

**AIR CHARTER SERVICE GROUP PLC**

**ANNUAL REPORT AND ACCOUNTS**

**YEAR ENDED 31 JANUARY 2011**

**AIR CHARTER SERVICE GROUP PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JANUARY 2011**

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# AIR CHARTER SERVICE GROUP PLC

## OFFICERS AND ADVISERS

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### THE BOARD OF DIRECTORS

CDS Leach  
Mrs CJ Leach  
J Bowman  
R Courtney  
AE Bauckham  
S Pitt  
J Lancaster (appointed 21 January 2011)  
DV Malempre (Non-Executive)  
WRMC Foyle (Non-Executive)

### COMPANY SECRETARY

Mrs CJ Leach

### REGISTERED OFFICE

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

### REGISTERED NUMBER

04028491

### AUDITOR

Menzies LLP  
Chartered Accountants &  
Registered Auditors  
3<sup>rd</sup> Floor  
Kings House  
12-42 Wood Street  
Kingston upon Thames  
Surrey  
KT1 1TG

# AIR CHARTER SERVICE GROUP PLC

## CHAIRMAN'S STATEMENT

YEAR ENDED 31 JANUARY 2011

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I am pleased to again report a very strong set of results for the year with an increase in turnover and profitability.

Group turnover increased by 37% to £228 million and operating profit increased 67% to £4.5m (2010: £2.7m excluding exceptional costs). The continued growth is testament to the successful implementation of a number of management strategies.

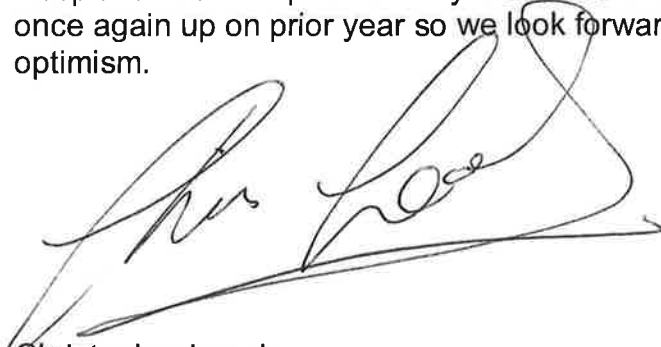
All three of our divisions Cargo, Commercial Jets and Executive Jets showed strong growth, particularly the Executive Jets division with an increase in turnover of 68%, following modest growth last year, which signifies a market upturn in this area.

In February 2010 we moved our head office premises to larger office space in Surrey. This was a necessary step in our growth plan and has allowed us to develop our head office infrastructure to support the business worldwide. We now have offices in 7 continental regions and are encouraged by the growth of our global network during the year, with half of our turnover now generated outside of Europe and with all regions profitable.

The group continues to work with certain government departments, charities and relief organisations worldwide. We organised a number of evacuation flights for expatriates from North Africa and this work continued into the new financial year.

During the year we continued to invest in infrastructure, marketing, technology and people, both in sales and support areas. The group remains well diversified, free of any long term debt and well positioned to deliver our future growth plans.

Despite the lack of predictability within the industry, our internal management figures are once again up on prior year so we look forward to the coming year with cautious optimism.



Christopher Leach  
Chairman

Date: 20 June 2011

# 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 2011.

### 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.

The financial statements show a very good set of results for the year, reflecting the underlying growth of our core businesses.

#### *Financial performance*

The Group uses gross profit in measuring the performance of segments and also EBITDA in measuring performance of different offices.

Gross profit increased 51% from £13.8 million to £20.9 million, reflecting strong growth in all three of our business segments. EBITDA increased from £3.2 million (excluding exceptional costs) to £5.1 million.

Administrative expenses increased from £11.6 million to £16.4 million, as the Group continues to expand in the UK and overseas, with the opening of four new offices in Toronto, St Petersburg, Frankfurt and Sao Paulo.

#### *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.

### RESULTS AND DIVIDENDS

Profit after taxation for the period increased to £3.3 million (2010: £2.0m excluding exceptional costs) and dividends paid during the year were £1.6 million (2009: £1.1 million).

