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

AIR PARTNER

# Air Partner plc
# Interim Report 2012

Air Partner is a leading provider of private aviation services to industry, commerce, governments and private individuals worldwide.

## Results:

| | | |
|---|---|---|
| • | Group Revenue | Down 8% to £120.5m (2011: £130.9m) |
| • | Group PBT | Down 19% to £2.3m (2011: £2.8m*) |
| • | Underlying PBT† | Down 56% to £1.3m (2011: £2.8m*) |
| • | PAT | £1.5m (2011: £2.0m*) |
| • | Basic EPS | 14.8p (2011: 19.1p*) |
| • | Diluted EPS | 14.7p (2011: 19.0p*) |
| • | Cash | £14.3m (2011: £11.4m) |
| • | Interim dividend | Maintained at 5.5p per share (2011: 5.5p per share) |

*as restated for FET provision
† "underlying" profit is profit before non-trading items

## Highlights:

- Air Partner continues to trade profitably in a challenging market
- Overcapacity in the Commercial Jet Broking sector has resulted in lower trading levels
- Progress in Private Jet Broking is being seen internationally, following greater sales focus
- Reported profit of £2.3 million includes a write-back of £1.0 million of historic credit balances
- Interim dividend maintained; final dividend will take account of full year performance
- Continuing diversification of client base: 8% increase in non-government business
- Review of return on investments continues; overhead reductions expected before 31 July 2012 to improve profitability in subsequent years

# Chairman's interim statement

## Group performance

The six months to 31 January 2012 have been challenging. As reported in the January 2012 trading statement, overcapacity of aircraft has impacted margins in the largest business division, Commercial Jet Broking. Meanwhile, the aviation industry as a whole has been less active because of continuing economic instability. Despite market conditions being more difficult than anticipated, Air Partner has continued to generate profit.

Last year, the Group benefited from a combination of special situations. The Board highlighted at that time that such an alignment was unlikely to recur and this has proved to be the case. Trading conditions in the commercial jets sector have been almost exactly opposite to those in the comparative period. With wide bodied aircraft more readily available for charter, some reduction in Government and larger contracts had been anticipated; but the decrease of 56% in underlying profit was more substantial than the Board had expected. Group revenues were down by 8% and reported profit before tax, including a £1.0 million write-back of historic credit balances, was reduced to £2.3 million (2011: £2.8 million).

Despite the fall in profits, the Group retains a strong current cash position and has no outstanding debt. The Board has therefore been able to maintain the interim dividend at 5.5p per share. The intention remains to grow dividends progressively, as justified by business performance. The level of final dividend can only be assessed following the year end, based on the Board's assessment of trading for the full year.

There are some encouraging signs for the future. Specialist recruitment, talent identification within the business and skills training focused on meeting market demands are beginning to show results in developing a clearer sales pipeline. This is an important part of the strategy to deliver progressive earnings.

In particular, the investment in private jet sales capacity across the UK, Europe and the US appears to be having a positive effect. Revenues for this division grew by 7%, despite tougher economic constraints in some traditional markets.

The strategy to continue to diversify the client base is proving to be sound, with an encouraging growth of 8% in the value of non-government business year on year. 69% of Group revenues for the six months to 31 January 2012 came from non-government clients. The contribution made by Air Partner's operations outside the UK has also been important in this period. Revenues from international offices grew by 21%, making up 50% of the Group total. An upward trend is expected both in sales and in profit generation from outside the UK over the coming years.

## Focus on broking

I succeeded Aubrey Adams as Chairman five weeks ago. Under his leadership, Air Partner returned to concentrating on its core activity – air charter broking. In February, the Board reiterated its intention to drive forward sales based on broking expertise, enhanced by high levels of service, no matter where the client might be in the world, no matter how specific their requirements.

The focus on sales growth and improving profitability within the Group, connecting with clients to deliver a superior experience and expanding Air Partner's reach into key international air charter markets, will continue. Air Partner will seek to grow client numbers and increase the contribution from outside the traditional UK base in a cost efficient way, whilst maintaining the high levels of service which clients expect.

## Outlook

Lead times across the business remain short, meaning that visibility of forward bookings is limited, even for the major sporting and cultural events expected this summer. Current trading patterns are inconsistent and the Board therefore retains a cautious view on trading prospects for the remainder of this financial year.

Air Partner made a conscious decision over the last year to invest in the skills of people who can drive forward sales, and in a new system to support the Group's strategy for growth. The next phase of ensuring returns on investment, whilst controlling the cost base pending a return to higher trading levels, is now underway.

High levels of competition and economic uncertainty are expected to remain undiminished in the short term. Steps already taken to refocus the Group on core broking are being supported by a full review of the cost base. Changes to the infrastructure will be implemented within this financial year, so that the Group will be able to respond flexibly to varying changes in demand.

The Board recognises the challenge in driving the business forward while market conditions are tough but expects that the actions already being taken, to increase sales and to address costs, will materially improve the underlying profitability of the business in the future.

