

**AIR CHARTER SERVICE GROUP PLC**

**ANNUAL REPORT AND ACCOUNTS**

**YEAR ENDED 31 JANUARY 2013**

**AIR CHARTER SERVICE GROUP PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JANUARY 2013**

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# AIR CHARTER SERVICE GROUP PLC

## OFFICERS AND ADVISERS

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### THE BOARD OF DIRECTORS

Christopher Leach  
Christine Leach  
Justin Bowman  
Ruan Courtney  
Anthony Bauckham  
Stewart Pitt  
Justin Lancaster  
David Malempre (Non-Executive)  
Charles Prescott (Non-Executive)

### REGISTERED OFFICE

Millbank House  
171-185 Ewell Road  
Surbiton  
Surrey  
KT6 6AP

### REGISTERED NUMBER

04028491

### AUDITOR

Menzies LLP  
Chartered Accountants & Registered Auditors  
Heathrow Business Centre  
65 High Street  
Egham  
Surrey  
TW20 9EY

# AIR CHARTER SERVICE GROUP PLC

## CHAIRMAN'S STATEMENT

YEAR ENDED 31 JANUARY 2013

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I am pleased to report on a profitable year, despite the economic environment continuing to be very challenging.

Group turnover decreased by 7% to £253m, mainly due to a number of events last year such as the Arab Spring repatriations and Japan evacuation flights. Setting events aside, our turnover increased by 4% year on year which was an encouraging sign in the current market conditions. We were further encouraged by the increase in our trading volumes, with the number of charter flights brokered by Air Charter Service up 10% on prior year and breaking through the 6,500 mark.

Despite the tough trading conditions, we continued to focus on long term growth over short term profits. We maintained our investment in key areas such as marketing and training, as well as growing our sales force in focussed areas across the business. We pushed forward with the global expansion strategy, albeit at a conservative pace with the completion of our India office opening in March 2012 and just one new office in Kazakhstan in November 2012. At the same time, a thorough cost reduction exercise led to efficiencies across a number of overheads, which ensured that the group traded profitably whilst maintaining its investment for future growth.

We also pushed forward with the launch of our new Emyrean JetCard product and are very pleased with its success so far.

There is always a lack of predictability within the industry, however our current internal management figures show that trading is up on prior year. The group has retained its good cash position and remains free of any long term debt. We believe that keeping the infrastructure of Air Charter Service strong in a difficult year has provided us with a sound foundation for future growth.



Christopher Leach  
Chairman

Date: 30 April 2013

# AIR CHARTER SERVICE GROUP PLC

## DIRECTORS' REPORT

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The directors present their report and the financial statements of the Group for the year ended 31 January 2013.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activities of the company during the year were that of a holding company. The trading companies of the Group lease and charter aircraft.

#### Review of the business and future developments

The results for the year are set out in the consolidated income statement on page 7 of these financial statements and a review can be found in the Chairman's statement.

#### *Financial performance*

The Group uses gross profit in measuring the performance of segments and also EBITDA in measuring performance of different offices. Gross profit decreased from £28.2 million to £26.8 million and EBITDA decreased from £5.6 million to £3.5 million. The Group uses charter flight volume as its principal non financial KPI and there were 6,520 charter flights during the year (2012: 5,910).

Administrative expenses increased from £23.4 million to £24.3 million, as the Group continues to expand globally. Future developments are dealt with in the Chairman's statement.

#### *Risks and uncertainty*

Given the ad-hoc nature of the air charter market, forward visibility is limited as our clients book charter flights on relatively short notice. Working capital requirements can fluctuate significantly due to variations in client and supplier payment terms from one period to the next. Taking account of current cash reserves and current business volumes, the Directors are of the opinion that the Group will continue as a going concern for at least the next 12 months.

### RESULTS AND DIVIDENDS

Profit after taxation for the period was £1.6 million (2012: £3.7m) and dividends paid during the year were £0.8 million (2012: £1.9 million).

### PURCHASE OF OWN SHARES

During the year the Group purchased 120,637 of its own shares for the purpose of satisfying future share option grants. The nominal value of shares purchased was £1,206, representing 0.5% of issued share capital, for consideration of £113,881.

### FINANCIAL INSTRUMENTS

Risks are monitored and mitigated through regular review of financial performance at Board level and the use of professional advisors where appropriate. Further details of the Group's financial risk management objectives and policies are included in note 14 to the accounts.

### DIRECTORS

The directors who served the company during the year were as follows:

CDS Leach  
Mrs CJ Leach  
J Bowman  
R Courtney  
AE Bauckham  
S Pitt  
J Lancaster  
DV Malempre  
C Prescott

### POLICY ON THE PAYMENT OF CREDITORS

The Group pays its suppliers in advance of carriage or post flight for certain suppliers. Payment terms are agreed for each individual transaction. As at the year end the number of days' purchases outstanding was 7 days (2012: 7 days).

# AIR CHARTER SERVICE GROUP PLC

## DIRECTORS' REPORT

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### GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue in operation existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards adopted by the EU 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 and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the directors are aware:

- there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### AUDITOR

Menzies LLP has expressed their willingness to continue in office and a resolution approving the re-appointment of them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 30 April 2013.



Stewart Pitt  
Director

# AIR CHARTER SERVICE GROUP PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AIR CHARTER SERVICE GROUP PLC

YEAR ENDED 31 JANUARY 2013

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### INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Air Charter Service Group PLC for the year ended 31 January 2013 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of an audit of financial statements is provided on the APB's website at: [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

# AIR CHARTER SERVICE GROUP PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AIR CHARTER SERVICE GROUP PLC

YEAR ENDED 31 JANUARY 2013

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- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Menzies LLP*

Andrew Cook FCA (Senior Statutory Auditor)  
For and on behalf of MENZIES LLP  
Chartered Accountants & Statutory Auditors  
Heathrow Business Centre  
65 High Street  
Egham  
Surrey  
TW20 9EY

*10 June 2013*



**AIR CHARTER SERVICE GROUP PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 31 JANUARY 2013**

| GROUP  | Note | 2013<br>£'000 | 2012<br>£'000 |
|--|------|---------------|---------------|
| Revenue  |      | 252,626       | 272,707       |
| Cost of sales  |      | (225,861)     | (244,531)     |
| <b>Gross profit</b>  |      | <b>26,765</b> | <b>28,176</b> |
| Administrative expenses  |      | (24,286)      | (23,391)      |
| <b>Operating profit</b>  | 2    | <b>2,479</b>  | <b>4,785</b>  |
| Finance income   |      | 17            | 8             |
| Finance costs  |      | (40)          | (32)          |
| <b>Profit before tax</b>                                       |      | <b>2,456</b>  | <b>4,761</b>  |
| Tax  | 5    | (852)         | (1,055)       |
| <b>Profit for the period</b>                                   |      | <b>1,604</b>  | <b>3,706</b>  |
| <br><i>Other comprehensive income</i>                          |      |               |               |
| Exchange differences on translating foreign operations         |      | (133)         | 3             |
| <b>Total comprehensive income for the period</b>               |      | <b>1,471</b>  | <b>3,709</b>  |
| <br>Profit for the period attributable to:                     |      |               |               |
| Equity holders of the parent                                   |      | 1,531         | 3,626         |
| Minority Interests   |      | 73            | 80            |
|  |      | <b>1,604</b>  | <b>3,706</b>  |
| <br>Total comprehensive income for the period attributable to: |      |               |               |
| Equity holders of the parent                                   |      | 1,398         | 3,629         |
| Minority Interests   |      | 73            | 80            |
|  |      | <b>1,471</b>  | <b>3,709</b>  |

The results for the current and prior year are derived from continuing operations.