### FINANCIAL INSTRUMENTS

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 (appointed 21 January 2011)  
DV Malempre  
WRMC Foyle

### 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.

### DIRECTORS' RESPONSIBILITIES

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

# AIR CHARTER SERVICE GROUP PLC

## DIRECTORS' REPORT

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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 of the profit or loss of the company 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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain 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 company 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 20 June 2011.



Stewart Pitt  
Director

# AIR CHARTER SERVICE GROUP PLC

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

YEAR ENDED 31 JANUARY 2011

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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 2011 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 regards the parent company financial statements, 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 pages 3 and 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### 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 2011 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 as applied in accordance with the provisions of the Companies Act 2006; 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.

# AIR CHARTER SERVICE GROUP PLC

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

YEAR ENDED 31 JANUARY 2011

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### 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:

- 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.

*Menzie LLP*

Andrew Cook FCA (Senior Statutory Auditor)  
For and on behalf of MENZIES LLP  
Chartered Accountants & Statutory Auditor  
3rd Floor, Kings House  
12-42 Wood Street  
Kingston Upon Thames  
Surrey  
KT1 1TG

11 July 2011



**AIR CHARTER SERVICE GROUP PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 31 JANUARY 2011**

GROUP	Note	2011 £'000	2010 £'000
Revenue		227,819	166,866
Cost of sales		(206,906)	(153,041)
<b>Gross profit</b>		<b>20,913</b>	<b>13,825</b>
Administrative expenses		(16,369)	(11,593)
<b>Operating profit</b>	2	<b>4,544</b>	<b>2,232</b>
<i>Analysed as:</i>			
Operating profit before exceptional items		4,544	2,740
Exceptional items		-	(508)
<b>Operating profit</b>	2	<b>4,544</b>	<b>2,232</b>
Finance income		12	4
Finance costs		(13)	(15)
<b>Profit before tax</b>		<b>4,543</b>	<b>2,221</b>
Tax	5	(1,242)	(719)
<b>Profit for the period</b>		<b>3,301</b>	<b>1,502</b>
<i>Other comprehensive income</i>			
Exchange differences on translating foreign operations		(40)	(38)
<b>Other comprehensive income for the period</b>		<b>(40)</b>	<b>(38)</b>
<b>Total comprehensive income for the period</b>		<b>3,261</b>	<b>1,464</b>
Profit for the period attributable to:			
Equity holders of the parent		3,232	1,479
Minority Interests		69	23
		<b>3,301</b>	<b>1,502</b>
Total comprehensive income for the period attributable to:			
Equity holders of the parent		3,192	1,441
Minority Interests		69	23
		<b>3,261</b>	<b>1,464</b>

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

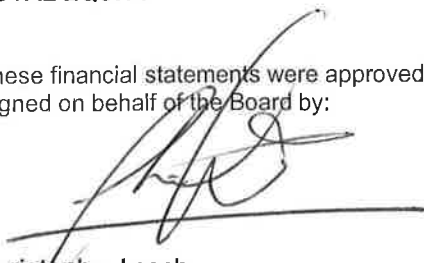
# AIR CHARTER SERVICE GROUP PLC


## CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 JANUARY 2011

GROUP	Note	2011 £'000	2010 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,833	1,060
Deferred tax asset	6	178	177
		<u>2,011</u>	<u>1,237</u>
<b>Current assets</b>			
Trade and other receivables	11	11,713	10,769
Current tax asset		188	-
Cash and cash equivalents		6,597	2,084
		<u>18,498</u>	<u>12,853</u>
<b>Total assets</b>		<u><b>20,509</b></u>	<u><b>14,090</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	7	(68)	-
Provisions	13	(110)	-
		<u>(178)</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	12	(15,012)	(10,039)
Financial liabilities		-	(661)
Current tax liabilities		(370)	(308)
		<u>(15,382)</u>	<u>(11,008)</u>
<b>Total liabilities</b>		<u><b>(15,560)</b></u>	<u><b>(11,008)</b></u>
<b>NET ASSETS</b>		<u><b>4,949</b></u>	<u><b>3,082</b></u>
<b>EQUITY</b>			
Called up share capital	16	233	229
Share premium account		171	32
Translation reserve		31	71
Share option reserve		192	139
Retained earnings		4,230	2,579
		<u>4,857</u>	<u>3,050</u>
Attributable to equity holders of the parent			
Minority interest		92	32
<b>TOTAL EQUITY</b>		<u><b>4,949</b></u>	<u><b>3,082</b></u>