Richard Everitt

Richard Everitt
Chairman

15 March 2012

# CEO's review of operations

## Commercial Jet Broking

In marked contrast to last year, the supply of wide bodied aircraft in this period exceeded demand, largely resulting from a reduction in winter flying programmes. Uncertainty has dampened consumer confidence and restrained corporate spending. The number of contracts being tendered was reduced and, with aircraft left under-utilised, brokers and operators alike were forced to compete hard for business. This included operators seeking charter bookings directly from larger clients.

Although some markets, such as Italy, saw strong performance in government work, the Commercial Jet Broking division in the UK, normally the largest contributor, was particularly affected by overcapacity. As a consequence, Group revenue from the division in this period was £6.1 million lower than last year, at £73.1 million and underlying profit before tax reduced by 65% to £0.7 million (2011: £1.8 million).

These results mask some encouraging growth in revenues from less traditional areas of business for the UK office, such as oil and gas. Air Partner has been seeking to ease peaks and troughs in larger bookings by diversifying its client base. Central to this strategy has been the recruitment of experienced professionals with specialist industry knowledge. Building on their know-how and using the extensive supplier relationships available to the Group, new enquiries are now being generated and fulfilled. Revenues increased from sectors such as sports, the entertainment and music industry and from specialist European tour operators.

## Private Jet Broking

Revenue from the Private Jet Broking division increased to £20.3 million (2011: £19.0 million), following investment in specialist sales teams who can build the connections which are critical in this market.

Underlying performance was ahead of the Board's initial expectations, given the prevailing economic instability. The investment in additional sales capacity generated revenues but the full impact has yet to come through. In the meantime, higher overheads reduced underlying profit in this six month period to £0.3 million (2011: £0.5 million).

The sales effort was seen clearly in 15 new JetCard sales. Retention of JetCards is evidenced by strong top-up sales in the UK and further client renewals in Switzerland and Germany. There has also been significant growth in the ad hoc private jet charter business in the US following the re-establishment of a dedicated private jet sales force, based in New York.

Air Partner has recognised the development of newer hubs for private jet activity in different parts of the world. Enquiries generated by new sales representatives with the skills and knowledge to work in Ukraine and Russia led to a near doubling of revenues in the last year from this region. The Group expects demand for private air charters to continue to grow in these markets.

The increase in private jet revenues in this period is testament to clients' trust in Air Partner to work hard for them, using the Group's experience and knowledge of aircraft operators built up over many years. High net worth individuals and those with impact and influence continue to charter aircraft. For them, reliability, a high quality service and attention to schedule are key factors. These are the same elements which give Air Partner its competitive edge.

## Freight Broking

International co-operation between Air Partner's freight broking teams has proved to be a strength. Relationships developed by the Turkish office with specialist suppliers enabled the UK team to satisfy a significant contract. As a result, underlying profit for the Freight Broking division as a whole was maintained, at £0.2 million (2011: £0.2 million) despite the 8% fall year on year in the global freight charter market.

This contract will end in March 2012. The division's strategy is to continue to diversify its client base across commercial enterprises with international transport needs. However, industry data shows a clear decline in key world sectors, such as manufacturing in Japan, and general economic instability has influenced a downturn in the number of enquiries across the freight charter and freight forwarding sectors. In such an environment, the specialist Time Critical service is taking longer than originally anticipated to build its market presence.

Despite contract wins in the oil and gas sector for France and a step change in freight sales by the US team following the recruitment of specialists from elsewhere in the industry, revenues in this period fell to £17.9 million (2011: £20.0 million).

The division has continued to be a primary point of call for humanitarian aid efforts spearheaded by both governments and non-governmental organisations. Most recently, the UK office organised charters of tents and other vital equipment to help relief efforts following the earthquakes in Turkey.

## Other Services

Overcapacity in the market and the decline in demand for winter sun destinations, such as Egypt, have had a notable impact on the traditional "package holiday" business in Northern Europe. As a result, activity in sub-charter and replacement aircraft leasing was also at a much lower level than in the previous year. Revenue from Other Services as a whole, including the smaller Travel, Fuel, Emergency Planning and Operations functions, fell to £9.2 million (2011: £12.7 million) and underlying profit was down, at £0.1 million (2011: £0.3 million).

# Review of operations

*continued*

## International progress

The UK office, which has to date generated the majority of revenues, is seeing a change in its business mix as the proportion of non-government contracts increases. Competitive pressures across Northern Europe remain but Air Partner's strong emphasis on delivering quality continues to attract clients and helps to differentiate the Group. Revenues from non-UK offices grew by 21% year on year, representing 50% of total revenues for this period.

The exercise to renew Air Partner's ISO 9001 certification in France should be complete in June 2012, with other European offices aiming for accreditation by the end of the calendar year. International teams are working across country boundaries to share knowledge of particular industry sectors, using the strength of the Group to target market segments where there is an opportunity for long term growth.

Establishing a formal presence in India remains a principal objective for this financial year. The Group's presence in Dubai has been scaled back, pending confirmation of the level of support needed. The strategy for working in India and in other developing areas remains to build relationships with reputable partners to manage time constraints, investment and risk and to use the resources available within the Group to provide an excellent, integrated service for clients.

