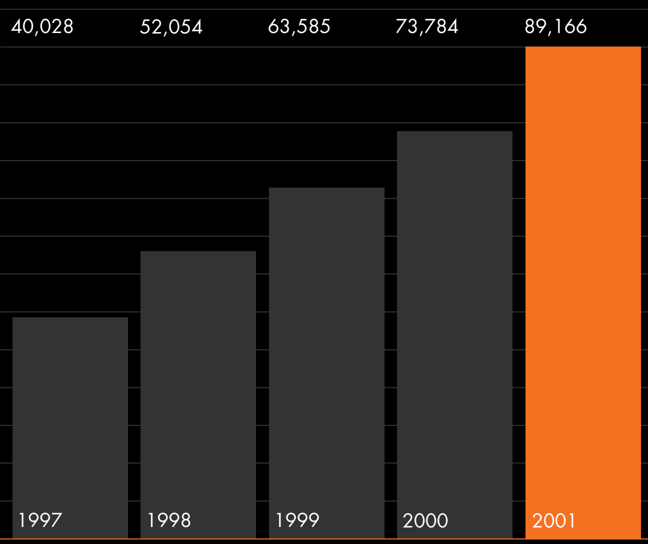
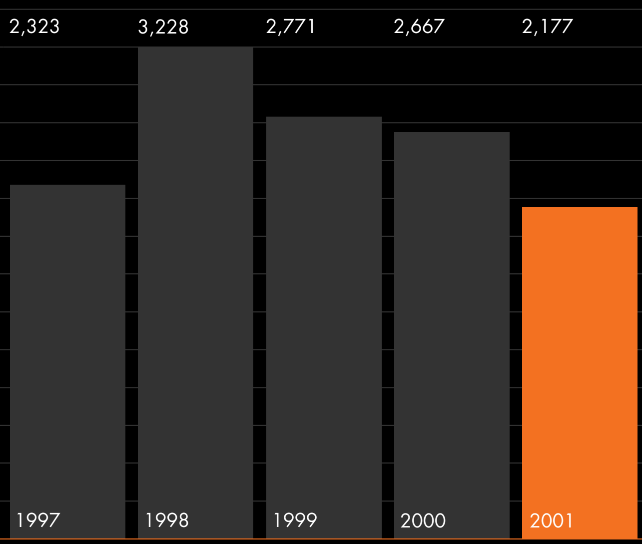
AIR PARTNER PLC

Annual report 2001

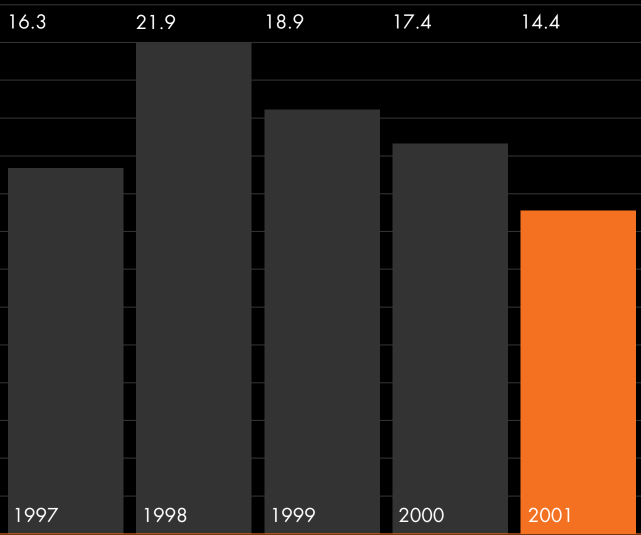
We are entirely focused on establishing Air Partner as the only truly global air charter provider. Charter that comes with quality, dependability, financial security and a consistency echoed the whole world over. One world, one standard.



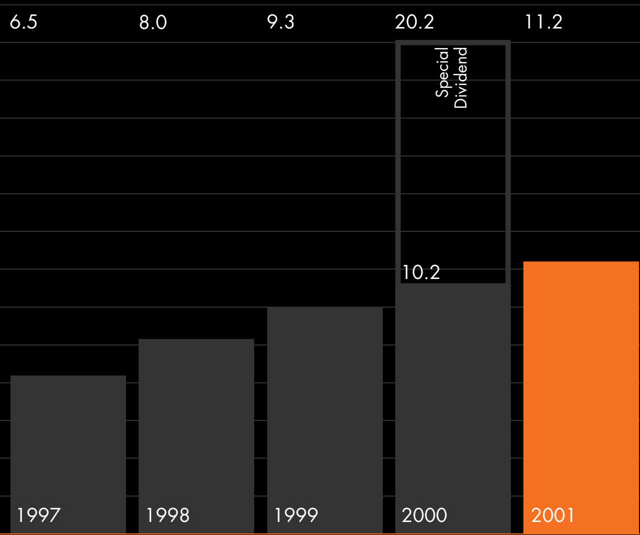
Turnover £000



Profit before tax £000



Basic Earnings per share Pence



Dividend per share Pence

Chairman's statement I am pleased to report that the sales of the Group for the year ended 31 July 2001 increased 21% to £89.2 million (2000: £73.8 million). However, for reasons detailed below, profits before taxation, of the Group reduced by 18% to £2.177 million (2000: £2.667 million). Basic earnings per share reduced by 18% to 14.4 pence (2000: 17.4 pence). The cash held by the Group reduced by 4% to £8.9 million (2000: £9.3 million) mainly due to the payment of a special dividend to shareholders in December 2000. The board recommends the payment of a final dividend of 7.5 pence making a total of 11.2 pence (2000: 10.2 pence) an increase of 10%, a growth we plan to maintain in future years. The proposed final dividend will be paid on 3 December 2001 to shareholders on the register at 2 November 2001.

At the beginning of this financial year we planned for at least 30% growth in sales; at the interim report stage we were 42% up on the previous year. Then between January and May 2001 the air transport industry became adversely affected by the lack of confidence in the World's financial markets. This particularly affected our more profitable business jet charter activity in the UK, normally the powerhouse of the Group's profitability during this period. This not only affected the Group's sales but also significantly reduced the overall gross margin. Even greater sales efforts and an improving business climate saw this side of the business improve substantially in June and July.

On a more positive note, it is encouraging that in every country in which we operate sales grew by more than 10%. Of note were Germany and the USA, which increased sales by 84% and 25% respectively, and both subsidiaries reversed their loss making positions from the previous year. Our new offices in Zurich and Vienna performed to plan by either breaking even or making a small profit. During the latter part of the year we opened two more satellite offices in Lyon and Frankfurt. All our new offices have great potential.