These financial statements were approved by the Board of Directors and authorised for issue on 20 June 2011.  
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 2011

COMPANY	Note	2011 £'000	2010 £'000
<b>Non-current assets</b>			
Investments in subsidiaries	10	1,096	339
<b>Current assets</b>			
Trade and other receivables	11	-	102
Cash and cash equivalents		2	2
		<u>2</u>	<u>104</u>
<b>Total assets</b>		<u>1,098</u>	<u>443</u>
<b>Current liabilities</b>			
Trade and other payables	12	(421)	-
		<u>(421)</u>	<u>-</u>
<b>Total liabilities</b>			
<b>Net assets</b>		<u>677</u>	<u>443</u>
<b>EQUITY</b>			
Called up share capital	16	233	229
Share premium account		171	32
Share option reserve		192	140
Retained earnings		81	42
<b>Total equity</b>		<u>677</u>	<u>443</u>

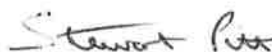
In accordance with the exemptions permitted by Section 408 of the Companies Act 2006 the income statement of the company has not been presented. In the accounts of the company the profit for the financial year amounted to £1.6m (2010: £1.1m) and net loss recognised directly in equity amounted to £4,839 (2010: loss of £170).

These financial statements were approved by the Board of Directors and authorised for issue on 20 June 2011.

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 2011

### GROUP

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 February 2010	229	32	139	71	2,579	3,050	32	3,082
New shares issued	4	139	-	-	-	143	-	143
Exchange difference on translation of foreign operations	-	-	-	(40)	-	(40)	(1)	(41)
Fair value cost of options	-	-	97	-	-	97	-	97
Fair value of options exercised	-	-	(44)	-	44	-	-	-
Dividends paid	-	-	-	-	(1,625)	(1,625)	(8)	(1,633)
Comprehensive income in the year	-	-	-	-	3,232	3,232	69	3,301
At 31 January 2011	233	171	192	31	4,230	4,857	92	4,949

Prior Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 February 2009	229	32	65	110	2,200	2,636	14	2,650
Exchange difference on translation of foreign operations	-	-	-	(39)	-	(39)	1	(38)
Fair value cost of options	-	-	74	-	-	74	-	74
Dividends paid	-	-	-	-	(1,100)	(1,100)	(6)	(1,106)
Comprehensive income in the year	-	-	-	-	1,479	1,479	23	1,502
At 31 January 2010	229	32	139	71	2,579	3,050	32	3,082

### COMPANY

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
At 1 February 2010	229	32	140	42	443
New shares issued	4	139	-	-	143
Fair value cost of options	-	-	96	-	96
Fair value of options exercised	-	-	(44)	44	-
Dividends paid	-	-	-	(1,625)	(1,625)
Dividends received	-	-	-	1,625	1,625
Comprehensive income in the year	-	-	-	(5)	(5)
At 31 January 2011	233	171	192	81	677

Prior Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
At 1 February 2009	229	32	65	42	368
Fair value cost of options	-	-	75	-	75
Dividends paid	-	-	-	(1,100)	(1,100)
Dividends received	-	-	-	1,100	1,100
Comprehensive income in the year	-	-	-	-	-
At 31 January 2010	229	32	140	42	443