Performance in the US is encouraging and demonstrates development of a culture within the business to drive sales in existing markets, as well as to take advantage of new opportunities as they arise. Results for the US operation in commercial jet broking, private jet broking and freight broking were all up on last year. Clients in more traditional sectors are being joined by those new to aviation, where sales have been made possible by the recruitment from competitors of talented individuals, to strengthen the Air Partner team.

With the Group's targeted investment in people now complete, tighter cost control, firmer performance management and clearer measures of success are being put in place to monitor the returns from that investment. Changes will be made in the infrastructure to support the strategic focus on core broking in more difficult economic conditions. The team should then be able to adapt more quickly to market changes, in order to grow revenues and profits.

Air Partner people have the experience, passion and dedication to aviation to be able to produce innovative transport solutions. Working from that strong core, the Group can continue to diversify its client base and extend its share of key international air charter markets.

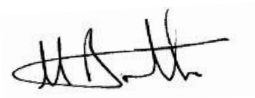
## Financial review

The reported Group profit before tax for the period of £2.3 million comprised underlying profit of £1.3 million plus a £1.0 million write-back of historic accruals and other credit balances previously held on the balance sheet. An extensive review of historic credit balances, undertaken as part of the continuing improvement in financial controls within the Group, has confirmed that they should no longer be retained as no evidence exists of any associated liability. The process of reviewing the historic accruals and other credit balances in the balance sheet is now largely complete. The remaining work, which will be completed by the year end, is not expected to have a material effect on profits.

On a fully diluted basis, earnings per share in this period decreased by 23%, from 19.0p per share to 14.7p per share. Fully diluted underlying earnings per share was 7.3p per share. Comparative profits and earnings per share have been restated to take account of a liability to pay Federal Excise Tax on past flights involving a US destination, which was identified in the second half of 2011 and disclosed in the annual report for the year then ended. This matter is still expected to be resolved before the end of the current financial year.

The cash balance at 31 January 2012 stood at £14.3 million. Due to differing client and supplier payment terms, the Group's working capital requirements fluctuate across a wide range. This fluctuation in working capital was the principal reason for the £7.1m increase in cash since 31 July 2011. Cash in this period also included a receipt of £0.7 million from the administrators of the former private jet operating company, which was slightly higher than expected at the year end.

The Board has maintained the interim dividend at 5.5p per share. The dividend will be paid on 27 April 2012 to shareholders on the register on 30 March 2012. The intention remains to grow dividends progressively, so long as this is justified by business performance. The level of dividend for the financial year as a whole will be determined following the year end, based on the Board's assessment of performance for the full year.



Mark Briffa
CEO

15 March 2012

# Financial information

## Forward-looking statements

Announcements issued by Air Partner plc may contain forward-looking statements, indicated by words such as "aims", "believes," "expects", "intends," and similar expressions. These statements reflect current views and expectations up to the date of approval of this statement and are made in good faith by the directors. Unless otherwise required by laws, regulations or changes in accounting standards, Air Partner accepts no obligation to update these statements as a result of future events or new information subsequently obtained. New announcements will be made to the market as required under the Disclosure and Transparency Rules.

## Trends and factors affecting the business

Though the second half of the year is usually expected to produce higher levels of business, Air Partner's lead times for ad hoc bookings are measured in days or weeks, rather than months and future revenues cannot be predicted with any certainty. Forward bookings can be impacted very suddenly by changes in financial markets, political instability and natural events affecting the movement of people or cargo from one country to another. Economic uncertainty affects corporate, government and individual clients and affects the quality of supply of aircraft as operators consolidate or leave the market. These are trends outside the Group's control but the strategy remains to diversify to address seasonality and broaden the client mix.

## Principal risks and uncertainties facing the Group

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

The Board reviews risks which may have a significant impact on the Group, including operational aviation-related risks (quality and quantity of supply, adverse weather conditions, competitive pricing pressure and regulatory changes) and financial risks such as foreign exchange and interest rate fluctuations, credit risk and liquidity and cashflow management. The profile of both financial and operational risks varies from time to time but the current level of risk is not substantially different from that at 31 July 2011, as described in the annual report for the year then ended.

The principal risk to the Group's business remains the degree to which clients' available financial resources and the general economic conditions in which they operate affect their willingness to charter. The Group recognises that ad hoc charters are likely to continue to be impacted by economic instability in the major world markets for the foreseeable future.

## Related party transactions

There has been no significant change in the level of transactions between Air Partner plc and its subsidiaries, as disclosed in the annual report to 31 July 2011. Such transactions did not materially affect the financial position or performance of the Group in the period under review. There are no other related party transactions which are required to be disclosed under DTR 4.2.8R.

# Directors' responsibility statement

After making enquiries, the directors are satisfied that the Group and Company have adequate resources to continue in business for the foreseeable future. The directors have therefore continued to adopt the going concern basis in the preparation of these financial statements.

The directors confirm that, to the best of their knowledge:

(i) this unaudited condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union; and

(ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

The directors of Air Partner plc are as listed in the Group's annual report for the year ended 31 July 2011, with the exception of Aubrey Adams who resigned as a director of the Company with effect from 9 February 2012, being replaced as Chairman by Richard Everitt.