# AIR CHARTER SERVICE GROUP PLC


## CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 JANUARY 2013

| GROUP  | Note | 2013<br>£'000          | 2012<br>£'000          |
|--|------|------------------------|------------------------|
| <b>ASSETS</b>                                |      |                        |                        |
| <b>Non-current assets</b>                    |      |                        |                        |
| Property, plant and equipment                | 9    | 2,292                  | 2,676                  |
| Deferred tax asset                           | 6    | 410                    | 282                    |
|  |      | <u>2,702</u>           | <u>2,958</u>           |
| <b>Current assets</b>                        |      |                        |                        |
| Trade and other receivables                  | 11   | 13,930                 | 13,043                 |
| Current tax asset                            |      | 94                     | 170                    |
| Cash and cash equivalents                    |      | 8,043                  | 8,273                  |
|  |      | <u>22,067</u>          | <u>21,486</u>          |
| <b>Total assets</b>                          |      | <u><b>24,769</b></u>   | <u><b>24,444</b></u>   |
| <b>LIABILITIES</b>                           |      |                        |                        |
| <b>Non-current liabilities</b>               |      |                        |                        |
| Deferred tax liability                       | 7    | (36)                   | (46)                   |
| Provisions                                   | 13   | (182)                  | (182)                  |
|  |      | <u>(218)</u>           | <u>(228)</u>           |
| <b>Current liabilities</b>                   |      |                        |                        |
| Trade and other payables                     | 12   | (16,704)               | (16,940)               |
| Current tax liabilities                      |      | (380)                  | (457)                  |
| Financial liabilities                        |      | (59)                   | -                      |
|  |      | <u>(17,143)</u>        | <u>(17,397)</u>        |
| <b>Total liabilities</b>                     |      | <u><b>(17,361)</b></u> | <u><b>(17,625)</b></u> |
| <b>NET ASSETS</b>                            |      | <u><b>7,408</b></u>    | <u><b>6,819</b></u>    |
| <b>EQUITY</b>                                |      |                        |                        |
| Called up share capital                      | 16   | 235                    | 234                    |
| Share premium account                        |      | 248                    | 233                    |
| Share option reserve                         |      | 220                    | 196                    |
| Translation reserve                          |      | (99)                   | 34                     |
| Own shares                                   | 17   | (164)                  | (50)                   |
| Retained earnings                            |      | 6,796                  | 6,010                  |
|  |      | <u>7,236</u>           | <u>6,657</u>           |
| Attributable to equity holders of the parent |      | <u>7,236</u>           | <u>6,657</u>           |
| Minority interest                            |      | 172                    | 162                    |
| <b>TOTAL EQUITY</b>                          |      | <u><b>7,408</b></u>    | <u><b>6,819</b></u>    |

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2013.

Signed on behalf of the Board by:

  
Christopher Leach  
Company registration number: 04028491

  
Stewart Pitt

# AIR CHARTER SERVICE GROUP PLC

## COMPANY BALANCE SHEET

YEAR ENDED 31 JANUARY 2013

| COMPANY                     | Note | 2013<br>£'000 | 2012<br>£'000 |
|-----------------------------|------|---------------|---------------|
| <b>ASSETS</b>               |      |               |               |
| <b>Non-current assets</b>   |      |               |               |
| Investments in subsidiaries | 10   | 1,529         | 1,622         |
| <b>Current assets</b>       |      |               |               |
| Trade and other receivables | 11   | 17            | -             |
| Cash and cash equivalents   |      | 5             | 5             |
| <b>Total assets</b>         |      | <b>1,551</b>  | <b>1,627</b>  |
| <b>LIABILITIES</b>          |      |               |               |
| <b>Current liabilities</b>  |      |               |               |
| Trade and other payables    | 12   | -             | (333)         |
| <b>Total liabilities</b>    |      | <b>-</b>      | <b>(333)</b>  |
| <b>NET ASSETS</b>           |      | <b>1,551</b>  | <b>1,294</b>  |
| <b>EQUITY</b>               |      |               |               |
| Called up share capital     | 16   | 235           | 234           |
| Share premium account       |      | 248           | 233           |
| Share option reserve        |      | 220           | 196           |
| Own shares                  | 17   | (164)         | (50)          |
| Retained earnings           |      | 1,012         | 681           |
| <b>TOTAL EQUITY</b>         |      | <b>1,551</b>  | <b>1,294</b>  |

In accordance with the exemptions permitted by Section 408 of the Companies Act 2006 the income statement of the company has not been presented. In the accounts of the company the profit for the financial year amounted to £1.1m (2012: £2.4m) and net profit recognised directly in equity (net of dividends) amounted to £327,000 (2012: £580,000).

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2013.

Signed on behalf of the Board by:



