatives amounting to £37,505 have been credited in the year (2005: charge of £8,992).

## 16 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 ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Additionally, there was one outstanding share option scheme and one fully exercised scheme (in 2005) that were granted before 7 November 2002 and therefore the recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional provisions in IFRS 1 and IFRS 2.

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

	2006		2005	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of the period	649,375	333.8	1,000,000	348.6
Granted during the period	—	—	—	—
Forfeited during the period	—	—	—	—
Exercised during the period	—	—	(350,625)	375.9
Outstanding at the end of the period	649,375	333.8	649,375	333.8
Exercisable at the end of the period	4,375	215.0	4,375	215.0

The weighted average remaining contractual life of share options outstanding at the year end is 0.94 years. The range of exercise prices of outstanding share options at the year end was between 215.0 pence to 403.0 pence (2005: 215.0 pence to 403.0 pence).

Weighted average market price for prior year on the exercise of options was 498.5 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 Black Scholes model. The contractual life of the option (ten years) is used as an input into this model. No allowance is made for early leavers.

The inputs into the Black Scholes model are as follows:

	30 July 2004	5 August 2003
Weighted average share price (pence)	391.7	296.1
Weighted average exercise price (pence)	391.7	296.1
Expected volatility	29.57%	40.19%
Option life	Ten years	Ten years
Risk-free interest rate	4.32%	3.06%
Expected dividends	3.51%	4.61%

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 over the previous 52 weeks.

The total charge for the year relating to employee share-based payment plans was £196,184 (2005: £300,433), all of which related to equity share-based payment transactions.

# Notes to the financial statements continued

for the year ended 31 July 2006

## 17 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

Group	Accelerated tax depreciation £'000	Tax losses £'000	Share-based payment adjustment £'000	Hedging adjustment £'000	Total £'000
At 1 August 2004	(65)	—	—	—	(65)
Credit to income	87	—	90	3	180
Exchange differences	(21)	—	—	—	(21)
At 1 August 2005	1	—	90	3	94
Credit to income	63	26	59	(12)	136
Exchange differences	9	—	—	—	9
<b>At 31 July 2006</b>	<b>73</b>	<b>26</b>	<b>149</b>	<b>(9)</b>	<b>239</b>

Company	Accelerated tax depreciation £'000	Share-based payment adjustment £'000	Hedging adjustment £'000	Total £'000
At 1 August 2004	120	—	—	120
Credit to income	—	90	3	93
At 1 August 2005	120	90	3	213
Credit to income	14	59	(12)	61
<b>At 31 July 2006</b>	<b>134</b>	<b>149</b>	<b>(9)</b>	<b>274</b>

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Deferred tax liabilities	(76)	(134)	—	—
Deferred tax assets	315	228	274	213
	<b>239</b>	94	<b>274</b>	213

At the balance sheet date, the Group has unused tax losses of £96,000 (2005: £nil) available for offset against future profits. A deferred tax asset has been recognised in respect of £26,000 (2005: £nil) of such losses incurred in Italy on the grounds that expected profits will be sufficient in 2006/2007 for those losses to be utilised.

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets only where the directors are of the opinion that it is probable that these assets will be recovered.

No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries, because it is not practical to do so.

## 18 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.



## 19 Share capital

	2006 £'000	2005 £'000
<b>Authorised:</b>		
11,500,000 ordinary shares of 5.0 pence each	<b>575</b>	575
<b>Issued and fully paid:</b>		
9,665,518 ordinary shares of 5.0 pence each	<b>483</b>	483

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

## 20 Statement of changes in equity

Group	Share capital £'000	Share premium account £'000	Share option reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Opening equity as at 1 August 2004</b>	483	2,581	—	—	—	8,276	<b>11,340</b>
Exchange differences on translation of foreign operations	—	—	—	—	157	—	<b>157</b>
<b>Net income recognised directly in equity</b>	—	—	—	—	157	—	<b>157</b>
Net movement in fair value of derivatives	—	—	—	9	—	—	<b>9</b>
Share option movement for period	—	—	300	—	—	—	<b>300</b>
Profit for the period	—	—	—	—	—	2,904	<b>2,904</b>
<b>Total recognised income and expense for the period</b>	—	—	300	9	—	2,904	<b>3,213</b>
Dividends	—	—	—	—	—	(1,478)	<b>(1,478)</b>
<b>Closing equity as at 31 July 2005</b>	483	2,581	300	9	157	9,702	<b>13,232</b>
<b>Opening equity as at 1 August 2005</b>	483	2,581	300	9	157	9,702	<b>13,232</b>
Exchange differences on translation of foreign operations	—	—	—	—	(271)	—	<b>(271)</b>
<b>Net expense recognised directly in equity</b>	—	—	—	—	(271)	—	<b>(271)</b>
Net movement in fair value of derivatives	—	—	—	(37)	—	—	<b>(37)</b>
Share option movement for period	—	—	196	—	—	—	<b>196</b>
Profit for the period	—	—	—	—	—	3,429	<b>3,429</b>
<b>Total recognised income and expense for the period</b>	—	—	196	(37)	—	3,429	<b>3,588</b>
Dividends	—	—	—	—	—	(3,586)	<b>(3,586)</b>
<b>Closing equity as at 31 July 2006</b>	483	2,581	496	(28)	(114)	9,545	<b>12,963</b>