The four Metro aircraft purchased in March 2001 are on lease in Australia and are operating to plan.

Our Rapid Air Support evacuation programme, which made a loss of £279,000, signed up more clients during the year and we have addressed the way this service is marketed so that it should break even over the coming 12 months.

In May we launched the "Business Jets in association with British Airways" joint marketing programme at a cost of £168,000. This has been an excellent opportunity for the Company and, whilst market conditions have led to a slow start we feel convinced of the long-term benefits that this service will bring.

We have, unsurprisingly, found it difficult to increase the number of paying subscribers to our e-commerce trading post Air Partner On-Line!; however the facility has helped our inter airline division significantly.

Current trading and prospects Last year started exceptionally well and this year has been the same, with advanced bookings up 15% and the margins continuing to recover. In the current climate we have ensured that all our efforts are focused on the core business.

In August we opened an office in Canary Wharf, London to service and expand our City-based clients.

The tragedy in the USA on 11 September 2001 has hit the airline industry badly; it immediately affected our business in two ways: we received a lot more business repatriating clients who wished to travel in the security of their own aircraft and a few cancellations from understandably travel wary clients. The directors would like to reassure you that our team are quick to switch resources from markets that might decline and seize new opportunities that such a market presents.

I expect to be able to give a clearer picture of the future at the time of our Annual General Meeting on Monday 3 December 2001.

Tony Mack
Chairman
9 October 2001

Group Managing Director's review The Air Partner Group is built around a core broking business, set on an organic, geographic strategy of growth; in addition, over the years we have added associated businesses, compatible with our core people skills, to develop new profit centres.

Six years ago this was a UK-based business running two product divisions (the charter of executive & commercial aircraft); today it is a diversified business, with 13 offices spread across six countries, with four main products and a number of ancillary services.

Over the last 12 months we have continued the geographic growth by creating new sales offices in Lyon (March 2001) and Frankfurt (July 2001), plus a further one since the year-end, in London's Canary Wharf.

Additionally, in April, we launched a new business jet service in association with British Airways, whereby British Airways markets business jets to its frequent flyers, and Air Partner delivers the operational service and support.

In the light of current economic conditions, further non-core development has been temporarily suspended, whilst all our efforts are focussed on the main business activities.

Business description Air Partner is best described as a trading floor for aircraft charter; the team of some 115 aviation professionals and support staff is by far the largest dedicated to chartering corporate aircraft anywhere. They specialise in providing quality advice, personal recommendation and the smart procurement of all types of aircraft, worldwide – a team equally at home providing a Lear Jet to fly the CEO around Europe, as co-ordinating 70 large passenger jets together moving 10,000 guests to a major product launch at some Riviera destination. The size, scale, experience and quality of the team and the service are unique. Last year our team contracted over 25,000 flight hours, those flights travelling the equivalent of a circumnavigation of the globe every single day.

UK Trading

Whilst most growth now comes from our international operation, the UK remains the powerhouse of Group profits. Although diversification has reduced our business vulnerability, we still rely on a strong UK market.

Executive Aircraft Division After a good first half, rumours of a US recession fuelled a downturn in City confidence in our 3rd quarter, leaving this part of our business quiet in what is traditionally our best period. A strong sales effort in the final quarter produced a recovery but left the division 15% below target at the year-end. Margins held at last years' levels.

The signing of the "Business Jets in association with British Airways" deal was a significant achievement, borne out of 2 years developmental work. Whilst the launch came at a bad time in the economic cycle, we are confident this is a very positive step forward in the marketing of executive jets, and early indicators show the concept is working in all respects, bar volume.

Our new office in London's Canary Wharf is intended to better service the existing and potential City clients for this division.

Commercial Aircraft Division A busy year and determined effort did not yield the growth deserved; we missed out on a number of contracts, resulting in sales steady at £23.5m. Current trading and advance bookings, pre-11 September, were at record levels; both have suffered since; however it is impossible to forecast how that day will change the medium term trading of this division.

Inter-Airline Trading Division With the global disappointment of Dot.coms in general, it soon became clear that Internet users will not pay a subscription for live aircraft availability data provided over the web, as we had expected. Hence during the year we reverted to traditional trading methods, and still ended the year 6% up. Start-up costs have been fully written off whilst the site itself remains as an internal business tool. A revised plan saw the creation of a fully-staffed 24 hour Operations unit which is now attracting new business.

Freight Division It has been an exciting year for this division, winning the Group's largest commercial contract last year – an operation that was both challenging and highly successful. Various other smaller contracts show that this business, whilst still young, has good potential.

Our recently launched new website

France Strong sales growth (23%) and increased margins were offset against a larger team, and the introduction of a national 35 hour week; hence, increased costs dented the profit by 15%.

Germany/Austria After a turbulent year in 1999, this year we have benefited from a settled team in the Cologne office, and a strong addition to that team in the form of the Vienna office. Together they achieved an 84% increase in sales, and converted last years' loss into a creditable profit.

USA The American business completed it's 4th year showing a profit of $210,000 up from a prior year loss of $57,000 on the back of a 25% rise in sales that included a very strong performance from the New York office. Executive aircraft charter continues to be the fastest growing part of the American business accounting for 55% of sales. Since 11 September, market conditions have been tough with an almost total halt to banking-related executive charter. However, this situation will resolve itself over time and there may already be some encouraging early signs that in the longer term more top-end travellers will consider chartering executive aircraft as an alternative to scheduled air service.

Switzerland Started just over a year ago, the division has performed to expectations, achieved break-even, and should now move into profit.

Rapid Air Support Last year we stated that this unit would require significant funding through the year in order to build quality earnings for the medium term. As budgeted, it lost £279,000. Sales were slow during the year for 2 main reasons: a lack of any perceived threat against US corporates, and a need to be able to sell across clients' internal budgets (e.g. HR, Security, Legal etc.). Since 11 September, the business has been much busier and 5 more have been added.

Air Partner Leasing The company purchased 4 small Metro commuter aircraft in March 2001. These were already on long term operating leases in Australia, and remain so. It is hoped that the lessee's operating environment will be largely unaffected by the international airline crisis, as flights are mainly deemed 'essential local air services'.

IATA Business Travel The company has performed to budget and to expectations and continues trading to plan.

The Future The shock of the terrorist attacks has left the airline world in crisis. Air Partner has always been a small, flexible and opportunistic company; we are fortunate not to have aircraft sitting idle on the tarmac, or aircrews waiting on standby. Our assets are our team, and the clients wanting to do business with them.