By order of the Board

Mark Briffa
CEO

Gavin Charles
CFO

15 March 2012

# Condensed consolidated income statement

for the half year ended 31 January 2012

| Continuing operations | Note | Half year to 31 January 2012 (Unaudited) Underlying* £'000 | Non-trading items (note 3) £'000 | Total £'000 | Half year to 31 January 2011 (Restated & Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|---|---|---|
| Revenue | 2 | 120,476 | - | 120,476 | 130,897 | 281,931 |
| Cost of sales | | (109,311) | - | (109,311) | (118,914) | (256,050) |
| Gross profit | | 11,165 | - | 11,165 | 11,983 | 25,881 |
| Administrative expenses | | (9,956) | 1,029 | (8,927) | (9,180) | (20,623) |
| Operating profit | | 1,209 | 1,029 | 2,238 | 2,803 | 5,258 |
| Finance income | | 27 | - | 27 | 19 | 45 |
| Finance expense | | (8) | - | (8) | (20) | (40) |
| Profit before tax | | 1,228 | 1,029 | 2,257 | 2,802 | 5,263 |
| Taxation | 7 | (479) | (264) | (743) | (843) | (1,934) |
| Profit for the period from continuing operations | | 749 | 765 | 1,514 | 1,959 | 3,329 |
| Profit for the period from discontinued operations | 13 | - | - | - | - | 733 |
| Profit for the period | | 749 | 765 | 1,514 | 1,959 | 4,062 |
| Attributable to: | | | | | | |
| Equity holders of the parent company | | 749 | 765 | 1,514 | 1,959 | 4,062 |
| Earnings per share: | | | | | | |
| Continuing and discontinued operations | | | | | | |
| Basic | 5 | 7.3p | | 14.8p | 19.1p | 39.6p |
| Diluted | 5 | 7.3p | | 14.7p | 19.0p | 39.2p |
| Continuing operations | | | | | | |
| Basic | 5 | 7.3p | | 14.8p | 19.1p | 32.5p |
| Diluted | 5 | 7.3p | | 14.7p | 19.0p | 32.1p |
| Discontinued operations | | | | | | |
| Basic | 5 | - p | | - p | - p | 7.1p |
| Diluted | 5 | - p | | - p | - p | 7.1p |

* *Before non-trading items*

# Condensed consolidated statement of comprehensive income

for the half year ended 31 January 2012

| | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Restated & Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Profit for the period | 1,514 | 1,959 | 4,062 |
| Exchange differences on translation of foreign operations | 46 | (50) | 178 |
| Exchange differences on liquidation of foreign operations | - | - | (532) |
| Total comprehensive income for the period | 1,560 | 1,909 | 3,708 |
| Attributable to: | | | |
| Equity holders of the parent company | 1,560 | 1,909 | 3,708 |

# Condensed consolidated statement of financial position

as at 31 January 2012

| | Note | 31 January 2012 (Unaudited) £'000 | 31 January 2011 (Restated & Unaudited) £'000 | 31 July 2011 (Audited) £'000 |
|---|---|---|---|---|
| Non-current assets | | | | |
| Goodwill | 8 | 925 | 755 | 755 |
| Other intangible assets | | 45 | - | - |
| Property, plant and equipment | 9 | 1,010 | 1,707 | 2,066 |
| Deferred tax assets | | 405 | 817 | 418 |
| | | 2,385 | 3,279 | 3,239 |
| Current assets | | | | |
| Trade and other receivables | | 26,805 | 39,483 | 44,881 |
| Other financial assets | | - | 2 | - |
| Current tax assets | | 171 | 149 | 114 |
| Cash and cash equivalents | | 14,337 | 11,363 | 7,151 |
| Asset held for sale | 10 | 1,033 | - | - |
| | | 42,346 | 50,997 | 52,146 |
| Total assets | | 44,731 | 54,276 | 55,385 |
| Current liabilities | | | | |
| Trade and other payables | | (7,241) | (12,155) | (14,574) |
| Other liabilities | | (22,221) | (28,191) | (25,871) |
| Other financial liabilities | | (27) | - | (44) |
| Current tax liabilities | | (439) | (882) | (359) |
| Provisions | 12 | (1,430) | (1,596) | (1,720) |
| | | (31,358) | (42,824) | (42,568) |
| Net current assets | | 10,988 | 8,173 | 9,578 |
| Total liabilities | | (31,358) | (42,824) | (42,568) |
| Net assets | | 13,373 | 11,452 | 12,817 |
| Equity | | | | |
| Share capital | | 513 | 513 | 513 |
| Share premium account | | 4,518 | 4,499 | 4,518 |
| Translation reserve | | 1,139 | 1,397 | 1,093 |
| Share option reserve | | 1,212 | 981 | 1,087 |
| Retained earnings | | 5,991 | 4,062 | 5,606 |
| Equity attributable to equity holders of the parent | | 13,373 | 11,452 | 12,817 |
| Total equity | | 13,373 | 11,452 | 12,817 |
| Total equity and liabilities | | 44,731 | 54,276 | 55,385 |