Company	Share capital £'000	Share premium account £'000	Share option reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
<b>Opening equity as at 1 August 2004</b>	483	2,581	—	—	6,626	<b>9,690</b>
Net movement in fair value of derivatives	—	—	—	9	—	<b>9</b>
Share option movement for period	—	—	300	—	—	<b>300</b>
Profit for the period	—	—	—	—	1,901	<b>1,901</b>
<b>Total recognised income and expense for the period</b>	—	—	300	9	1,901	<b>2,210</b>
Dividends	—	—	—	—	(1,478)	<b>(1,478)</b>
<b>Closing equity as at 31 July 2005</b>	483	2,581	300	9	7,049	<b>10,422</b>
<b>Opening equity as at 1 August 2005</b>	483	2,581	300	9	7,049	<b>10,422</b>
Share option movement for period	—	—	196	—	—	<b>196</b>
Net movement in fair value of derivatives	—	—	—	(37)	—	<b>(37)</b>
Profit for the period	—	—	—	—	2,320	<b>2,320</b>
<b>Total recognised income and expense for the period</b>	—	—	196	(37)	2,320	<b>2,479</b>
Dividends	—	—	—	—	(3,586)	<b>(3,586)</b>
<b>Closing equity as at 31 July 2006</b>	483	2,581	496	(28)	5,783	<b>9,315</b>

# Notes to the financial statements continued

for the year ended 31 July 2006

## 21 Net cash from operating activities

	2006 £'000	2005 £'000
<b>Operating profit for the period</b>	<b>4,601</b>	3,975
Adjustments for:		
Depreciation	445	496
Exchange differences	—	255
Loss on disposal of property, plant and equipment	5	2
Hedging (gains)/losses recognised through IAS 39	(38)	9
Share option cost for period	196	300
<b>Operating cash flows before movements in working capital</b>	<b>5,209</b>	5,037
(Increase)/decrease in receivables	(11,922)	2,102
Increase in payables	8,279	477
<b>Cash generated from operations</b>	<b>1,566</b>	7,616
Income taxes paid	(1,406)	(1,650)
Interest paid	(6)	(29)
	<b>154</b>	5,937

## 22 Analysis of net funds

	31 July 2005 £'000	Cash flow £'000	Foreign exchange effect £'000	31 July 2006 £'000
Cash and short-term deposits	15,437	(3,417)	(89)	<b>11,931</b>
Net cash and cash equivalents	15,437	(3,417)	(89)	<b>11,931</b>
Loans due within one year	(343)	343	—	—
Total net funds	15,094	(3,074)	(89)	<b>11,931</b>

## 23 Operating lease arrangements

### The Group as lessee

	<b>2006</b> <b>Land and</b> <b>buildings</b> <b>£'000</b>	2005 Land and buildings £'000
Minimum lease payments under operating leases recognised as costs for the year	<b>353</b>	335
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	<b>100</b>	89
In the second to fifth year inclusive	<b>605</b>	23
After five years	<b>—</b>	678
	<b>705</b>	790

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

### The Group as lessor

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:

	<b>2006</b> <b>Aircraft</b> <b>leasing</b> <b>£'000</b>	2005 Aircraft leasing £'000
Within one year	<b>519</b>	519
In the second to fifth year inclusive	<b>267</b>	1,305
After five years	<b>—</b>	—
	<b>786</b>	1,824

Aircraft leasing rental income earned during the year was £534,000 (2005: £523,000).

## 24 Events after the balance sheet date

On the 7 September Air Partner Leasing Pty Ltd disposed of two of its four aircraft for US\$2,000,000 and a gain on disposal of US\$215,000. At the year end these planes had a net book value of US\$1,775,000 and as a result of the sale, tax liabilities have accrued to the sum of US\$64,500.

For details on the acquisition of Gold Air International Limited, please turn to the Directors' report on page 16.