We will react by seizing fresh opportunities if, or as, traditional markets suffer. Chartering your own aircraft from Air Partner removes two immediate worries linked to flying in the current climate: first, you become the decision-maker – you control the passenger list and you can choose to travel alone or with colleagues of your choice; secondly under our CharterPLUS^{2} guarantee scheme, we provide clients with financial protection against failing airlines. In the latter, we are unique.

Finally we will be careful to manage our costs; the business must remain efficient and keep costs focused on the front end of the business, working on markets that provide revenue for today and tomorrow.

As the chairman has stated, we expect to have a clearer picture of future trading by the time of the AGM.

David Savile
Group Managing Director
9 October 2001

Board of Directors

Main Board

Executive Directors

1. Anthony Mack
Executive Chairman. Aged 52
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. He sits on the Remuneration Committee, is an Associate Member of the Royal Aeronautical Society and a Fellow of the Institute of Financial Accountants.

2. David Savile
Group Managing Director. Aged 42
Has over 22 years' experience in aircraft charter, 17 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.

3. Mike Guina
President, US Operations and Deputy Group Managing Director. Aged 42
Joined in 1994 and was appointed to the board in 1997. As Director of the Commercial Aircraft Division he was instrumental in its rapid growth. He relocated to Fort Lauderdale in 1999 to provide leadership to the growing US portfolio of businesses.

4. Stephanie White
Finance Director. Aged 38
Joined the Company in 1983 with previous experience at National Westminster Bank. Stephanie became Finance Controller in 1994, and Finance Director in 1997.

5. Alan Marler
Director. Aged 52
Alan joined in 1987 with a charter airline background. He was appointed Marketing Director in 1989, Director of the Executive Aircraft Division in 1996, and Director of Operations in 1998. For the year reported Alan has headed up the development of Rapid Air Support Ltd as well as taking responsibility for the Travel and Freight Divisions. He resigned from the board on 25 July 2001in order to concentrate exclusively on Rapid Air Support business.

Non-Executive Directors

6. The Hon Rowland Cobbold
Aged 57
Joined the board as a non-executive in 1995. Rowland has over 30 years' experience in the aviation and tourism industry. He is currently Chairman of Ecco Tours Ltd and a Director of Groundstar Ltd and was formerly Marketing Director of Cathay Pacific Airways Ltd. Rowland is a member of the Remuneration Committee.

7. Sri Srikanthan MBA, ACMA
Aged 50
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. He was appointed on 1 July 2000 and is a member of the Remuneration Committee.

Subsidiary Directors

8. Gilles Meynard
9. Brigitte Schaub
10. Verena Hitz
11. Birte Kipke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Corporate governance

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

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

a) The Company has two non-executive directors, which the board considers sufficient for the size of the Group. Therefore, for the period from 15 August 2000 to 25 July 2001, non-executive directors on the board made up less than one third of the board, a level which the code indicates should be the minimum proportion. (A3.1)

b) The board as a whole reviews and approves the Group's Annual Report, Financial Statements, Interim Statement and preliminary announcement. This process involves meeting with the external auditors to discuss issues relating to the audit and the financial control of the Group. Therefore the Company has not constituted an Audit Committee (D3.1).

c) The non-executive directors have rolling three-month contracts rather than contracts for a fixed term as envisaged by the Code. However, one-third of all directors retire by rotation at each Annual General Meeting (A6.1).

d) The Remuneration Committee does not consist exclusively of non-executive directors as envisaged by the Code (B2.2).

e) Due to the size of the board, the Group does not operate a Nominations Committee. New director appointments are a matter for the board as a whole (A5.1).

The board and its committees The board is comprised of Tony Mack, who owns 56.7% of the issued share capital of Air Partner PLC and carries out the role of Executive Chairman, David Savile who performs the role of Managing Director, Stephanie White who is Finance Director, Alan Marler who was director of Rapid Air Support, and Air Partner Travel (resigned on 25 July 2001), Michael Guina, President, US operations and Deputy Group Managing Director, and the non-executive directors; Rowland Cobbold, the senior non-executive director, Sri Srikanthan and Leslie Steward (retired from the board 15 August 2000), whose biographies appear on page 7. These appointments represent a range of experience and calibre that brings independent judgement on all issues that are vital to the continued success of the Group. All directors are subject to re-election at the first opportunity after appointment and required to submit themselves for re-election at least every three years thereafter. The board is responsible to the shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the financial statements is set out on page 14.

The board has adopted a formal schedule of matters specifically reserved to it for decision. The directors have access to the Company Secretary, Stephanie White, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary, whose appointment or removal is a matter for the board as a whole, is responsible for ensuring that directors receive appropriate training on appointment and as necessary and, if requested to do so by individual directors, facilitate the provision of independent professional advice at the Company's expense.

The board meets regularly throughout the year, reviewing trading performance and setting and monitoring strategies. The board receives appropriate and timely information in order to enable it to properly discharge its duties.

The Group has constituted a Remuneration Committee under the chairmanship of Rowland Cobbold to provide recommendations to the board on the framework for executive director remuneration. The other members of the committee are Sri Srikanthan and Tony Mack. The committee determines the contract terms, remuneration and other benefits paid to the executive directors including performance related bonuses, pension contributions and compensation payments with a significant part based on performance. Full details of the Company's policies on remuneration are given in the Directors' Report on page 10.

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

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

Details of the resolutions to be proposed at the Annual General Meeting can be found within the Notice of Meeting on page 29. In accordance with the Code the votes cast by proxy will again be declared at the meeting after the votes have been cast.

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.

Internal control The full board is responsible for the Group's system of internal control and for monitoring 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.

As outlined in the 2000 Annual Report, in the previous period the directors ensured that only the internal control systems complied with the Internal Control Guidance for Directors and the Combined Code under the provisions of the transitional rules.

In the current period this provision is not available, and hence the directors are required to report on the process of reviewing the effectiveness of the Group's system covering all internal controls. This extends the previous requirement in respect of internal financial controls to cover all risks including but not limited to, operational, compliance and risk management.

The new and revised procedures do not, however, fundamentally change the control processes that have been described in previous reports – the principal change being the inclusion of regular reviews by the board of the effectiveness of the Group's overall internal control and risk management processes as opposed to the review of internal financial controls only.

The primary responsibility for the operation of the system of internal controls appropriate to the various business environments in which it operates is delegated to line management, although this is overseen by the full board.

The main features of the Company's internal control framework are;

• The board has an established, documented organisation structure with defined lines of responsibility and delegation of authority from the board to operational management.

• The Company prepares a comprehensive annual budget which is approved by the board and is compared to actual results on a monthly basis.

• The board has defined procedures for the approval of major transactions.

The board has reviewed the operation and effectiveness of its financial control assessment system during the year and will continue to do so on a regular basis.