**AIR CHARTER SERVICE GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 JANUARY 2011**

GROUP	2011 £'000	2010 £'000
<b>Reconciliation of operating profit to operating cash flows</b>		
Operating profit	4,544	2,232
Depreciation	506	475
(Profit) / Loss on disposal of property, plant & equipment	(11)	198
Movement on provisions	110	-
Translation differences on flows	(41)	(32)
Share based payment expense	97	75
<b>Operating cash flows before movements in working capital</b>	<b>5,205</b>	<b>2,948</b>
Increase in receivables	(944)	(4,936)
Increase in payables	4,973	3,740
<b>Cash generated from operations</b>	<b>9,234</b>	<b>1,752</b>
Tax paid	(1,300)	(1,007)
<b>Net cash generated from operating activities</b>	<b>7,934</b>	<b>745</b>
<b>Investing activities</b>		
Interest received	12	4
Proceeds on disposal of plant, property and equipment	25	26
Purchases of plant, property and equipment	(1,292)	(875)
<b>Net cash used in investing activities</b>	<b>(1,255)</b>	<b>(845)</b>
<b>Financing activities</b>		
Net proceeds from short term loan	(661)	661
Interest paid	(13)	(15)
Net proceeds from shares issued	141	-
Dividends paid	(1,625)	(1,100)
Dividends paid – minority interest	(8)	(6)
<b>Net cash used in financing activities</b>	<b>(2,166)</b>	<b>(460)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,513</b>	<b>(560)</b>
Cash and cash equivalents at the beginning of the period	2,084	2,644
<b>Cash and cash equivalents at the end of the period</b>	<b>6,597</b>	<b>2,084</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 2011

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COMPANY	2011 £'000	2010 £'000
Operating profit	-	-
Decrease in receivables	102	-
Increase in payables	80	-
<b>Cash generated from operations</b>	<b>182</b>	<b>-</b>
Tax paid	(5)	-
<b>Net cash generated from operating activities</b>	<b>177</b>	<b>-</b>
<b>Investing activities</b>		
Investment in subsidiaries	(318)	-
Dividends received	1,625	1,100
<b>Net cash from investing activities</b>	<b>1,307</b>	<b>1,000</b>
<b>Financing activities</b>		
Net proceeds from shares issued	141	-
Dividends paid	(1,625)	(1,100)
<b>Net cash used in financing activities</b>	<b>(1,484)</b>	<b>(1,100)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the period	2	2
<b>Cash and cash equivalents at the end of the period</b>	<b>2</b>	<b>2</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 2011

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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.

#### Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings up to 31 January 2011. 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 2011 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.

#### 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.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

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### 1. Accounting policies (continued)

#### 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.

#### 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.

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.

#### 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.



# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

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

#### *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.

#### *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 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.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

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

#### **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:

IFRS 3 Business Combination (effective 1 July 2010)  
IFRS 9 Financial Instruments (effective 1 January 2013)  
IFRS 7 Financial Instruments Disclosures (effective 1 January 2011 and 1 July 2011)  
Amendments to IAS 32 Classification of Rights Issues (effective 1 February 2010)  
IAS 1 Presentation of Financial Statements (effective 1 January 2011)  
IAS 24 Related Party Transactions (revised) (effective 1 January 2011)  
IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2010)  
IAS 34 Interim Financial Reporting (effective 1 January 2011)  
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)  
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011)

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.

#### **Change in Accounting Policy**

IFRS 8 (Operating Segments) is no longer being applied and the relevant disclosures have been removed.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

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### 2. OPERATING PROFIT

Operating profit is stated after charging:

	2011 £'000	2010 £'000
Staff costs (note 3)	9,823	6,772
(Profit) / Loss on disposal of property, plant & equipment	(11)	198
Depreciation of owned fixed assets	506	475
Auditors remuneration: Group		
- as auditor	79	66
- for other services	60	29
Operating lease costs:		
- plant and equipment	178	-
- other	849	438
Foreign exchange losses / (gains)	(33)	139
	<u>9,823</u>	<u>6,772</u>

#### Auditor's fees

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

	2011 £'000	2010 £'000
Audit	26	23
Accounting	-	-
Taxation compliance	24	16
Business consultancy	-	-
	<u>50</u>	<u>39</u>