## 25 Non-current assets held for sale

Because of the impending sale at the balance sheet date of four aircraft held in Australia, these resources have been transferred to non-current assets held for sale from where they were previously held in property, plant and equipment.

In the Company's balance sheet, the item that has been moved is the investment in Air Partner Leasing Pty Ltd, as it is this vehicle in which the final two planes will be sold.

# Notes to the financial statements continued

for the year ended 31 July 2006

## 26 Explanation of transition to IFRS

### Group

The reconciliations of equity as at 1 August 2004 (date of transition to IFRS) and at 31 July 2005 (date of last UK GAAP financial statements) and the reconciliation of profit for 2005, as required by IFRS 1, have been included below.

Reconciliation of equity at 1 August 2004

	Previous UK GAAP 1 August 2004 £'000	Remove proposed dividend £'000	Recognise share options £'000	IFRS 1 August 2004 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,546	—	—	2,546
Deferred tax assets	132	—	31	163
	2,678	—	31	2,709
<b>Current assets</b>				
Trade and other receivables	13,716	—	—	13,716
Cash and cash equivalents	9,983	—	—	9,983
	23,699	—	—	23,699
<b>Total assets</b>	26,377	—	31	26,408
<b>Current liabilities</b>				
Trade and other payables	(8,847)	1,129	—	(7,718)
Current tax liabilities	(461)	—	—	(461)
Bank overdrafts and loans	(325)	—	—	(325)
Other creditors	(6,942)	—	—	(6,942)
	(16,575)	1,129	—	(15,446)
<b>Net current assets</b>	7,124	1,129	—	8,253
<b>Non-current liabilities</b>				
Bank overdrafts and loans	(326)	—	—	(326)
Long-term provisions	(101)	—	—	(101)
Deferred tax liabilities	(197)	—	—	(197)
	(624)	—	—	(624)
<b>Total liabilities</b>	(17,199)	1,129	—	(16,070)
<b>Net assets</b>	9,178	1,129	31	10,338
<b>Equity</b>				
Share capital	466	—	—	466
Share premium account	1,281	—	—	1,281
Hedging reserve	—	—	—	—
Translation reserve	—	—	—	—
Share option reserve	—	—	104	104
Retained earnings	7,268	1,129	(73)	8,324
<b>Equity attributable to equity holders of the parent</b>	9,015	1,129	31	10,175
<b>Minority equity interest</b>	163	—	—	163
<b>Total equity</b>	9,178	1,129	31	10,338

## 26 Explanation of transition to IFRS (continued)

### Group (continued)

Reconciliation of equity as at 31 July 2005

	Previous UK GAAP 31 July 2005 £'000	Remove proposed dividend £'000	Reclassify translation differences £'000	Recognise hedging losses on financial instruments £'000	Recognise share options £'000	IFRS 31 July 2005 £'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	2,373	—	—	—	—	2,373
Deferred tax assets	135	—	—	3	90	228
	2,508	—	—	3	90	2,601
<b>Current assets</b>						
Trade and other receivables	11,691	—	—	—	—	11,691
Cash and cash equivalents	15,437	—	—	—	—	15,437
	27,128	—	—	—	—	27,128
<b>Total assets</b>	29,636	—	—	3	90	29,729
<b>Current liabilities</b>						
Trade and other payables	(9,121)	3,073	—	—	—	(6,048)
Current tax liabilities	(521)	—	—	—	—	(521)
Bank overdrafts and loans	(343)	—	—	—	—	(343)
Other creditors	(9,165)	—	—	—	—	(9,165)
	(19,150)	3,073	—	—	—	(16,077)
<b>Net current assets</b>	7,978	3,073	—	—	—	11,051
<b>Non-current liabilities</b>						
Long-term provisions	(111)	—	—	—	—	(111)
Deferred tax liabilities	(134)	—	—	—	—	(134)
	(245)	—	—	—	—	(245)
<b>Total liabilities</b>	(19,395)	3,073	—	—	—	(16,322)
<b>Net assets</b>	10,241	3,073	—	3	90	13,407
<b>Equity</b>						
Share capital	483	—	—	—	—	483
Share premium account	2,581	—	—	—	—	2,581
Hedging reserve	—	—	—	9	—	9
Translation reserve	—	—	157	—	—	157
Share option reserve	—	—	—	—	300	300
Retained earnings	7,002	3,073	(157)	(6)	(210)	9,702
<b>Equity attributable to equity holders of the parent</b>	10,066	3,073	—	3	90	13,232
<b>Minority equity interest</b>	175	—	—	—	—	175
<b>Total equity</b>	10,241	3,073	—	3	90	13,407