# Condensed consolidated statement of changes in equity

for the half year ended 31 January 2012

| | Share capital £'000 | Share premium account £'000 | Share option reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Opening equity as at 1 August 2010 - as previously stated | 513 | 4,499 | 859 | 1,447 | 4,287 | 11,605 |
| Restatement - Federal Excise Tax | - | - | - | - | (646) | (646) |
| Opening equity as at 1 August 2010 - restated | 513 | 4,499 | 859 | 1,447 | 3,641 | 10,959 |
| Profit for the period - as previously stated | - | - | - | - | 2,002 | 2,002 |
| Restatement - Federal Excise Tax | - | - | - | - | (43) | (43) |
| Exchange differences on translation of foreign operations | - | - | - | (50) | - | (50) |
| Total comprehensive (expenditure) / income for the period | - | - | - | (50) | 1,959 | 1,909 |
| Share option movement for the period | - | - | 122 | - | - | 122 |
| Dividends | - | - | - | - | (1,538) | (1,538) |
| Closing equity as at 31 January 2011 | 513 | 4,499 | 981 | 1,397 | 4,062 | 11,452 |

| | Share capital £'000 | Share premium account £'000 | Share option reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Opening equity as at 1 August 2011 | 513 | 4,518 | 1,087 | 1,093 | 5,606 | 12,817 |
| Profit for the period | - | - | - | - | 1,514 | 1,514 |
| Exchange differences on translation of foreign operations | - | - | - | 46 | - | 46 |
| Total comprehensive income for the period | - | - | - | 46 | 1,514 | 1,560 |
| Share option movement for the period | - | - | 125 | - | - | 125 |
| Dividends | - | - | - | - | (1,129) | (1,129) |
| Closing equity as at 31 January 2012 | 513 | 4,518 | 1,212 | 1,139 | 5,991 | 13,373 |

# Condensed consolidated statement of cash flows

for the half year ended 31 January 2012

| | Note | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Continuing operations | 6 | 7,988 | 1,868 | (1,446) |
| Discontinued operations | 13 | 664 | (575) | (575) |
| Net cash inflow / (outflow) from operating activities | | 8,652 | 1,293 | (2,021) |
| Investing activities | | | | |
| Continuing operations | | | | |
| - Interest received | | 27 | 19 | 45 |
| - Purchases of property, plant and equipment | | (68) | (77) | (672) |
| - Purchases of intangible assets | | (49) | - | - |
| Net cash used in investing activities | | (90) | (58) | (627) |
| Financing activities | | | | |
| Continuing operations | | | | |
| - Dividends paid | 4 | (1,129) | (1,538) | (2,102) |
| - Proceeds on issue of shares | | - | - | 19 |
| Net cash used in financing activities | | (1,129) | (1,538) | (2,083) |
| Net increase / (decrease) in cash and cash equivalents | | 7,433 | (303) | (4,731) |
| Opening cash and cash equivalents | | 7,151 | 11,720 | 11,720 |
| Effect of foreign exchange rate changes | | (247) | (54) | 162 |
| Closing cash and cash equivalents | | 14,337 | 11,363 | 7,151 |

# Notes to the unaudited financial information for the half year ended 31 January 2012

## 1 Accounting policies

**Basis of preparation**

This condensed financial information for the half year ended 31 January 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted by the European Union. It was authorised by the Board on 14 March 2012. The interim condensed financial statements are unaudited and should be read in conjunction with the annual financial statements for the year ended 31 July 2011.

The financial information contained in this document does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The independent auditor, Mazars LLP, issued an unqualified opinion on the Group's statutory financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union for the year ended 31 July 2011. The auditor's report did not draw attention to any matter of emphasis and did not contain any statement under section 498 of the Companies Act 2006. The statutory accounts for the financial year ended 31 July 2011 have been filed with the Registrar of Companies.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 July 2011, except as described in the following sections.

**Restatement - Federal Excise Tax**

During the year ended 31 July 2011, the Company identified a liability in relation to unpaid Federal Excise Tax due on certain flights contracted by the Company outside the US but involving a US destination. Further details are provided in note 12. This liability had not been identified and provided for until after the half year ended 31 January 2011 and accordingly the information within the financial statements has been restated as follows:

- As at 1 August 2010: an increase in provisions of £780,000, an increase in deferred tax assets of £134,000 and a corresponding reduction in retained earnings of £646,000;
- As at 31 January 2011: an increase in provisions of £834,000, an increase in deferred tax assets of £145,000, an increase in administrative expenses of £42,000, an increase in finance expense of £12,000, a reduction in the taxation charge of £11,000, and a reduction in basic and diluted earnings per share respectively of 0.47 pence and 0.47 pence for the half year then ended.

**Re-presentation - segmental analysis**

The prior year information for certain of the segmental disclosures in note 2 has been re-presented, to assist comparability with the current year segmental disclosures. The primary segmentation of total revenues, revenues from transactions with other operating segments, revenues from external customers, and profit before tax has been amended. This has had no impact on the reported totals for continuing operations or discontinued operations, nor on the reported income statement, statement of financial position or statement of cash flows, and accordingly a third statement of financial position has not been presented.

**Non-trading items**

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

**Key accounting estimates and judgments**

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

***Federal Excise Tax***

An estimate has been made of the Company's liability for unpaid Federal Excise Tax arising on certain flights contracted by the Company outside the US but involving a US destination. The estimate is supported by detailed calculations and assumptions which are based on input from the Company's US tax advisors. However, these calculations are complex and discussions with the relevant authorities are still ongoing, hence the ultimate payment may vary from the amount provided at the reporting date. See note 12 for further details.