Internal audit The board has considered the need for internal audit, but has decided that because of the size of the Group it cannot be justified at present. The board will continue to review this decision.

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2001.

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 2 to 3 and the Group Managing Director's review of the business set out on pages 4 to 6 give further information.

A detailed review of business for the year and future developments is given in the Group Managing Director's review.

Results and dividends The results for the year are set out in the profit and loss account and show a profit, after taxation and minority interests, of £1,300,000 (2000: £1,573,000).

An interim dividend of 3.7 pence (2000: 3.6 pence) per share was paid on 8 June 2001. Subject to shareholders' approval, the directors recommend the payment of a final ordinary dividend of 7.5 pence (2000: ordinary 6.6 pence) per share which will be paid on 3 December 2001 to shareholders on the register at 2 November 2001, making a total dividend for the year of 11.2 pence (2000: 10.2 pence). A special dividend of 10 pence was paid during 2000.

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 2001	31 July 2000
A G Mack*	**5,115,067**	5,115,067
D C W Savile	**93,333**	158,333
A J Marler (resigned 25 July 2001)	**50,333**	30,333
R J F Cobbold*	**–**	–
L C Steward (resigned 15 August 2000)	**8,333**	8,333
S J White	**8,125**	8,125
M E Guina	**–**	–
S Srikanthan*	**–**	–

*Member of the Remuneration 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 12.

d) D C W Savile sold 65,000 shares in the company on 7 June 2001.There have been no other changes in the interests of the directors between 31 July 2001 and 9 October 2001.

e) 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.

f) D C W Savile and R J F Cobbold 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.

Directors' remuneration The Remuneration Committee as described on page 8 provides recommendations to the board for determining the remuneration and conditions of employment of the executive directors of the Company. The board as a whole determines the fees of the non-executive directors and of the executive directors of the subsidiary undertakings.

Policy In determining appropriate levels of remuneration for the executive directors of the Company, the committee aims to provide packages that will attract and retain high quality executives that are capable of achieving and sustaining the Group's objectives.

The package consists of basic salary, benefits, share options, performance related bonuses and pensions.

Individual components of remuneration:

Basic salary The salary of individual directors is reviewed annually. The performance of the individual is taken into account together with any changes in responsibilities that may have occurred. Mr Mack is not present during meetings of the Remuneration Committee while his own remuneration is under review.

Performance related bonus Bonuses reflect the individual's performance, the activity of the area of responsibility and the overall increase in the profits of the Group. No director can achieve more than 100% of their salary in bonuses.

Other benefits Qualifying executive directors may receive a fully expensed car, private health care and reimbursement of home telephone costs.

Pensions Under the terms of their service contracts, David Savile, Alan Marler, Stephanie White and Michael Guina are eligible for contributions to personal pension schemes in line with Company policy.

Share options Share options are awarded to executives at the committee's discretion. The aggregate exercise price for all outstanding options awarded during a 10-year period may not exceed four times the individual's relevant emoluments. Conditions applicable to the exercise of the options are detailed below.

Service contracts The executive directors have service contracts containing a six-month termination clause.

Non-executive directors The non-executive directors have rolling three-months contracts. The remuneration of the non-executive directors is the responsibility of the board as a whole.

Directors' remuneration

	Salary/fees £	Performance related bonus £	Employer's pension costs £	Benefits £	**2001 Total £**	2000 Total £
Executive directors:						
A G Mack	79,954	–	–	20,289	**100,243**	98,083
D C W Savile	109,270	7,000	7,103	11,631	**135,004**	135,720
A J Marler	94,580	–	6,148	1,795	**102,523**	103,107
S J White	92,180	7,000	5,992	2,071	**107,243**	101,399
M E Guina	123,263	7,000	8,012	7,330	**145,605**	139,176
Non-executive directors:						
R J F Cobbold	14,925	–	–	–	**14,925**	14,420
L C Steward	–	–	–	–	**–**	15,900
S Srikanthan	15,900	–	–	–	**15,900**	1,325
	530,072	21,000	27,255	43,116	**621,443**	609,130

On 24 October 2000, A J Marler exercised 20,000, 60.0 pence share options at a market price of 334.0 pence per share resulting in a gain before taxation of £54,800.

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

	Notes	31 July 2000	Granted	Exercised	Lapsed	**31 July 2001**	Exercise price
D C W Savile	a	10,000	–	–	–	**10,000**	60.00p
	c	10,370	–	–	–	**10,370**	173.50p
	d	50,000	–	–	–	**50,000**	215.00p
	e	100,000	–	–	–	**100,000**	403.00p
		170,370	–	–	–	**170,370**	
A J Marler	a	20,000	–	20,000	–	**–**	60.00p
	c	10,370	–	–	–	**10,370**	173.50p
	d	50,000	–	–	–	**50,000**	215.00p
	e	100,000	–	–	–	**100,000**	403.00p
		180,370	–	20,000	–	**160,370**	
S J White	b	5,000	–	–	–	**5,000**	69.50p
	c	13,280	–	–	–	**13,280**	173.50p
	d	50,000	–	–	–	**50,000**	215.00p
	e	100,000	–	–	–	**100,000**	403.00p
		168,280	–	–	–	**168,280**	
M E Guina	c	17,290	–	–	–	**17,290**	173.50p
	d	50,000	–	–	–	**50,000**	215.00p
	e	100,000	–	–	–	**100,000**	403.00p
		167,290	–	–	–	**167,290**	

The options are exercisable as follows:

a) The options are exercisable on half the shares comprised in any option from 28 November 1997 and exercisable on all the shares from 28 November 1999. The options expire on 28 November 2004.

b) The options are exercisable on half the shares comprised in any option from 5 May 1998 and on all the shares from 5 May 2000. The options expire on 5 May 2005.

c) The options are exercisable on half the shares comprised in any option from 25 November 1999 and on all the shares from 25 November 2001. The options expire on 25 November 2006.

d) The options are exercisable on all the shares comprised in any option from 10 July 2001 provided that earnings per share have increased by 2% over the Retail Prices Index in the three years preceding the proposed exercise. The options expire on 10 July 2007.

e) The options are exercisable on all the shares comprised in any option from 2 July 2003 provided that earnings per share during the period between the date of grant and the accounting date last preceding the date of exercise have increased by at least 100% if the option is exercised after the fifth but prior to the sixth anniversary of the date of grant; at least 130% if exercised after the sixth but prior to the seventh anniversary of the date of grant or at least 165% during the period between the date of grant and the accounting date preceding the eighth anniversary of the date of grant if exercised after the seventh but prior to the tenth anniversary of the date of grant. The Company's share price growth must also exceed that of the FTSE Fledgling (excluding companies within the information technology sector) Index between the date of grant and the date of exercise.