# Notes to the financial statements continued

for the year ended 31 July 2006

## 26 Explanation of transition to IFRS (continued)

### Group (continued)

Reconciliation of profit for the year ended 31 July 2005

	Previous UK GAAP 31 July 2005 £'000	Recognise share options £'000	Recognise hedging losses on financial instruments £'000	Reclassify translation differences £'000	IFRS 31 July 2005 £'000
<b>Revenue</b>	123,585	—	—	(1,064)	122,521
Cost of sales	(109,199)	—	—	916	(108,283)
<b>Gross profit</b>	14,386	—	—	(148)	14,238
Administrative expenses	(10,055)	(300)	(9)	101	(10,263)
<b>Operating profit</b>	4,331	(300)	(9)	(47)	3,975
Finance income	468	—	—	—	468
Finance costs	(28)	—	—	(1)	(29)
<b>Profit before tax</b>	4,771	(300)	(9)	(48)	4,414
Taxation	(1,546)	90	3	26	(1,427)
<b>Profit for the period</b>	3,225	(210)	(6)	(22)	2,987
<b>Attributable to:</b>					
Equity holders of the parent	3,142	(210)	(6)	(22)	2,904
Minority interests	83	—	—	—	83
	3,225	(210)	(6)	(22)	2,987

### Company

The reconciliations of equity as at 1 August 2004 (date of transition to IFRS) and at 31 July 2005 (date of last UK GAAP financial statements) and the reconciliation of profit for 2005, as required by IFRS 1, have been included below.

Reconciliation of equity at 1 August 2004

	Previous UK GAAP 1 August 2004 £'000	Remove proposed dividend £'000	Recognise share options £'000	IFRS 1 August 2004 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	163	—	—	163
Investments	933	—	—	933
Deferred tax assets	120	—	31	151
	1,216	—	31	1,247
<b>Current assets</b>				
Trade and other receivables	5,502	—	—	5,502
Cash and cash equivalents	6,336	—	—	6,336
	11,838	—	—	11,838
<b>Total assets</b>	13,054	—	31	13,085
<b>Current liabilities</b>				
Trade and other payables	(3,430)	931	—	(2,499)
Current tax liabilities	(246)	—	—	(246)
Bank overdrafts and loans	(325)	—	—	(325)
Other creditors	(1,442)	—	—	(1,442)
	(5,443)	931	—	(4,512)
<b>Net current assets</b>	6,395	931	—	7,326

## 26 Explanation of transition to IFRS (continued)

### Company (continued)

Reconciliation of equity at 1 August 2004 (continued)

	Previous UK GAAP 1 August 2004 £'000	Remove proposed dividend £'000	Recognise share options £'000	IFRS 1 August 2004 £'000
<b>Non-current liabilities</b>				
Bank overdrafts and loans	(326)	—	—	(326)
	(326)	—	—	(326)
<b>Total liabilities</b>	(5,769)	931	—	(4,838)
<b>Net assets</b>	7,285	931	31	8,247
<b>Equity</b>				
Share capital	466	—	—	466
Share premium account	1,281	—	—	1,281
Hedging reserve	—	—	—	—
Share option reserve	—	—	104	104
Retained earnings	5,538	931	(73)	6,396
<b>Total equity</b>	7,285	931	31	8,247

Reconciliation of equity as at 31 July 2005

	Previous UK GAAP 31 July 2005 £'000	Remove proposed dividend £'000	Recognise hedging losses on financial instruments £'000	Recognise share options £'000	IFRS 31 July 2005 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	275	—	—	—	275
Investments	1,002	—	—	—	1,002
Deferred tax assets	120	—	3	90	213
	1,397	—	3	90	1,490
<b>Current assets</b>					
Trade and other receivables	3,321	—	—	—	3,321
Cash and cash equivalents	10,708	—	—	—	10,708
	14,029	—	—	—	14,029
<b>Total assets</b>	15,426	—	3	90	15,519
<b>Current liabilities</b>					
Trade and other payables	(5,246)	2,996	—	—	(2,250)
Current tax liabilities	(373)	—	—	—	(373)
Bank overdrafts and loans	(343)	—	—	—	(343)
Other creditors	(2,131)	—	—	—	(2,131)
	(8,093)	2,996	—	—	(5,097)
<b>Net current assets</b>	5,936	2,996	—	—	8,932
<b>Net assets</b>	7,333	2,996	3	90	10,422
<b>Equity</b>					
Share capital	483	—	—	—	483
Share premium account	2,581	—	—	—	2,581
Hedging reserve	—	—	9	—	9
Share option reserve	—	—	—	300	300
Retained earnings	4,269	2,996	(6)	(210)	7,049
<b>Total equity</b>	7,333	2,996	3	90	10,422

# Notes to the financial statements continued

for the year ended 31 July 2006

## Principal differences for Group and Company

### 1 Dividend recognition – IAS 10

Under current UK GAAP, proposed dividends are recognised in the financial results for the period to which they relate. However, under IFRS, a dividend can only be recognised if it has been formally declared during the accounting period reported.