***Third party claims***

An assessment has been made of the potential costs of settlement of third party claims received following the closure of Air Partner Private Jets Limited, based on discussions with advisors and the outcomes of similar legal cases. There is no guarantee that such claims will be successful, or in the event that they are, that the value of the provision will be appropriate. See note 12 for further details.

***Impairment of aircraft***

During the year ended 31 July 2011, the carrying value of the Group's sole owned aircraft was written down to management's estimate of its recoverable amount. Based on the assumption that the aircraft will be sold, the recoverable amount was equal to an estimate of the aircraft's fair value less costs to sell, based on a sales price agreed with a third party. Discussions with this third party continue, however it is possible that the sale will not be completed, or that the final sales price will differ from the agreed amount, or that the selling costs will not equal management's estimates. See note 10 for further details.

## 2 Segmental analysis

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

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

Revenues from external customers are derived primarily from the provision of services within the Commercial Jet, Private Jet and Freight Broking operations. Revenues are also derived through the offering of operations and travel services.

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

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

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

| Half year to 31 January 2012 (Unaudited) | Commercial Jet Broking £'000 | Private Jet Broking £'000 | Freight Broking £'000 | Other Services £'000 | Discontinued Operations £'000 | Total £'000 | Discontinued Operations £'000 | Continuing Operations £'000 |
|---|---|---|---|---|---|---|---|---|
| Total revenues | 73,110 | 20,318 | 18,465 | 10,308 | - | 122,201 | - | 122,201 |
| Revenues from transactions with other operating segments | (82) | (43) | (526) | (1,074) | - | (1,725) | - | (1,725) |
| Revenues from external customers | 73,028 | 20,275 | 17,939 | 9,234 | - | 120,476 | - | 120,476 |
| Depreciation and amortisation | (72) | (37) | (18) | (11) | - | (138) | - | (138) |
| Finance income and expense | 9 | 5 | 3 | 2 | - | 19 | - | 19 |
| Underlying profit before tax | 632 | 332 | 164 | 100 | - | 1,228 | - | 1,228 |
| Non-trading items (see note 3) | 531 | 278 | 137 | 83 | - | 1,029 | - | 1,029 |
| Profit before tax | 1,163 | 610 | 301 | 183 | - | 2,257 | - | 2,257 |

| Half year to 31 January 2011 (Re-presented & Unaudited) | Commercial Jet Broking £'000 | Private Jet Broking £'000 | Freight Broking £'000 | Other Services £'000 | Discontinued Operations £'000 | Total £'000 | Discontinued Operations £'000 | Continuing Operations £'000 |
|---|---|---|---|---|---|---|---|---|
| Total revenues | 79,430 | 18,971 | 20,072 | 12,815 | - | 131,288 | - | 131,288 |
| Revenues from transactions with other operating segments | (163) | - | (107) | (121) | - | (391) | - | (391) |
| Revenues from external customers | 79,267 | 18,971 | 19,965 | 12,694 | - | 130,897 | - | 130,897 |
| Depreciation and amortisation | (85) | (39) | (8) | (35) | - | (167) | - | (167) |
| Finance income and expense (restated) | (1) | - | - | - | - | (1) | - | (1) |
| Profit before tax (restated) | 1,787 | 535 | 220 | 260 | - | 2,802 | - | 2,802 |

| Year to 31 July 2011 (Audited) | Commercial Jet Broking £'000 | Private Jet Broking £'000 | Freight Broking £'000 | Other Services £'000 | Discontinued Operations £'000 | Total £'000 | Discontinued Operations £'000 | Continuing Operations £'000 |
|---|---|---|---|---|---|---|---|---|
| Total revenues | 170,017 | 40,692 | 41,806 | 31,860 | - | 284,375 | - | 284,375 |
| Revenues from transactions with other operating segments | (40) | (36) | (35) | (2,333) | - | (2,444) | - | (2,444) |
| Revenues from external customers | 169,977 | 40,656 | 41,771 | 29,527 | - | 281,931 | - | 281,931 |
| Depreciation and amortisation | (169) | (77) | (15) | (68) | - | (329) | - | (329) |
| Finance income and expense | 3 | 1 | - | 1 | - | 5 | - | 5 |
| Profit before tax | 2,700 | 1,237 | 240 | 1,086 | 733 | 5,996 | (733) | 5,263 |

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

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

| | United Kingdom £'000 | Europe £'000 | United States of America £'000 | Rest of the World £'000 | Discontinued Operations £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Half year ended 31 January 2012 (Unaudited) | | | | | | |
| Revenues from external customers | 59,870 | 49,721 | 8,626 | 2,259 | - | 120,476 |
| Non-current assets (excluding deferred tax assets) | 984 | 817 | 142 | 37 | - | 1,980 |
| Half year ended 31 January 2011 (Unaudited) | | | | | | |
| Revenues from external customers | 80,771 | 41,493 | 6,520 | 2,113 | - | 130,897 |
| Non-current assets (excluding deferred tax assets) | 1,014 | 158 | 1,276 | 14 | - | 2,462 |
| Year ended 31 July 2011 (Audited) | | | | | | |
| Revenues from external customers | 164,604 | 96,409 | 15,874 | 5,044 | - | 281,931 |
| Non-current assets (excluding deferred tax assets) | 1,489 | 171 | 1,149 | 12 | - | 2,821 |