The market price of the shares at 31 July 2001 was 254.0 pence and ranged between 462.5 pence and 252.5 pence during the year. The average share price during the year was 345.1 pence.

Substantial shareholdings Apart from the interest of A G Mack, the directors are aware of the following interests of 3% or more as at 31 July 2001.

Shareholder	Number of shares	% held
Clydesdale Bank Custodian Nominees	537,500	5.94%
HSBC Global Custody Nominee (UK) Limited	520,000	5.75%
Chase Nominees Limited	473,102	5.23%
BT Pension Scheme	301,990	3.34%

Charitable and political contributions The Group made charitable contributions totalling £3,350 (2000: £3,980) during the year. No political donations were made in the current or prior periods.

Policy on payment of creditors The Group has not adopted any formal code of payment practice with regard to the settlement of amounts due to its suppliers. It is the Group's policy to negotiate the terms of payments with suppliers when agreeing the terms of each contract or transaction, to ensure that the suppliers are aware of the agreed terms of payment, and to adhere to the agreed terms.

At the year-end, the company had an average of 9 days (2000: 19 days) and the Group 7 days (2000: 35 days), purchases outstanding in trade creditors.

Annual General Meeting Notice of the Annual General Meeting, together with explanatory notes, is set out on page 29 of the Annual Report.

Auditors In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Employees The Group has a policy of offering equal opportunities to employees at all levels in respect of the 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.

Euro transactions All entities required to trade in Euros have systems capable of processing these transactions. The Group does not anticipate significant future costs relating to the Euro.

By order of the board
S J White Secretary
9 October 2001

Directors' responsibilities

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

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

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

Report of the independent auditors to the members of Air Partner PLC

We have audited the financial statements on pages 15 to 28.

Respective responsibilities of directors and auditors The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We review whether the statement on pages 8 to 9 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

Basis of audit opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 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 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 the information in the financial statements.

Opinion In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 July 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Crawley
9 October 2001

Consolidated profit and loss account

For the year ended 31 July 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	**89,166**	73,784
Cost of sales		**(79,361)**	(65,230)
Gross profit		**9,805**	8,554
Administrative expenses		**(8,151)**	(6,254)
Other operating income		**167**	–
Operating profit		**1,821**	2,300
Interest receivable	4	**400**	408
Interest payable	5	**(44)**	(41)
Profit on ordinary activities before taxation	6	**2,177**	2,667
Taxation	7	**(717)**	(901)
Profit on ordinary activities after taxation		**1,460**	1,766
Minority equity interests		**(160)**	(193)
Profit attributable to members of the parent Company		**1,300**	1,573
Dividends	8	**(1,013)**	(1,823)
Retained profit/(loss) for the financial year and transferred to/(from) reserves		**287**	(250)
Earnings per share			
– basic	9	**14.4p**	17.4p
– diluted	9	**14.1p**	16.9p

Turnover and profit on ordinary activities before taxation for the current and previous years relate wholly to continuing activities. There is no material difference in profit on ordinary activities before taxation and profit for the financial year stated above and the historical cost equivalents and therefore no separate note of historical cost profit and losses has been presented.

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

Consolidated statement of total recognised gains and losses

	2001 £'000	2000 £'000
Profit for the financial year	**1,300**	1,573
Exchange adjustment on retranslation of net assets of subsidiary undertakings	**89**	5
Total recognised gains and losses relating to the year	**1,389**	1,578

Consolidated balance sheet

As at 31 July 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	11	**–**	47
Tangible fixed assets	10	**3,285**	638
		3,285	685
Current assets			
Debtors: due within one year	13	**5,575**	8,958
Debtors: due after more than one year	13	**–**	1,013
		5,575	9,971
Cash at bank and in hand		**8,851**	9,274
		14,426	19,245
Creditors:			
Amounts falling due within one year	14	**(9,819)**	(13,627)
Net current assets		**4,607**	5,618
Total assets less current liabilities		**7,892**	6,303
Creditors: amounts falling due after more than one year	14	**(1,839)**	(632)
Net assets		**6,053**	5,671
Capital and reserves			
Called up share capital	16	**452**	451
Share premium account	17	**765**	754
Profit and loss account	17	**4,722**	4,346
Equity shareholders' funds	18	**5,939**	5,551
Minority interests – equity		**114**	120
		6,053	5,671

The financial statements on pages 15 to 28 were approved by the board of directors at a meeting held on 9 October 2001 and were signed on its behalf by:

A G Mack Chairman

S J White Director

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

Balance sheet

As at 31 July 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible fixed assets	10	**302**	376
Investments	12	**929**	236
		1,231	612
Current assets			
Debtors	13	**5,773**	6,598
Cash at bank and in hand		**6,640**	6,427
		12,413	13,025
Creditors			
Amounts falling due within one year	14	**(5,660)**	(7,937)
Net current assets		**6,753**	5,088
Total assets less current liabilities		**7,984**	5,700
Creditors: amounts falling due after more than one year	14	**(1,723)**	–
Net assets		**6,261**	5,700
Capital and reserves			
Called up share capital	16	**452**	451
Share premium account	17	**765**	754
Profit and loss account	17	**5,044**	4,495
Equity shareholders' funds	18	**6,261**	5,700

The financial statements on pages 15 to 28 were approved by the board of directors at a meeting held on 9 October 2001 and were signed on its behalf by:

A G Mack Chairman

S J White Director

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

Consolidated cash flow statement

For the year ended 31 July 2001

	Notes	2001 £'000	2000 £'000
Cash inflow from operating activities	19	**3,751**	3,006
Returns on investments and servicing of finance	20	**201**	276
Taxation		**(745)**	(1,171)
Capital expenditure	20	**(3,090)**	(339)
Acquisitions and disposals	20	**60**	–
Equity dividends paid		**(1,834)**	(848)
Cash (outflow)/inflow before use of liquid resources and financing		**(1,657)**	924
Management of liquid resources	20	**511**	(148)
Financing	20	**2,275**	924
Increase in cash in the year		**1,129**	1,700

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

Reconciliation of net cash flow to movement in net funds

	Notes	2001 £'000	2000 £'000
Increase in cash in the year		**1,129**	1,700
Cash (inflow)/outflow from short-term deposits	20	**(511)**	148
Cash inflow from debt and financing	20	**(2,275)**	(924)
Movement in net funds in the year		**(1,657)**	924
Net funds at 1 August 2000	21	**8,361**	7,437
Net funds at 31 July 2001	21	**6,704**	8,361

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

Notes to the financial statements

For the year ended 31 July 2001

1 Accounting policies

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

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

Basis of consolidation The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings all of which have been made up to 31 July 2001.