Christopher Leach



Stewart Pitt

Company registration number: 04028491

# AIR CHARTER SERVICE GROUP PLC

## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2013

### GROUP

| Current Year   | Share Capital<br>£'000 | Share Premium Account<br>£'000 | Share Option Reserve<br>£'000 | Translation Reserve<br>£'000 | Own Shares<br>£'000 | Retained Earnings<br>£'000 | Total<br>£'000 | Minority Interest<br>£'000 | Total Equity<br>£'000 |
|--|------------------------|--------------------------------|-------------------------------|------------------------------|---------------------|----------------------------|----------------|----------------------------|-----------------------|
| At 1 February 2012                                       | 234                    | 233                            | 196                           | 34                           | (50)                | 6,010                      | 6,657          | 162                        | 6,819                 |
| New shares issued  | 1                      | 15                             | -                             | -                            | -                   | -                          | 16             | -                          | 16                    |
| Exchange difference on translation of foreign operations | -                      | -                              | -                             | (133)                        | -                   | -                          | (133)          | -                          | (133)                 |
| Fair value cost of options                               | -                      | -                              | 29                            | -                            | -                   | -                          | 29             | -                          | 29                    |
| Fair value of options exercised                          | -                      | -                              | (5)                           | -                            | -                   | 5                          | -              | -                          | -                     |
| Dividends paid   | -                      | -                              | -                             | -                            | -                   | (750)                      | (750)          | (63)                       | (813)                 |
| Comprehensive income                                     | -                      | -                              | -                             | -                            | -                   | 1,531                      | 1,531          | 73                         | 1,604                 |
| Movement in own shares                                   | -                      | -                              | -                             | -                            | (114)               | -                          | (114)          | -                          | (114)                 |
| <b>At 31 January 2013</b>                                | <b>235</b>             | <b>248</b>                     | <b>220</b>                    | <b>(99)</b>                  | <b>(164)</b>        | <b>6,796</b>               | <b>7,236</b>   | <b>172</b>                 | <b>7,408</b>          |
| <b>Prior Year</b>  |                        |                                |                               |                              |                     |                            |                |                            |                       |
| At 1 February 2011                                       | 233                    | 171                            | 192                           | 31                           | -                   | 4,230                      | 4,857          | 92                         | 4,949                 |
| New shares issued  | 1                      | 62                             | -                             | -                            | -                   | -                          | 63             | -                          | 63                    |
| Exchange difference on translation of foreign operations | -                      | -                              | -                             | 3                            | -                   | -                          | 3              | -                          | 3                     |
| Fair value cost of options                               | -                      | -                              | 24                            | -                            | -                   | -                          | 24             | -                          | 24                    |
| Fair value of options exercised                          | -                      | -                              | (20)                          | -                            | -                   | 20                         | -              | -                          | -                     |
| Investment minority shareholders                         | -                      | -                              | -                             | -                            | -                   | -                          | -              | 49                         | 49                    |
| Dividends paid   | -                      | -                              | -                             | -                            | -                   | (1,866)                    | (1,866)        | (59)                       | (1,925)               |
| Comprehensive income                                     | -                      | -                              | -                             | -                            | -                   | 3,626                      | 3,626          | 80                         | 3,706                 |
| Movement in own shares                                   | -                      | -                              | -                             | -                            | (50)                | -                          | (50)           | -                          | (50)                  |
| <b>At 31 January 2012</b>                                | <b>234</b>             | <b>233</b>                     | <b>196</b>                    | <b>34</b>                    | <b>(50)</b>         | <b>6,010</b>               | <b>6,657</b>   | <b>162</b>                 | <b>6,819</b>          |

### COMPANY

| Current Year                    | Share Capital<br>£'000 | Share Premium Account<br>£'000 | Share Option Reserve<br>£'000 | Own Shares<br>£'000 | Retained Earnings<br>£'000 | Total<br>£'000 |
|---------------------------------|------------------------|--------------------------------|-------------------------------|---------------------|----------------------------|----------------|
| At 1 February 2012              | 234                    | 233                            | 196                           | (50)                | 681                        | 1,294          |
| New shares issued               | 1                      | 15                             | -                             | -                   | -                          | 16             |
| Fair value cost of options      | -                      | -                              | 29                            | -                   | -                          | 29             |
| Fair value of options exercised | -                      | -                              | (5)                           | -                   | 5                          | -              |
| Dividends paid                  | -                      | -                              | -                             | -                   | (750)                      | (750)          |
| Operating loss for the year     | -                      | -                              | -                             | -                   | (197)                      | (197)          |
| Dividends received              | -                      | -                              | -                             | -                   | 1,273                      | 1,273          |
| Movement in own shares          | -                      | -                              | -                             | (114)               | -                          | (114)          |
| <b>At 31 January 2013</b>       | <b>235</b>             | <b>248</b>                     | <b>220</b>                    | <b>(164)</b>        | <b>1,012</b>               | <b>1,551</b>   |
| <b>Prior Year</b>               |                        |                                |                               |                     |                            |                |
| At 1 February 2011              | 233                    | 171                            | 192                           | -                   | 81                         | 677            |
| New shares issued               | 1                      | 62                             | -                             | -                   | -                          | 63             |
| Fair value cost of options      | -                      | -                              | 24                            | -                   | -                          | 24             |
| Fair value of options exercised | -                      | -                              | (20)                          | -                   | 20                         | -              |
| Dividends paid                  | -                      | -                              | -                             | -                   | (1,866)                    | (1,866)        |
| Dividends received              | -                      | -                              | -                             | -                   | 2,446                      | 2,446          |
| Movement in own shares          | -                      | -                              | -                             | (50)                | -                          | (50)           |
| <b>At 31 January 2012</b>       | <b>234</b>             | <b>233</b>                     | <b>196</b>                    | <b>(50)</b>         | <b>681</b>                 | <b>1,294</b>   |

**AIR CHARTER SERVICE GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 JANUARY 2013**

| GROUP   | 2013<br>£'000 | 2012<br>£'000  |
|---|---------------|----------------|
| <b>Reconciliation of operating profit to operating cash flows</b> |               |                |
| Operating profit  | 2,479         | 4,785          |
| Depreciation  | 1,030         | 825            |
| Profit on disposal of property, plant & equipment                 | (5)           | (13)           |
| Movement on provisions  | -             | 72             |
| Translation differences on flows                                  | (129)         | (20)           |
| Share based payment expense                                       | 29            | 24             |
| <b>Operating cash flows before movements in working capital</b>   | <b>3,404</b>  | <b>5,673</b>   |
| Increase in receivables   | (887)         | (1,330)        |
| (Decrease) / Increase in payables                                 | (236)         | 1,928          |
| <b>Cash generated from operations</b>                             | <b>2,281</b>  | <b>6,271</b>   |
| Tax paid  | (993)         | (1,054)        |
| <b>Net cash generated from operating activities</b>               | <b>1,288</b>  | <b>5,217</b>   |
| <b>Investing activities</b>                                       |               |                |
| Interest received   | 17            | 8              |
| Proceeds on disposal of plant, property and equipment             | 5             | 68             |
| Purchases of plant, property and equipment                        | (646)         | (1,723)        |
| <b>Net cash used in investing activities</b>                      | <b>(624)</b>  | <b>(1,647)</b> |
| <b>Financing activities</b>                                       |               |                |
| Purchase of own shares  | (114)         | (50)           |
| Shares issued to minority interest                                | -             | 49             |
| Net proceeds from short term loan                                 | 59            | -              |
| Interest paid   | (40)          | (30)           |
| Net proceeds from shares issued                                   | 14            | 62             |
| Dividends paid  | (750)         | (1,866)        |
| Dividends paid – minority interest                                | (63)          | (59)           |
| <b>Net cash used in financing activities</b>                      | <b>(894)</b>  | <b>(1,894)</b> |
| <b>Net increase in cash and cash equivalents</b>                  | <b>(230)</b>  | <b>1,676</b>   |
| Cash and cash equivalents at the beginning of the period          | 8,273         | 6,597          |
| <b>Cash and cash equivalents at the end of the period</b>         | <b>8,043</b>  | <b>8,273</b>   |

Cash and cash equivalents represent the sum of the Group's bank balances and cash in hand at the balance sheet date as disclosed on the face of the balance sheet.