## 3 Non-trading items

| Continuing operations | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Write-back of historic accruals and other credits | 1,029 | - | - |
| Tax effect of non-trading items | (264) | - | - |
| Non-trading items after taxation | 765 | - | - |

During the period, the Group wrote back £1,029,000 of credit balances from the balance sheet, resulting in a gain within administrative expenses in the income statement. These balances related to air charter contracts from several years ago, for which the Group held accruals and other credits in anticipation of receiving invoices or demands for payments from operators, that did not subsequently materialise. Following an extensive review in the period, the Group has concluded that these balances should no longer be retained. This review is now largely complete.

## 4 Dividends

| | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Final dividend for year ended 31 July 2011 of 11.0 pence (2010: dividend of 15.0 pence) per share | 1,129 | 1,538 | 1,538 |
| Interim dividend for year ended 31 July 2011 of 5.5 pence per share | - | - | 564 |
| | 1,129 | 1,538 | 2,102 |

The final dividend for the year ended 31 July 2011 was paid on 16 December 2011.

## 5 Earnings per share

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

| | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Restated & Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Earnings for the calculation of basic and diluted earnings per share | | | |
| Continuing and discontinued operations | | | |
| Profit attributable to equity holders of the parent | 1,514 | 1,959 | 4,062 |
| Non-trading items | (765) | - | - |
| Adjusted profit | 749 | 1,959 | 4,062 |
| Continuing operations | | | |
| Profit attributable to equity holders of the parent | 1,514 | 1,959 | 3,329 |
| Non-trading items | (765) | - | - |
| Adjusted profit | 749 | 1,959 | 3,329 |
| Discontinued operations | | | |
| Profit attributable to equity holders of the parent | - | - | 733 |
| Non-trading items | - | - | - |
| Adjusted profit | - | - | 733 |
| Number of shares | | | |
| Weighted average number of ordinary shares for the calculation of basic earnings per share | 10,261,393 | 10,256,393 | 10,257,311 |
| Effect of dilutive potential ordinary shares: share options | 19,030 | 74,092 | 107,255 |
| Weighted average number of ordinary shares for the calculation of diluted earnings per share | 10,280,423 | 10,330,485 | 10,364,566 |

The calculation of adjusted earnings per share before non-trading items is included as the directors believe it provides a better understanding of the underlying performance of the Group. Non-trading items are defined in note 1 and disclosed in note 3.

## 6 Net cash inflow / (outflow) from operating activities

| Continuing operations | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Restated & Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Operating profit for the period | 2,238 | 2,803 | 5,258 |
| Adjustments for: | | | |
| Depreciation and amortisation | 138 | 167 | 329 |
| Impairment of aircraft | - | - | 186 |
| Fair value (gains) / losses on derivative financial instruments | (17) | 12 | 58 |
| Share option cost for period | 125 | 122 | 233 |
| Operating cash flows before movements in working capital | 2,484 | 3,104 | 6,064 |
| Decrease / (increase) in receivables | 20,757 | 2,270 | (2,867) |
| Decrease in payables | (14,245) | (3,121) | (3,203) |
| (Decrease) / increase in provisions | (290) | 42 | 172 |
| Cash generated from operations | 8,706 | 2,295 | 166 |
| Income taxes paid | (710) | (419) | (1,596) |
| Interest paid | (8) | (8) | (16) |
| Net cash inflow / (outflow) from operating activities | 7,988 | 1,868 | (1,446) |

## 7 Tax

| Continuing operations | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Restated & Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Current tax: | | | |
| UK corporation tax | 446 | 805 | 917 |
| Foreign tax | 256 | 127 | 739 |
| Amounts under / (over) provided in previous years | 28 | 19 | (17) |
| | 730 | 951 | 1,639 |
| Deferred tax | 13 | (108) | 295 |
| Total tax | 743 | 843 | 1,934 |
| Of which: | | | |
| Tax on underlying profit | 479 | 843 | 1,934 |
| Tax on non-trading items (see note 3) | 264 | - | - |
| | 743 | 843 | 1,934 |

Income tax for the interim period is charged at 32.9% (half year ended 31 January 2011: 30.1% as restated), representing the best estimate of the weighted average income tax expected for the full financial year.

## 8 Goodwill

| | Goodwill £'000 |
|---|---|
| Cost | |
| At 1 August 2010, 31 January 2011 and 1 August 2011 | 755 |
| Foreign currency adjustments | 170 |
| At 31 January 2012 | 925 |
| Provision for impairment | |
| At 1 August 2010, 31 January 2011, 1 August 2011 and 31 January 2012 | - |
| Net book value | |
| At 1 August 2010, 31 January 2011 and 1 August 2011 | 755 |
| At 31 January 2012 | 925 |

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. Impairment is recognised as a non-trading item above operating profit in the consolidated income statement.