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

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

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 230(4) of the Companies Act 1985, Air Partner PLC is exempt from the requirement to present its own profit and loss account.

Turnover Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. In respect of the Group's principal activities (being that of air charter brokers hiring aircraft for charter to its customers), the provision of travel agency services, and aircraft leasing, the full contract value is recognised as turnover. As regards the provision of aviation insurance services only the commission is recognised as turnover.

Tangible fixed assets Tangible fixed assets are stated at cost less accumulated depreciation.

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

Short Leasehold Property	– over life of lease
Leasehold Improvements	– over life of lease
Fixtures and Equipment	– 17-33% per annum on a straight line basis
Motor vehicles	– 25% per annum on a reducing balance
Aircraft	– 10% per annum on a straight line basis

Leasehold acquisition and improvement costs are written off over the term of the lease which expires on 1 November 2011.

Taxation The charge for taxation is based on the profit for the year and takes into account taxation which is deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation to the extent that it is probable that an actual liability will crystallise.

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

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

Foreign currencies Transactions in foreign currencies have been translated into sterling at the rates of exchange prevailing at their completion. Any assets or liabilities in foreign currencies at the year end have been translated into sterling at the rates of exchange prevailing at the year end. All differences on exchange are reflected in the results for the year.

The balance sheet and results of the overseas subsidiaries have been translated at the rate of exchange prevailing at the year end. The exchange difference arising on the retranslation of the opening net assets of the overseas subsidiaries is taken directly to reserves.

Leases Amounts receivable under finance leases are disclosed as finance lease receivables under debtors. Net income, after charging interest and other costs, is credited to the profit and loss account over the period of the lease contract. All other leases are accounted for as 'operating leases', whereby the rental charges are charged to the profit and loss account on a straight line basis, and provision is made over the minimum term of the lease for any charges payable on termination.

Pension costs The Group contributes to the personal pension schemes of certain employees and this cost is written off in the year in which it is incurred.

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

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

Employee share schemes The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.

2 Turnover

Classes of business	**2001 £'000**	2000 £'000
Air Charter	**87,598**	72,626
Travel agency	**1,386**	1,000
Insurance and security support services	**182**	158
	89,166	73,784
Turnover on ordinary activities by source:		
United Kingdom	**50,486**	44,577
Rest of the World	**38,680**	29,207
	89,166	73,784
Turnover on ordinary activities by destination (client residence):		
United Kingdom	**34,293**	22,165
Rest of the World	**54,873**	51,619
	89,166	73,784

The analysis of profit before interest and tax and net assets between the different segments of the Group is not given as in the opinion of the directors, the disclosure would be seriously prejudicial to the commercial interests of the Group.

3 Directors and employees

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

	2001 Number	2000 Number
Operations	**81**	68
Administration	**27**	25
	108	93

	2001 £'000	2000 £'000
Staff costs for the above persons (including directors):		
Wages and salaries	**4,016**	3,158
Social Security costs	**409**	412
Pension costs	**296**	150
	4,721	3,720

The Company contributes to personal pension plans of certain employees and this cost is written off in the year in which it is incurred.

The Group's policy on performance related bonus enabled 13 (2000: 10) of the employees (other than directors) to achieve total emoluments of over £50,000 and in 2001, three (2000: two) of these to achieve emoluments in excess of £75,000.

Details of directors' remuneration are disclosed in the Directors' report on page 11.

4 Interest receivable

	2001 £'000	2000 £'000
Bank interest receivable	**400**	408

5 Interest payable

	2001 £'000	2000 £'000
On bank loans and overdrafts	**44**	39
Other interest	**–**	2
	44	41

6 Profit on ordinary activities before taxation

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off:		
Owned tangible fixed assets	**450**	224
Amortisation	**47**	10
Operating lease rentals:		
Land and buildings	**290**	240
Loss on sale of fixed assets	**–**	12
Profit on disposal of subsidiary undertaking	**138**	–
Auditors' remuneration:		
Audit fees – Group	**58**	48
Audit fees – Company	**36**	35
Other fees paid to the auditors and their associates	**22**	14

7 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
The tax charge comprises:		
UK corporation tax	**516**	762
Over provision from prior year	**(67)**	(50)
Double taxation relief	**–**	(89)
Overseas taxation	**268**	278
	717	901

The taxation charge represents an effective tax rate of 32.9% (2000: 33.8%) compared to the applicable charging rate of 30% (2000: 30.0%) as a result of certain disallowable expenses and the higher rates of tax payable by some of the foreign subsidiary companies.

8 Dividends

	2001 £'000	2000 £'000
Interim dividend of 3.7 pence (2000: 3.6 pence) per share – paid	**335**	325
Final dividend of 7.5 pence (2000: 6.6 pence) per share – proposed	**678**	595
Special dividend Nil (2000: 10 pence)	**–**	903
	1,013	1,823

9 Earnings per share

Basic earnings per share is calculated on the basis of profit for the year ended 31 July 2001 of £1,300,000 (2000: £1,573,000) and 9,048,333 shares (2000: 9,028,333) being the weighted average number of shares in issue for the year.

The diluted earnings per share is calculated on the basis of profit for the year ended 31 July 2001 of £1,300,000 (2000: £1,573,000) and 9,239,379 shares (2000: 9,322,568) calculated as follows:

	2001 Number	2000 Number
Basic weighted average number of shares	**9,048,333**	9,028,333
Dilutive potential shares:		
Employee share options	**191,046**	294,235
	9,239,379	9,322,568

10 Tangible fixed assets

Group	Short leasehold property £'000	Aircraft £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 August 2000	376	–	881	198	1,455
Exchange adjustment	–	–	(12)	3	(9)
Additions	–	2,829	249	29	3,107
Disposals	–	–	(3)	(30)	(33)
At 31 July 2001	**376**	**2,829**	**1,115**	**200**	**4,520**
Depreciation					
At 1 August 2000	290	–	471	56	817
Exchange adjustment	–	–	(17)	1	(16)
Charge for the year	42	106	258	44	450
Disposals	–	–	(3)	(13)	(16)
At 31 July 2001	**332**	**106**	**709**	**88**	**1,235**
Net book values					
At 31 July 2001	**44**	**2,723**	**406**	**112**	**3,285**
At 31 July 2000	86	–	410	142	638