**AIR CHARTER SERVICE GROUP PLC**  
**COMPANY CASH FLOW STATEMENT**  
**YEAR ENDED 31 JANUARY 2013**

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| <b>COMPANY</b>  | <b>2013</b>  | <b>2012</b>    |
|---|--------------|----------------|
|   | <b>£'000</b> | <b>£'000</b>   |
| Operating profit  | -            | -              |
| (Increase) in receivables                                 | (17)         | -              |
| (Decrease) in payables                                    | (333)        | (88)           |
| <b>Cash used from operations</b>                          | <b>(350)</b> | <b>(88)</b>    |
| <br>  |              |                |
| Tax paid  | -            | -              |
| <b>Net cash used operating activities</b>                 | <b>(350)</b> | <b>(88)</b>    |
| <br>  |              |                |
| <b>Investing activities</b>                               |              |                |
| Investment in subsidiaries                                | (75)         | (501)          |
| Dividends received  | 1,274        | 2,446          |
| <b>Net cash from investing activities</b>                 | <b>1,199</b> | <b>1,945</b>   |
| <br>  |              |                |
| <b>Financing activities</b>                               |              |                |
| Purchase of own shares                                    | (114)        | (50)           |
| Net proceeds from shares issued                           | 14           | 62             |
| Interest received   | 1            | -              |
| Dividends paid  | (750)        | (1,866)        |
| <b>Net cash used in financing activities</b>              | <b>(849)</b> | <b>(1,854)</b> |
| <br>  |              |                |
| <b>Net increase in cash and cash equivalents</b>          | <b>-</b>     | <b>3</b>       |
| <br>  |              |                |
| Cash and cash equivalents at the beginning of the period  | 5            | 2              |
| <br>  |              |                |
| <b>Cash and cash equivalents at the end of the period</b> | <b>5</b>     | <b>5</b>       |

Cash and cash equivalents represent the sum of the company's bank balances and cash in hand at the balance sheet date as disclosed on the face of the balance sheet.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

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### 1. ACCOUNTING POLICIES

#### Basis of accounting

Air Charter Service Group PLC is an unlisted public limited company incorporated and registered in the UK. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, and as interpreted by any regulatory bodies applicable to the company as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis.

The registered office of the company is Millbank House, 171-185 Ewell Road, Surbiton, Surrey, KT6 6AP and the principle activity of the group is that of the lease and charter of aircraft. Taking account of current cash reserves and current business volumes, the Directors are of the opinion that the Group will continue as a going concern for at least the next 12 months.

#### Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings up to 31 January 2013. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

The Group consolidated financial statements incorporate the financial statements of Air Charter Service Group PLC and its subsidiary undertakings. As permitted by Companies Act 2006, a separate income statement is not presented in respect of the company.

#### Key accounting judgements and sources of estimation uncertainty

The Group makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities. As at 31 January 2013 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements, or a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

#### Revenue recognition

The turnover shown in the income statement represents revenue in respect of flights undertaken during the year, exclusive of Value Added Tax. Revenue is recognised when a flight commences as the economic benefits are deemed to have passed to the customer at this point. Amounts invoiced to customers in respect of future flights are deferred at the balance sheet date.

#### Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of an asset, over their estimated useful lives, using the straight-line method as follows:

|                        |                                    |
|------------------------|------------------------------------|
| Leasehold improvements | over the period of the leases      |
| Motor vehicles         | 25% per annum straight line        |
| Fixtures and fittings  | 25% per annum straight line        |
| Computer equipment     | 33% or 20% per annum straight line |

Residual values and useful economic lives are reviewed annually. Property, plant and equipment are assessed for impairment annually or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. Where an impairment review is deemed necessary, it is performed in accordance with the policies set out below.

#### Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

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### **1. Accounting policies (continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Investments**

Investments are stated at cost less any provision for impairment in value.

### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **Pension costs**

The Group operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the Group income statement.

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

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### **1. Accounting policies (continued)**

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### *Trade receivables*

Trade receivables do not carry any interest and are measured at their nominal value as reduced by any appropriate allowances for irrecoverable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. During the year the Group acted on behalf of clients subscribing to its Lindbergh Card product, holding advance payments made in anticipation of future bookings within separately designated bank accounts established for this purpose. At the year end, the Group held cash for members of the Scheme amounting to £310,334. In accordance with the terms of the Lindbergh Card agreement, these funds are held separately on behalf of the client and do not form part of the Group's assets. Accordingly they have not been recognised within the financial statements.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### *Trade payables*

Trade payables are not interest bearing and are stated at their nominal value.

#### *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

#### **Foreign currency**

#### *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the time of the transaction based on a monthly average rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction.

#### *Financial statements of foreign operations*

On consolidation the assets and liabilities of overseas foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average rate for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. On disposal of a foreign entity, the deferred accumulated amount recognised in equity relating to that particular foreign operation is recognised in the income statement. The Group has taken advantage of the exemption conferred by IFRS1 not to fully retrospectively apply IAS 21. The gain or loss on disposal of these operations

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JANUARY 2013

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#### **1. Accounting policies (continued)**

therefore excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

#### *Functional and presentation currency*

The historical financial information is presented in Pounds Sterling and in round thousands, which is the Group's functional and presentation currency.

#### **Share-based payments**

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005. The Group operates an equity-settled share-based payment scheme under which share options are issued to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Group has also applied the requirements of IFRIC 11, requiring an entry to a separate capital account (entitled Capital Contribution in the financial statements) based on the share based payment expense recognised to date.

#### **Exceptional items**

Exceptional items are presented in the financial statements where there are material items of income and expense which, because of their nature and the expected rarity of the circumstances, which generates them, they should be presented separately to shareholders so as to enhance their judgement of the current year's financial performance and its comparability with prior years.

#### **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not effective for the period and therefore have not been applied in preparing these accounts:

IAS 27 Separate Financial Statements (2011) (effective 1 January 2013);  
IAS 28 Investments in Associates and Joint Ventures (2011) (effective 1 January 2013);  
IFRS 9 Financial Instruments (2009) (effective 1 January 2015);  
IFRS 9 Financial Instruments (2010) (effective 1 January 2015);  
IFRS 10 Consolidated Financial Statements (effective 1 January 2013);  
IFRS 11 Joint Arrangements (effective 1 January 2013);  
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013);  
IFRS 13 Fair Value Measurement (effective 1 January 2013);  
IAS 19 Employee Benefits (2011) (effective 1 January 2013);  
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (effective 1 July 2012);  
Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (effective 1 January 2013);  
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (effective 1 January 2014);  
Government Loans (Amendments to IFRS 1) (effective 1 January 2013);  
Annual Improvements 2009-2011 Cycle (effective 1 January 2013);  
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013);  
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective 1 January 2014).