Goodwill relates entirely to one cash generating unit, being Air Partner International SAS.

Goodwill has been measured on the basis of its value in use, by applying cash flow projections based on the financial forecasts circulated to the Board covering a three-year period and is allocated to the appropriate cash generating unit, being Air Partner International SAS. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The estimated growth rates are based on past performance and expectation of future changes in the market. The growth rate used to extrapolate cash flow projections beyond the period covered by the financial forecasts is 2%. The rate used to discount the forecast cash flows is 10%.

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

## 9 Property, plant and equipment

| | Short leasehold property and leasehold improvements £'000 | Aircraft £'000 | Fixtures and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 August 2010 | 104 | 1,822 | 1,532 | 42 | 3,500 |
| Foreign currency adjustments | - | (51) | (37) | - | (88) |
| Additions | - | - | 77 | - | 77 |
| Disposals | - | - | (7) | - | (7) |
| At 31 January 2011 | 104 | 1,771 | 1,565 | 42 | 3,482 |
| Depreciation | | | | | |
| At 1 August 2010 | 80 | 437 | 1,132 | 8 | 1,657 |
| Foreign currency adjustments | - | (3) | (39) | - | (42) |
| Charge for the year | 24 | 66 | 72 | 5 | 167 |
| Disposals | - | - | (7) | - | (7) |
| At 31 January 2011 | 104 | 500 | 1,158 | 13 | 1,775 |
| Net book value | | | | | |
| At 31 January 2011 | - | 1,271 | 407 | 29 | 1,707 |
| Cost | | | | | |
| At 1 August 2011 | 803 | 1,711 | 1,703 | 45 | 4,262 |
| Foreign currency adjustments | (8) | - | (38) | (3) | (49) |
| Additions | 27 | - | 41 | - | 68 |
| Reclassified as held for sale | - | (1,711) | - | - | (1,711) |
| At 31 January 2012 | 822 | - | 1,706 | 42 | 2,570 |
| Depreciation | | | | | |
| At 1 August 2011 | 112 | 731 | 1,335 | 18 | 2,196 |
| Foreign currency adjustments | (6) | - | (31) | (2) | (39) |
| Charge for the year | 41 | - | 89 | 4 | 134 |
| Reclassified as held for sale | - | (731) | - | - | (731) |
| At 31 January 2012 | 147 | - | 1,393 | 20 | 1,560 |
| Net book value | | | | | |
| At 31 January 2012 | 675 | - | 313 | 22 | 1,010 |

In August 2011, the Group commenced actively marketing its sole owned aircraft for sale. Accordingly, the aircraft has been reclassified as an asset held for sale. See note 10 for further details.

There were no commitments at the period end to purchase any items of property, plant or equipment.

## 10 Asset held for sale

| | Aircraft £'000 |
|---|---|
| At 1 August 2011 | - |
| Reclassification from property, plant and equipment | 980 |
| Foreign currency adjustments | 53 |
| At 31 January 2012 | 1,033 |

In August 2011, the Group commenced actively marketing its sole owned aircraft for sale. Accordingly, the aircraft was reclassified as an asset held for sale, at the Group's estimate of the fair value less costs to sell of £980,000, based on a sales price agreed with a third party. Since this date, discussions with the third party have continued, and the Group's assessment of the fair value less costs to sell remains the same, except for £53,000 foreign exchange gains. No depreciation has been charged on the aircraft since its reclassification as an asset held for sale.

## 11 Contingent liabilities

At 31 January 2012, the Group had a charge over cash of £240,000 in respect of a passenger sales agency agreement (31 January 2011: terminable indemnity of £240,000; 31 July 2011: charge over cash of £240,000). Additionally, at 31 January 2012 the Group had a bank guarantee for £17,000 (31 July 2011: £10,000; 31 January 2011: £4,500) lodged in regard to certain employee rights in Dubai.

## 12 Provisions

| | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Restated & Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Federal Excise Tax | 858 | 834 | 1,000 |
| Administration claims | 572 | 590 | 572 |
| Dilapidations | - | 172 | 148 |
| | 1,430 | 1,596 | 1,720 |

A provision of £858,000 (31 July 2011: £1,000,000) has been made in relation to unpaid Federal Excise Tax due on certain flights contracted by the Company outside the US but involving a US destination. The Company and its US tax advisors are in discussions with the relevant authorities to understand and resolve any outstanding payments. The outstanding liability is expected to be settled before 31 July 2012.

A provision of £572,000 (31 July 2011: £572,000) has been made in relation to the potential costs of settlement of claims which have been received from third parties following the closure of Air Partner Private Jets Limited. All remaining claims within this provision are expected to be settled by 31 July 2013.

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

## 13 Discontinued operations

Group profit from discontinued operations comprises the following:

| | Half year to 31 January 2012 (Unaudited) £'000 | Half year to 31 January 2011 (Unaudited) £'000 | Year to 31 July 2011 (Audited) £'000 |
|---|---|---|---|
| Gain on liquidation of subsidiaries and branch | - | - | 532 |
| Disposal of Air Partner Private Jets Limited | - | - | 201 |
| | - | - | 733 |

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

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

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

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

The effect of discontinued operations on segment results is disclosed in note 2.

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