Company	Short leasehold property £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 August 2000	376	538	124	1,038
Additions	–	126	14	140
Disposals	–	–	(15)	(15)
At 31 July 2001	**376**	**664**	**123**	**1,163**
Depreciation				
At 1 August 2000	290	330	42	662
Charge for the year	42	141	26	209
Disposals	–	–	(10)	(10)
At 31 July 2001	**332**	**471**	**58**	**861**
Net book values				
At 31 July 2001	**44**	**193**	**65**	**302**
At 31 July 2000	86	208	82	376

11 Intangible fixed assets
Goodwill

Group	**2001 £'000**
Cost	
At 1 August 2000	57
Additions	–
At 31 July 2001	**57**
Amortisation	
At 1 August 2000	10
Charge for the year	47
At 31 July 2001	**57**
Net book values	
At 31 July 2001	**–**
At 31 July 2000	47

12 Investments

Company	2001 £'000
Shares in subsidiary undertakings at cost:	
At 1 August 2000	236
Additions	693
At 31 July 2001	**929**

Additions during the year represent investments at cost in the following subsidiary undertakings: Air Partner Leasing (PTY) Limited and Business Jets Limited. During the period the Group disposed of its interests in Air Partner Leasing Inc. The business activities of Pinnacle Aviation Management Inc were merged into Air Partner Inc.

The principal trading subsidiaries of Air Partner PLC as at 31 July 2001 are listed below:

Name	Principal activity	Country of incorporation	Holding %
Air Partner Insurance Consultants Limited	Aviation insurance services	England and Wales	100
Air Partner International SARL	Air charter broking	France	55
Air Partner International GmbH	Air charter broking	Germany	100
Air Partner Group Holding Inc	Holding company for US activities	USA	100
Air Partner Inc	Air charter broking	USA	100
Air Partner (Switzerland) AG	Air charter broking	Switzerland	100
Air Partner Travel Consultants Limited	Travel agency	England and Wales	100
Rapid Air Support Limited	Security support	England and Wales	100
Business Jets Limited	Air charter broking	England and Wales	100
Air Partner Leasing (PTY) Limited	Aircraft Leasing	Australia	100

The issued share capital of each subsidiary consists entirely of ordinary shares and all trading companies operate in their respective countries of incorporation. All investments are held by the Company, except for Air Partner Inc, which is indirectly held.

13 Debtors

	2001 Group £'000	2001 Company £'000	2000 Group £'000	2000 Company £'000
Due within one year:				
Trade debtors	**4,593**	**2,332**	7,065	4,136
Amount owed by Group undertakings	**–**	**3,116**	–	1,424
Other debtors	**350**	**190**	10	209
Finance lease receivables	**–**	**–**	256	–
VAT recoverable	**56**	**16**	105	66
Corporation tax recoverable	**173**	**–**	3	–
Other prepayments and accrued income	**403**	**119**	1,519	763
	5,575	**5,773**	8,958	6,598
Due after more than one year:				
Finance lease receivables	**–**	**–**	1,013	–
	5,575	**5,773**	9,971	6,598

14 Creditors

	2001 Group £'000	2001 Company £'000	2000 Group £'000	2000 Company £'000
Due within one year:				
Bank loans and overdrafts	**424**	**424**	281	–
Trade creditors	**5,291**	**2,805**	6,059	4,122
Amounts owed to Group undertakings	**–**	**–**	–	139
Other creditors	**1,134**	**349**	670	349
Corporation tax	**567**	**478**	389	197
Other taxes and social security costs	**117**	**–**	170	96
Proposed dividend	**833**	**679**	1,669	1,499
Accruals and deferred income	**1,453**	**925**	4,389	1,535
	9,819	**5,660**	13,627	7,937
Due after more than one year:				
Other creditors	**116**	**–**	–	–
Bank loans and overdrafts	**1,723**	**1,723**	632	–
	1,839	**1,723**	632	–
	11,658	**7,383**	14,259	7,937

15 Financial instruments

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

The Group does not have any outstanding derivative transactions, nor does the Group's treasury policy permit the use of such instruments.

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

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

Foreign currency risk It is the Group's policy to minimise its exposure to movements in foreign exchange rates against Sterling.

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

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

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

Interest risk – financial assets	Fixed rate financial assets/liabilities £'000	Financial assets on which no interest is payable £'000	Total £'000
Sterling	5,568	877	6,445
US Dollar	91	732	823
Euro	282	1,199	1,481
Swiss Francs	–	70	70
Other	–	32	32
	5,941	2,910	8,851
Interest risk – financial liabilities	(2,147)	–	(2,147)

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

The financial liability is a USD bank loan, repayable over four years by quarterly instalments of both capital and interest. The interest rate is fixed at three month US LIBOR. Weighted average rate for the period was 5.725%.

	£'000
Capital repayable:	
Within one year	424
Between two and five years	1,723
Over five years	–
	2,147

15 Financial instruments continued

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

	Sterling £'000
US Dollar	(64)
Swiss Francs	(52)
Euro	(425)
Other	106
	(435)

At 31 July 2001, the Group also held various forward exchange contracts taken out to hedge expected future foreign currency requirements.

Fair values The fair value of all financial assets and financial liabilities is not materially different from the carrying value. Therefore, the fair value is not separately disclosed. At 31 July 2001, the Group had forward exchange contracts with a nil carrying value and a fair value, based on estimated market values, of £5,315,000 (2000: £1,924,000).

Hedges Gains and losses on instruments used for hedging purposes are not recognised until the instrument matures. At 31 July 2001, unrecognised losses amounted to £256,000 (2000 gains: £12,000) which are expected to be recognised within the next 12 months.

There were no losses or gains that arose in the previous year and which were recognised in the profit and loss account for the year ended 31 July 2001.

16 Called up share capital

	Number of shares	**2001 £'000**	2000 £'000
Equity shares: Authorised: ordinary shares of 5 pence each	11,500,000	**575**	575
Equity shares: Allotted, called up and fully paid	9,048,333	**452**	451

At the year end, options in respect of 727,060 (2000: 748,310) ordinary 5 pence shares granted under the Air Partner Share Option Schemes, were outstanding as follows. On 24 October 2000, A J Marler exercised 20,000 5 pence share options for £12,000.

Number of shares	Option price	Options exercisable
10,000	60.0 pence per share	On 10,000 shares and on all the shares from 28 November 2000. The options expire on 28 November 2004.
5,000	69.5 pence per share	On 5,000 shares and on all the shares from 5 May 2001. The options expire on 5 May 2005.
51,310	173.5 pence per share	On 25,655 shares from 25 November 2000 and all the shares from 25 November 2001. The options expire on 25 November 2006.
262,000	215.0 pence per share	The options are exercisable on all the shares comprised in any option from 10 July 2001 and expire on 10 July 2007.
400,000	403.5 pence per share	The options are exercisable on all the shares comprised in any option from 2 July 2003 and expire on 2 July 2008.