The Group has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's Financial Statements, apart from additional disclosures.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

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### 2. OPERATING PROFIT

Operating profit is stated after charging:

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Staff costs (note 3)                                | 14,449        | 14,168        |
| (Profit) on disposal of property, plant & equipment | (5)           | (13)          |
| Depreciation of owned fixed assets                  | 1,030         | 825           |
| Auditors remuneration: Group                        |               |               |
| - as auditor  | 88            | 82            |
| - for other services                                | 154           | 114           |
| Operating lease costs:                              |               |               |
| - plant and equipment                               | 49            | 307           |
| - other   | 1,328         | 1,205         |
| Foreign exchange losses                             | 17            | 154           |
|   | <u>14,449</u> | <u>14,168</u> |

#### Auditor's fees

The fees charged by the holding company auditor can be further analysed under the following headings for services rendered:

|                     | 2013<br>£'000 | 2012<br>£'000 |
|---------------------|---------------|---------------|
| Audit               | 33            | 29            |
| Taxation compliance | 21            | 28            |
|                     | <u>54</u>     | <u>57</u>     |

The fees charged by the auditor's of the overseas entities can be further analysed as follows:

|                                   | 2013<br>£'000 | 2012<br>£'000 |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | 55            | 53            |
| Taxation compliance               | 133           | 86            |
|                                   | <u>188</u>    | <u>139</u>    |

### 3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Group during the financial year amounted to:

|                 | 2013<br>No | 2012<br>No |
|-----------------|------------|------------|
| Number of staff | <u>244</u> | <u>225</u> |

The aggregate payroll costs of the above were:

|                       | 2013<br>£'000 | 2012<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 12,710        | 12,456        |
| Share based payments  | 29            | 24            |
| Social security costs | 1,471         | 1,276         |
| Other pension costs   | 239           | 412           |
|                       | <u>14,449</u> | <u>14,168</u> |

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# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

### 4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Emoluments receivable   | 1,151         | 1,278         |
| Value of company pension contributions to money purchase schemes                | 99            | 352           |
| Share based payments  | 8             | 8             |
|   | <u>1,258</u>  | <u>1,638</u>  |
| Emoluments of highest paid director:  |               |               |
| Total emoluments  | 283           | 286           |
| Value of company pension contributions to money purchase schemes                | 36            | 155           |
|   | <u>319</u>    | <u>441</u>    |
|   | No            | No            |
| Number of directors who accrued benefits under a money purchase pension scheme: | <u>7</u>      | <u>7</u>      |

The directors are considered the key management personnel of the Group within the definition set out in IAS24.

#### Share options

The directors during the period and their beneficial interest in options to purchase ordinary shares in the Group were as follows:

|             | Issue date   | Exercise price<br>(pence) | Held at<br>31 January<br>2012<br>No. | Granted<br>during<br>year<br>No. | Exercised<br>during<br>year<br>No. | Expired,<br>lapsed or<br>cancelled<br>No. | Held at<br>31 January<br>2013<br>No. |
|-------------|--------------|---------------------------|--------------------------------------|----------------------------------|------------------------------------|---|--------------------------------------|
| S Pitt      | 18 June 2010 | 55.0                      | 114,700                              | -                                | -                                  | -   | 114,700                              |
| J Lancaster | 23 July 2007 | 43.2                      | 45,880                               | -                                | -                                  | -   | 45,880                               |
|             | 18 Feb 2008  | 34.0                      | 170,587                              | -                                | -                                  | -   | 170,587                              |

### 5. TAXATION ON ORDINARY ACTIVITIES

The tax charge comprises:

|                                      | 2013<br>£'000 | 2012<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>(a) Current tax:</b>              |               |               |
| In respect of the year:              |               |               |
| UK Corporation tax                   | 500           | 836           |
| Adjustment in respect of prior years | -             | (14)          |
| Foreign tax                          | 490           | 358           |
| Total current tax                    | <u>990</u>    | <u>1,180</u>  |
| Deferred tax (Notes 6 and 7)         | (138)         | (125)         |
| Tax on profit on ordinary activities | <u>852</u>    | <u>1,055</u>  |

**AIR CHARTER SERVICE GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JANUARY 2013**

**5. Taxation on ordinary activities (continued)**

**(b) Reconciliation of tax charge to profit per income statement**

|  | <b>2013</b>  | <b>2012</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Profit before taxation                           | <u>2,456</u> | <u>4,761</u> |
| Taxation at UK corporation tax rate of 24% / 26% | 598          | 1,254        |
| Effects of:                                      |              |              |
| Expenses not deductible for tax                  | 97           | 168          |
| Deduction for options exercised                  | (25)         | (15)         |
| Capital allowances in excess of depreciation     | 62           | 26           |
| UK and overseas taxes at differing rates         | 258          | (239)        |
| Adjustment in respect of prior years             | -            | (14)         |
| Deferred tax                                     | (138)        | (125)        |
| Total tax (note 5a)                              | <u>852</u>   | <u>1,055</u> |

**6. DEFERRED TAX ASSETS**

|   | <b>Share based<br/>payment</b> | <b>Other timing<br/>differences</b> | <b>Overseas tax<br/>losses</b> | <b>Accrued<br/>pensions</b> | <b>Total</b> |
|---|--------------------------------|-------------------------------------|--------------------------------|-----------------------------|--------------|
| <b>Current Year</b>                       | <b>£'000</b>                   | <b>£'000</b>                        | <b>£'000</b>                   | <b>£'000</b>                | <b>£'000</b> |
| At 1 February 2012                        | 51                             | 44                                  | 178                            | 9                           | 282          |
| Credit / (charge) to the income statement | <u>-</u>                       | <u>27</u>                           | <u>110</u>                     | <u>(9)</u>                  | <u>128</u>   |
| At 31 January 2013                        | <u>51</u>                      | <u>71</u>                           | <u>288</u>                     | <u>-</u>                    | <u>410</u>   |
| <b>Prior Year</b>                         |                                |                                     |                                |                             |              |
| At 1 February 2011                        | 54                             | 30                                  | 83                             | 11                          | 178          |
| Credit / (charge) to the income statement | <u>(3)</u>                     | <u>14</u>                           | <u>95</u>                      | <u>(2)</u>                  | <u>104</u>   |
| At 31 January 2012                        | <u>51</u>                      | <u>44</u>                           | <u>178</u>                     | <u>9</u>                    | <u>282</u>   |

**7. DEFERRED TAX LIABILITY**

|                                | <b>Other timing<br/>differences</b> | <b>Total</b> |
|--------------------------------|-------------------------------------|--------------|
|                                | <b>£'000</b>                        | <b>£'000</b> |
| <b>Current Year</b>            |                                     |              |
| At 1 February 2012             | 46                                  | 46           |
| Credit to the income statement | <u>(10)</u>                         | <u>(10)</u>  |
| At 31 January 2013             | <u>36</u>                           | <u>36</u>    |

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

### 7. Deferred tax liability (continued)

|                                | Other timing<br>differences<br>£'000 | Total<br>£'000 |
|--------------------------------|--------------------------------------|----------------|
| <b>Prior Year</b>              |                                      |                |
| At 1 February 2011             | 68                                   | 68             |
| Credit to the income statement | (22)                                 | (22)           |
| At 31 January 2012             | <u>46</u>                            | <u>46</u>      |

### 8. DIVIDENDS

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Paid during the year:<br>Equity dividends on ordinary shares | <u>750</u>    | <u>1,866</u>  |