The Air Partner Board declares interim and final dividends after the end of each accounting period at the same time as approving the Interim and Annual Reports. Hence, Air Partner will no longer accrue proposed dividends in the financial period to which they relate.

### 2 Accounting for foreign currency translations – IAS 21 and financial instruments – IAS 39

Air Partner PLC has a policy of forward purchasing/selling foreign currency to cover future contracts. Under IAS 39 any gains or losses from the booked value against the fair value of forward foreign currency contracts have to be recognised through a hedging and translation reserve at period end.

Translation differences on the exchange conversion of a foreign subsidiary are now posted to a hedging and translation reserve rather than the retained earnings account.

### 3 Share-based payments – IFRS 2

The Group has adopted IFRS 2 only in respect of awards granted after 7 November 2002 which had not vested at 1 August 2005.

A charge is made to the operating profit representing the fair value of share options granted to employees with the opposing entry taken to equity. The fair value has been calculated using the Black Scholes model and is charged to the income statement over the relevant vesting period.

### 4 Segmental reporting – IAS 14

Both UK GAAP and IFRS require statutory segmental reporting to match the internal reporting structure. Under UK GAAP there is an exemption if the disclosure of a particular segment is considered by the directors to be prejudicial to the interests of the Company.

Under IFRS there is no exemption and Air Partner will disclose segment results by geographic location.



# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10am on 22 November 2006 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 8 will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution:

- 1) To receive the Directors' report and accounts for the year ended 31 July 2006 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 2006.
- 3) To declare and approve the payment of a final dividend for the year ended 31 July 2006 of 12.1 pence per ordinary share.
- 4) To elect M A Briffa as a director.
- 5) To re-elect A G Mack as a director.
- 6) To re-elect S J White as a director.
- 7) To re-appoint Baker Tilly 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.
- 8) THAT subject to the passing of resolution 10 below, the directors be generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 (the "Act"), to exercise all powers of the Company to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £193,560.72 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 (unless previously revoked or varied by the Company in 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 the said Section 80 be and are hereby revoked.
- 9) THAT subject to the passing of resolution 10 below, the directors be and are empowered in accordance with Section 95 of the Companies Act 1985 (the "Act") to sell treasury shares (as defined in Section 162 of the Act) and, subject to the passing of resolution 8 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 9(i) above) of equity securities up to an aggregate nominal value not exceeding £24,163.80; 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 Annual General Meeting continued

## Special business

As special business to consider and, if thought fit, to pass the following resolutions of which resolutions 10 and 12 will be proposed as ordinary resolutions and resolution 11 will be proposed as a special resolution:

- 10) THAT the authorised share capital of the Company be increased from £575,000 to £750,000 by the creation of 3,500,000 ordinary shares of 5 pence each in the capital of the Company, such shares to form one class with and rank *pari passu* in all respects with the existing ordinary shares of the Company.
- 11) THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 5 pence each in the capital of the Company ("ordinary shares") provided that:
- the maximum number of ordinary shares hereby authorised to be purchased is 966,552;
  - the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5 pence per share, being the nominal amount thereof;
  - 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;
  - 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
  - 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 the Board of directors of the Company be authorised to (i) amend Rule 4.1 of the Air Partner PLC Company Share Option Plan 2003 in order to increase the overall dilution limit from 10% to 15%. and (ii) do all such acts and things as may be necessary to give effect to the aforementioned amendment.



**S J White**  
Company Secretary  
11 October 2006

- 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.
- 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 10am on 20 November 2006 at the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 10am on 20 November 2006 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 10am 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.
- 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.
- 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:
  - the register of interests of the directors and their families in the share capital of the Company;
  - copies of service contracts between the directors and the Company or its subsidiary undertakings; and
  - the Articles of Association of the Company.





Who said time travel  
wasn't possible?



**AIR PARTNER PLC**

Platinum House  
Gatwick Road, Crawley  
West Sussex RH10 9RP  
Telephone +44 (0)1293 844800  
[www.airpartner.com](http://www.airpartner.com)