17 Reserves

	Group Share premium account £'000	Group Profit and loss account £'000	Company Share premium account £'000	Company Profit and loss account £'000
At 1 August 2000	754	4,346	754	4,495
Share options exercised during the year	11	–	11	–
Retained profit for the year	–	287	–	584
Exchange adjustment	–	89	–	(35)
At 31 July 2001	**765**	**4,722**	**765**	**5,044**

The Company has taken advantage of the provisions of Section 230 (4) of the Companies Act 1985 and has not published its own profit and loss account. Of the profit on ordinary activities after taxation for the year, £1,597,000 is dealt with in the accounts of the holding company (2000: £1,897,000) including dividends from a subsidiary company of £189,000 (2000: £208,000).

18 Reconciliation of movement in shareholders' funds

	2001 Group £'000	**2001 Company £'000**	2000 Group £'000	2000 Company £'000
Profit for the year	**1,300**	**1,597**	1,573	1,897
Dividends	**(1,013)**	**(1,013)**	(1,823)	(1,823)
	287	**584**	(250)	74
Issue of shares under share option scheme	**12**	**12**	–	–
Exchange adjustment	**89**	**(35)**	5	35
Net addition/(reduction) to shareholders' funds	**388**	**561**	(245)	109
Opening shareholders' funds	**5,551**	**5,700**	5,796	5,591
Closing shareholders' funds	**5,939**	**6,261**	5,551	5,700

19 Reconciliation of operating profit to operating cash flows

	2001 £'000	2000 £'000
Operating profit	**1,821**	2,300
Depreciation	**450**	224
Amortisation	**47**	10
Exchange differences	**10**	–
Loss on sale of fixed assets	**–**	12
Decrease/(increase) in debtors	**4,566**	(5,055)
(Decrease)/increase in creditors	**(3,005)**	5,515
Profit on sale of subsidiary	**(138)**	–
Net cash inflow from operating activities	**3,751**	3,006

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

	2001 £'000	2000 £'000
Returns on investment and servicing of finance		
Interest paid	**(44)**	(41)
Interest received	**400**	408
Dividends paid to minority interests	**(155)**	(91)
Net cash inflow from returns on investment and servicing of finance	**201**	276
Capital expenditure		
Purchase of tangible fixed assets	**(3,107)**	(374)
Sale of tangible fixed assets	**17**	35
Net cash outflow from capital expenditure	**(3,090)**	(339)
Acquisitions and disposals		
Sale of subsidiary undertaking	**60**	–
Net cash outflow from acquisitions and disposals	**60**	–
Management of liquid resources		
Increase/(decrease) in short-term deposits	**511**	(148)
Net cash inflow/(outflow) from management of liquid resources	**511**	(148)
Financing		
Issue of ordinary share capital	**12**	–
Unsecured loan	**2,263**	–
Secured loan	**–**	914
Exchange adjustments	**–**	10
Net cash inflow/(outflow) from financing	**2,275**	924

21 Analysis of net funds

	1 August 2000 £'000	Cash flow £'000	31 July 2001 £'000
Cash at bank and in hand	3,424	(934)	**2,490**
Short-term deposits	5,850	511	**6,361**
	9,274	(423)	**8,851**
Debt due after more than one year	(632)	(1,091)	**(1,723)**
Debt due within one year	(281)	(143)	**(424)**
Net funds	8,361	(1,657)	**6,704**

The directors have reconsidered the nature of an amount included within Creditors and concluded that it is more appropriately designated as funds rather than cash. The corresponding amounts in the cashflow statement have been adjusted accordingly.

22 Sale of subsidiary undertaking

	£'000
Net assets sold:	
Debtors	1,451
Cash at bank and in hand	66
Creditors	(1,423)
	94
Profit on disposal	138
	232
Satisfied by:	
Cash	60
Release of intercompany balances	172
	232

As part of the sale agreement inter-company balances between AP Leasing Inc and other Group companies totalling £172,000 were released for nil proceeds. The business sold during the year contributed £nil to the Groups net operating cash flow.

23 Contingent liabilities

All Company pensions are to be provided from the proceeds of money purchase schemes and the Company has no obligation to meet any shortfalls arising from actuarial valuations lower than those originally anticipated. The charges to the profit and loss account represent the payments to the fund during the year.

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

24 Commitments

Group	**2001 £'000**	2000 £'000
Annual commitments under non-cancellable operating leases:		
Land and buildings:		
Within one year	**218**	19
Between two and five years	**169**	186
Over five years	**132**	–
	519	205

25 Related parties

The Company is controlled by the Executive Chairman, A G Mack, by virtue of his holding of ordinary shares of the Company as disclosed on page 10. There are no disclosable related party transactions under Financial Reporting Standard No. 8.

26 Post balance sheet events

On 1 August 2001 the business of Rapid Air Support Limited was transferred to its parent company, Air Partner PLC.

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10am on 3 December 2001 at Platinum House, Gatwick Road, Crawley, West Sussex RH10 2RP for the transaction of the following business:

Ordinary business

1) To receive and consider the directors' report and accounts for the year ended 31 July 2001.

2) To declare a final dividend for the year ended 31 July 2001 of 7.5 pence per ordinary share.

3) To re-elect R J F Cobbold as a director.

4) To re-elect D C W Savile as a director.

5) To re-appoint KPMG Audit Plc 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.

6) To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

THAT with effect from the time of the passing of this resolution the directors be unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £150,805.55 being one-third of the share capital currently in issue, to such persons and at such times and on such terms as they think proper during the period of five years from the date of the passing of this resolution and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority, so that all previous authorities of the directors pursuant to the said Section 80 be and are hereby revoked.

7) To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

THAT subject to the passing of the resolution set out in paragraph 6 of the Notice convening the meeting, the directors be and are hereby empowered in accordance with Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning 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) as if sub-Section 89(1) of the Act did not apply to any such allotment; and references in this resolution to the allotment of equity securities shall include references to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as defined in Section 94 of the Act), provided that this power shall be limited:

(i) to the allotment of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers 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 in any territory; and

(ii) to the allotment (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £22,620.83 and this power shall expire, unless renewed or earlier revoked, on the expiry of the period 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 equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

S J White

Company Secretary

9 October 2001

Notes

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 10.00am on Saturday, 1 December 2000. Entries on the register of members after that time will be disregarded in determining the rights of any person to attend or to vote at the meeting.

Advisors

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Stephanie White
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West Sussex RH10 2RP

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Chartered Accountants and Registered Auditor
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West Sussex RH11 9PT

Solicitors
Travers Smith Braithwaite
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Principal Bankers
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