### 9. PROPERTY, PLANT AND EQUIPMENT

#### Current year:

| Group                     | Leasehold<br>improvement<br>£'000 | Fixtures and<br>fittings<br>£'000 | Motor<br>vehicles<br>£'000 | Computer<br>equipment<br>£'000 | Total<br>£'000 |
|---------------------------|-----------------------------------|-----------------------------------|----------------------------|--------------------------------|----------------|
| <b>Cost</b>               |                                   |                                   |                            |                                |                |
| At 1 February 2012        | 1,042                             | 830                               | 277                        | 2,462                          | 4,611          |
| Additions                 | 94                                | 131                               | -                          | 421                            | 646            |
| Disposals                 | -                                 | -                                 | (13)                       | -                              | (13)           |
| <b>At 31 January 2013</b> | <u>1,136</u>                      | <u>961</u>                        | <u>264</u>                 | <u>2,883</u>                   | <u>5,244</u>   |
| <b>Depreciation</b>       |                                   |                                   |                            |                                |                |
| At 1 February 2012        | 167                               | 361                               | 115                        | 1,292                          | 1,935          |
| Charge for the year       | 175                               | 164                               | 60                         | 631                            | 1,030          |
| Disposals                 | -                                 | -                                 | (13)                       | -                              | (13)           |
| <b>At 31 January 2013</b> | <u>342</u>                        | <u>525</u>                        | <u>162</u>                 | <u>1,923</u>                   | <u>2,952</u>   |
| <b>Net Book Value</b>     |                                   |                                   |                            |                                |                |
| At 1 February 2012        | 875                               | 469                               | 162                        | 1,170                          | 2,676          |
| At 31 January 2013        | <u>794</u>                        | <u>436</u>                        | <u>102</u>                 | <u>960</u>                     | <u>2,292</u>   |

**AIR CHARTER SERVICE GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JANUARY 2013**

**9. Property, plant and equipment (continued)**

Prior year:

| Group                     | Leasehold improvement<br>£'000 | Fixtures and fittings<br>£'000 | Motor vehicles<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
|---------------------------|--------------------------------|--------------------------------|-------------------------|-----------------------------|----------------|
| <b>Cost</b>               |                                |                                |                         |                             |                |
| At 1 February 2011        | 568                            | 447                            | 234                     | 1,785                       | 3,034          |
| Additions                 | 474                            | 383                            | 189                     | 677                         | 1,723          |
| Disposals                 | -                              | -                              | (146)                   | -                           | (146)          |
| <b>At 31 January 2012</b> | <b>1,042</b>                   | <b>830</b>                     | <b>277</b>              | <b>2,462</b>                | <b>4,611</b>   |
| <b>Depreciation</b>       |                                |                                |                         |                             |                |
| At 1 February 2011        | 55                             | 229                            | 130                     | 787                         | 1,201          |
| Charge for the year       | 112                            | 132                            | 76                      | 505                         | 825            |
| Disposals                 | -                              | -                              | (91)                    | -                           | (91)           |
| <b>At 31 January 2012</b> | <b>167</b>                     | <b>361</b>                     | <b>115</b>              | <b>1,292</b>                | <b>1,935</b>   |
| <b>Net Book Value</b>     |                                |                                |                         |                             |                |
| At 1 February 2011        | 513                            | 218                            | 104                     | 998                         | 1,833          |
| At 31 January 2012        | 875                            | 469                            | 162                     | 1,170                       | 2,676          |

The company did not hold any property, plant and equipment.

**10. INVESTMENTS IN SUBSIDIARIES**

**Company**

**Current year:**

**Cost and Net book value**

|                          | Subsidiary undertakings<br>£'000 |
|--------------------------|----------------------------------|
| At 1 February 2012       | 1,622                            |
| Capital contribution     | 29                               |
| Investments              | 75                               |
| Provision for impairment | (197)                            |
| At 31 January 2013       | 1,529                            |

**Prior year:**

**Cost and Net book value**

|                      | Subsidiary undertakings<br>£'000 |
|----------------------|----------------------------------|
| At 1 February 2011   | 1,096                            |
| Capital contribution | 24                               |
| Investments          | 502                              |
| At 31 January 2012   | 1,622                            |

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2013

### 10. Investments (continued)

#### Subsidiaries

|  | Country of registration | Holding         | %    | Principal activity              |
|--|-------------------------|-----------------|------|---------------------------------|
| Air Charter Service plc                        | England                 | Ordinary shares | 100% | Leasing and chartering aircraft |
| ACS Air Charter Service (Canada) Corp.         | Canada                  | Ordinary shares | 100% | Leasing and chartering aircraft |
| Air Charter Service GmbH                       | Germany                 | Ordinary shares | 100% | Leasing and chartering aircraft |
| ACS Servico de Afretamento Aero Ltda           | Brazil                  | Ordinary shares | 100% | Leasing and chartering aircraft |
| Kingston Aviation Holdings Limited             | England                 | Ordinary shares | 100% | Dormant                         |
| Air Charter Service Trustee Company Ltd        | England                 | Ordinary shares | 100% | Trustee Company                 |
| Air Charter Service Company Limited            | Russia                  | Ordinary shares | 75%  | Leasing and chartering aircraft |
| Air Charter Service Inc                        | USA                     | Ordinary shares | 100% | Leasing and chartering aircraft |
| Air Charter Service California Inc             | USA                     | Ordinary shares | 100% | Leasing and chartering aircraft |
| Air Charter Service FZCO                       | Dubai                   | Ordinary shares | 100% | Leasing and chartering aircraft |
| Air Charter Service (HK) Ltd                   | Hong Kong               | Ordinary shares | 100% | Leasing and chartering aircraft |
| Air Global Business Services Co Ltd            | China                   | Ordinary shares | 100% | Leasing and chartering aircraft |
| ACS España Servicios de Charter Aéreo          | Spain                   | Ordinary shares | 100% | Leasing and chartering aircraft |
| Aircraft Chartering Services SAS               | France                  | Ordinary shares | 100% | Leasing and chartering aircraft |
| ACS Air Charter (Pty) Limited                  | S Africa                | Ordinary shares | 100% | Leasing and chartering aircraft |
| ACS Air Charter Service India Private Ltd      | India                   | Ordinary shares | 74%  | Leasing and chartering aircraft |
| Air Charter Service (Aust) Pty Ltd             | Australia               | Ordinary shares | 100% | Dormant                         |
| <i>Held by Air Charter Service plc:</i>        |                         |                 |      |                                 |
| Air Courier Service Limited                    | England                 | Ordinary shares | 100% | Dormant                         |
| <i>Held by Air Charter Service Company Ltd</i> |                         |                 |      |                                 |
| Air Charter Service Kazakhstan LLP             | Kazakhstan              | Ordinary shares | 100% | Leasing and chartering aircraft |

The Directors have considered the carrying value of the company's investments in its subsidiaries at the year end having taken account of the net assets of each subsidiary, current trading activity and forecast future results. Based on the results of this review, they have recognised an impairment within the carrying value of certain of the investments, writing them down to £nil. The impairment loss arising of £197,000 has reduced the profit recorded in the year for the company. This impairment does not impact upon the consolidated income statement of the group.

### 11. TRADE AND OTHER RECEIVABLES

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2013<br>£'000 | 2012<br>£'000 | 2013<br>£'000 | 2012<br>£'000 |
| Trade receivables                  | 9,929         | 8,439         | -             | -             |
| Amounts owed by Group undertakings | -             | -             | 17            | -             |
| Other debtors                      | 443           | 255           | -             | -             |
| Prepayments and accrued income     | 3,558         | 4,349         | -             | -             |
|                                    | <b>13,930</b> | <b>13,043</b> | <b>17</b>     | <b>-</b>      |

No interest is charged on receivables. The trade receivables amount shown is net of £137,000 allowance for doubtful debts (2012: nil). The directors consider the carrying amount of receivables approximates to their fair value.



# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

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### 12. TRADE AND OTHER PAYABLES

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2013<br>£'000 | 2012<br>£'000 | 2013<br>£'000 | 2012<br>£'000 |
| Trade payables                     | 3,946         | 4,928         | -             | -             |
| Amounts owed to Group undertakings | -             | -             | -             | 333           |
| Other taxation and social security | 348           | 412           | -             | -             |
| Accruals and deferred income       | 12,387        | 11,593        | -             | -             |
| Other creditors                    | 23            | 7             | -             | -             |
|                                    | <u>16,704</u> | <u>16,940</u> | <u>-</u>      | <u>333</u>    |

The directors consider the carrying amount of payables approximates to their fair value.

### 13. PROVISIONS

|                                   | Total<br>£'000 |
|-----------------------------------|----------------|
| <b>Current year</b>               |                |
| At 1 February 2012                | 182            |
| At 31 January 2013                | <u>182</u>     |
| <b>Prior year</b>                 |                |
| At 1 February 2011                | 110            |
| Restoration of leasehold property | 72             |
| At 31 January 2012                | <u>182</u>     |

The provision relates to the restoration of leasehold properties, principally the UK head office in Surrey, upon which the lease expires in 2021 which is when the restoration costs can reasonably be expected to be paid out. The head office lease includes a break clause in 2016, which could result in restoration costs being incurred at this earlier stage. The provision has been estimated through consultation with an external construction firm.

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are bank balances, trade and other receivables, trade and other payables. The Group holds financial instruments in order to finance its operations, manage exposure to related risks and to ensure that adequate levels of working capital exist for the ongoing business.

#### **Capital management**

The Group's objectives when managing capital (ie equity and borrowings) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

#### **Credit risk**

Credit risk predominantly arises from trade receivables, cash and deposits with banks. The level of credit provided to customers is reviewed on a regular basis at Board level. Internal procedures for providing credit terms take account of external credit agency information, the customer's reputation in the industry and past trading experience. Given that the majority of sales are settled in advance of operation, the Group has no significant concentrations of credit risk and the group's exposure to bad debt has not been significant historically.

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### 14. Financial risk management objectives and policies (continued)

The trade receivables balance set out in note 11 above includes £7.7 million (2012: £6.4 million) relating to sales invoiced in advance of carriage, with a corresponding balance included within deferred income. The remaining balance of £2.2 million (2012: £2.6 million) represents trade receivables in relation to charters operated in the period, no significant amounts being past due at the balance sheet date.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The finance function produces regular forecasts of expected cash inflows and outflows, which are reviewed at Board level. The Group aims to manage liquidity by ensuring that cash is collected efficiently, also by placing excess cash on low risk, short term interest bearing deposits. Investment of cash surpluses are made through banks which must fulfil credit rating criteria approved by the Board.

The Group has an overdraft facility, and a \$7.5m short term trade loan facility with Barclays Bank plc (2012: \$7.5m) for the purpose of funding credit sales to government departments, relief and charitable organisations. No amounts were drawn down at the balance sheet date. Amounts included in note 12 above mature within six months of the balance sheet date.

#### Foreign currency risk

The Group buys and sells services denominated principally in Sterling, US Dollars and Euros and as a result financial instruments can be affected by movements in exchange rates. The Group aims to minimise exposure to foreign currency risk by matching sales and purchases in the same currency where possible. The Group also makes use of foreign exchange markets in order to maintain an appropriate mix of foreign currency bank balances for use within the business. The breakdown of cash and cash equivalents at the balance sheet date was as follows:

| Currency           | 2013<br>Local<br>(£'000) | 2013<br>Closing<br>rate | 2013<br>GBP<br>(£'000) | 2012<br>Local<br>(£'000) | 2012<br>Closing<br>rate | 2012<br>GBP<br>(£'000) |
|--------------------|--------------------------|-------------------------|------------------------|--------------------------|-------------------------|------------------------|
| US Dollars         | 4,286                    | 1.58                    | 2,713                  | 5,292                    | 1.58                    | 3,349                  |
| Euros              | 1,491                    | 1.16                    | 1,286                  | 3,450                    | 1.21                    | 2,851                  |
| GB Pounds Sterling | 2,776                    | 1.00                    | 2,776                  | 504                      | 1.00                    | 504                    |
| Other various      |                          |                         | 1,268                  |                          |                         | 1,569                  |
|                    |                          |                         | <u>8,043</u>           |                          |                         | <u>8,273</u>           |

#### Foreign currency risk sensitivity analysis

The Group's principal foreign currency exposures are on cash and cash equivalents denominated in US dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported operating profit to a 10% increase and decrease in the US Dollar/Sterling and Euro/Sterling exchange rates at the year end, showing the effect of a revaluation of cash and cash equivalents:

|                                    | 2013<br>Closing<br>rate | 2013<br>Adjusted<br>rate | 2013<br>Effect<br>(£'000) | 2012<br>Closing<br>rate | 2012<br>Adjusted<br>rate | 2012<br>Effect<br>(£'000) |
|------------------------------------|-------------------------|--------------------------|---------------------------|-------------------------|--------------------------|---------------------------|
| <i>Sterling strengthens by 10%</i> |                         |                          |                           |                         |                          |                           |
| US Dollar                          | 1.58                    | 1.74                     | (247)                     | 1.58                    | 1.74                     | (304)                     |
| Euro                               | 1.16                    | 1.28                     | (117)                     | 1.21                    | 1.33                     | (259)                     |
| <i>Sterling weakens by 10%</i>     |                         |                          |                           |                         |                          |                           |
| US Dollar                          | 1.58                    | 1.42                     | 301                       | 1.58                    | 1.42                     | 372                       |
| Euro                               | 1.16                    | 1.04                     | 143                       | 1.21                    | 1.09                     | 317                       |

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### 15. OPERATING LEASE ARRANGEMENTS

The Group had the following minimum discounted outstanding commitments under non-cancellable operating leases which fall due:

|                             | 2013<br>£'000 | 2012<br>£'000 |
|-----------------------------|---------------|---------------|
| <b>Land &amp; buildings</b> |               |               |
| Within 1 year               | 1,032         | 1,147         |
| Within 2 to 5 years         | 1,266         | 2,032         |
| Over 5 years                | -             | -             |
|                             | <u>2,298</u>  | <u>3,179</u>  |

Payments for land & buildings represent rental charges for office accommodation.

### 16. CALLED UP SHARE CAPITAL

#### Authorised share capital:

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| 100,000,000 Ordinary shares of £0.01 each | <u>1,000</u>  | <u>1,000</u>  |

#### Allotted, called up and fully paid:

|                               | No         | 2013<br>£'000 | No         | 2012<br>£'000 |
|-------------------------------|------------|---------------|------------|---------------|
| Ordinary shares of £0.01 each | 23,474,289 | <u>235</u>    | 23,431,796 | <u>234</u>    |

Shares were issued during the year as follows:

| Date             | Number<br>issued | Nominal<br>Value (£) | Premium<br>(£) | Total<br>(£)  |
|------------------|------------------|----------------------|----------------|---------------|
| 26 July 2012     | 17,640           | 176                  | 5,822          | 5,998         |
| 22 August 2012   | 4,280            | 43                   | 1,806          | 1,849         |
| 31 December 2012 | 1,588            | 16                   | 669            | 685           |
| 7 January 2013   | 14,705           | 147                  | 4,853          | 5,000         |
| 8 January 2013   | 4,280            | 43                   | 1,806          | 1,849         |
| Total            | <u>42,493</u>    | <u>425</u>           | <u>14,956</u>  | <u>15,381</u> |

### 17. OWN SHARES

On 30 June 2011, Air Charter Service Group Plc set up a trust. Ordinary shares in Air Charter Service Group Plc are held by the Trustees for the purpose of satisfying options granted by group companies to their employees. The costs associated with the purchase of the shares for the Trust are deducted from equity.

The trust is authorised to acquire shares from existing employee shareholders within the parameters required to satisfy options granted by, or intended to be granted by, the Group to its employees. The trust is not intended to sell shares to employees and no sales of shares were made to employees in the period. During the year, 120,637 Ordinary shares were purchased from existing employee shareholders. At 31 January 2013, the Trust held 174,691 Ordinary shares in Air Charter Service Group Plc.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JANUARY 2013

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#### 18. SHARE-BASED PAYMENTS

##### Equity based share options

The parent company, Air Charter Service Group PLC, set up a share option scheme for the benefit of employees on 23 July 2007. The options in this scheme vest on the third anniversary of grant. Options lapse if the employee leaves the company prior to exercise. There are no performance or market conditions associated with the share options. Details of the scheme are as follows:

| <i>Grant date</i> | <i>Exercise price</i><br><i>(pence)</i> | <i>Held at</i><br><i>31 January</i><br><i>2012</i><br><i>No</i> | <i>Granted</i><br><i>during</i><br><i>year</i><br><i>No.</i> | <i>Exercised</i><br><i>during</i><br><i>year</i><br><i>No</i> | <i>Expired,</i><br><i>lapsed or</i><br><i>cancelled</i><br><i>No</i> | <i>Held at</i><br><i>31 January</i><br><i>2013</i><br><i>No</i> | <i>Remaining</i><br><i>Life</i><br><br><i>Years</i> |
|-------------------|---|---|--|---|--|---|---|
| 23 July 2007      | 43.2                                    | 338,633   | -  | 10,148  | -  | 328,485   | 4.5   |
| 18 February 2008  | 34.0                                    | 970,296   | -  | 32,345  | -  | 937,951   | 5.0   |
| 18 June 2010      | 55.0                                    | 344,112   | -  | -   | -  | 344,112   | 7.5   |
| 6 January 2012    | 75.0                                    | 104,040   | -  | -   | 8,560  | 95,480  | 9.0   |
| <b>Total</b>      |   | <b>1,757,081</b>  | <b>-</b>   | <b>42,493</b>   | <b>8,560</b>   | <b>1,706,028</b>  |   |

The closing weighted average exercise price of the options was 42.3p (31 January 2012: 42.3p). The number of options available to staff to exercise at the year end amounted to 1,266,436 (2012: 1,308,929).

The cost of services received in respect of the share options in the scheme above is measured as the fair value of the options granted and the cost is spread over the vesting period. The total charge for the year relating to the employee share based plan was £29,000 (2012: £24,000). The fair values were calculated using the Black-Scholes valuation method and the inputs to the model were as follows:

##### *Options granted on 23 July 2007*

|                              |            |
|------------------------------|------------|
| Fair value                   | 13.4 pence |
| Weighted average share price | 47.0 pence |
| Expected volatility          | 30%        |
| Expected life                | 3.5 years  |
| Risk free rate               | 5.5%       |

##### *Options granted on 18 February 2008*

|                              |            |
|------------------------------|------------|
| Fair value                   | 11.0 pence |
| Weighted average share price | 38.0 pence |
| Expected volatility          | 30%        |
| Expected life                | 3.5 years  |
| Risk free rate               | 5.3%       |

##### *Options granted on 18 June 2010*

|                              |            |
|------------------------------|------------|
| Fair value                   | 21.0 pence |
| Weighted average share price | 61.0 pence |
| Expected volatility          | 50%        |
| Expected life                | 5.0 years  |
| Risk free rate               | 3.5%       |

##### *Options granted on 6 January 2012*

|                              |            |
|------------------------------|------------|
| Fair value                   | 16.0 pence |
| Weighted average share price | 83.0 pence |
| Expected volatility          | 30%        |
| Expected life                | 5.0 years  |
| Risk free rate               | 2.2%       |

The expected volatility is based on the historic volatility of a listed company in the same sector as the Group.

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### 19. RELATED PARTY TRANSACTIONS

The company had the following balances with Group undertakings at the year end:

|                                     | 2013<br>£'000 | 2012<br>£'000 |
|-------------------------------------|---------------|---------------|
| Amounts owed to Group undertakings  | -             | 333           |
| Amounts due from Group undertakings | 17            | -             |

During the year D Malempre, a director of the company, charged Air Charter Service plc £58,881 plus VAT in respect of the provision of legal services and £5,250 plus VAT in respect of legal training for staff (2012: £70,016 plus VAT and £14,250 plus VAT respectively). The remuneration of the directors who are the key management personnel of the Group is set out in note 4. The Company received dividends of £1.3 million during the year from its subsidiary companies (2012: £2.4 million).

The directors received dividends during the year as follows:

|              |          |                  |
|--------------|----------|------------------|
| CDS Leach    | £306,677 | (2012: £745,824) |
| Mrs CJ Leach | £306,677 | (2012: £734,824) |
| J Bowman     | £75,628  | (2012: £211,408) |
| R Courtney   | £18,908  | (2012: £52,854)  |
| AE Bauckham  | £5,654   | (2012: £19,456)  |
| S Pitt       | £1,967   | (2012: £6,541)   |
| J Lancaster  | £1,891   | (2012: £5,285)   |

There are 13 other staff members who received dividends during the year, having exercised share options previously held under the share option scheme set out in note 18. There are 44 staff members in the share option scheme in total.

### 20. CONTINGENT LIABILITIES

The Group operates in various overseas jurisdictions, some of which are less well developed, from a fiscal perspective, than others. The directors have structured the Group's activities to manage its exposure to such evolving legal and fiscal frameworks and thus far during the Group's expansion there have been no material unexpected exposures. The directors consider that challenge by relevant fiscal authorities is possible, but this cannot be predicted and no provision has been made for contingent liabilities of which directors are not aware.

### 21. CONTROLLING PARTY

The company was under the control of its directors Mr CDS Leach and Mrs CJ Leach throughout the current and previous year. Mr and Mrs Leach, together, are the majority shareholders.