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

	2011 £'000	2010 £'000
Audit of the financial statements	53	43
Taxation compliance	36	13
	<u>89</u>	<u>56</u>

### 3. PARTICULARS OF EMPLOYEES

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

	2011 No	2010 No
Number of staff	<u>153</u>	<u>109</u>

The aggregate payroll costs of the above were:

	2011 £'000	2010 £'000
Wages and salaries	8,841	6,065
Share based payments	97	75
Social security costs	755	507
Other pension costs	130	125
	<u>9,823</u>	<u>6,772</u>

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# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

### 4. DIRECTORS' EMOLUMENTS

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

	2011 £'000	2010 £'000
Emoluments receivable	1,056	999
Value of company pension contributions to money purchase schemes	75	52
Share based payments	36	15
	<u>1,167</u>	<u>1,066</u>
Emoluments of highest paid director:		
Total emoluments	244	257
Value of company pension contributions to money purchase schemes	46	20
	<u>290</u>	<u>277</u>
	<b>No</b>	<b>No</b>
Number of directors who accrued benefits under a money purchase pension scheme:	<u>7</u>	<u>6</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:

	<i>Issue date</i>	<i>Exercise price</i> (pence)	<i>Held at 31 January 2010</i> No.	<i>Granted during year</i> No.	<i>Exercised during year</i> No.	<i>Expired, lapsed or cancelled</i> No.	<i>Held at 31 January 2011</i> No.
AE Bauckham	23 July 2007	43.2	229,410	-	(229,410)	-	-
S Pitt	23 July 2007	43.2	114,710	-	(57,355)	-	57,355
	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	229,411	-	-	-	229,411

### 5. TAXATION ON ORDINARY ACTIVITIES

The tax charge comprises:

	2011 £'000	2010 £'000
<b>(a) Current tax:</b>		
In respect of the year:		
UK Corporation tax	840	729
Adjustment in respect of prior years	(5)	-
Foreign tax	340	51
Total current tax	<u>1,175</u>	<u>780</u>
Deferred tax (Notes 6 and 7)	67	(61)
Tax on profit on ordinary activities	<u>1,242</u>	<u>719</u>

**AIR CHARTER SERVICE GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JANUARY 2011**

5. *Taxation on ordinary activities (continued)*

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

	2011 £'000	2010 £'000
Profit before taxation	<u>4,544</u>	<u>2,221</u>
Taxation at UK corporation tax rate of 28%	1,272	622
Effects of:		
Expenses not deductible for tax	111	85
Deduction for options exercised	(51)	56
Capital allowances in excess of depreciation	(75)	-
UK and overseas taxes at differing rates	(77)	9
Adjustment in respect of prior years	(5)	-
Deferred tax	67	(53)
Total tax (note 5a)	<u>1,242</u>	<u>719</u>

6. DEFERRED TAX ASSETS

	Share based payment	Other timing differences	Overseas tax losses	Accrued pensions	Total
Current Year	£'000	£'000	£'000	£'000	£'000
At 1 February 2010	37	46	81	13	177
Credit / (charge) to the income statement	<u>17</u>	<u>(16)</u>	<u>2</u>	<u>(2)</u>	<u>1</u>
At 31 January 2011	<u>54</u>	<u>30</u>	<u>83</u>	<u>11</u>	<u>178</u>
<b>Prior Year</b>					
At 1 February 2009	18	25	73	-	116
Credit to the income statement	<u>19</u>	<u>21</u>	<u>8</u>	<u>13</u>	<u>61</u>
At 31 January 2010	<u>37</u>	<u>46</u>	<u>81</u>	<u>13</u>	<u>177</u>

7. DEFERRED TAX LIABILITY

	Other timing differences £'000	Total £'000
At 1 February 2009 and 2010	-	-
Charge to the income statement	<u>68</u>	<u>68</u>
At 31 January 2011	<u>68</u>	<u>68</u>

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

### 8. DIVIDENDS

	2011 £'000	2010 £'000
Paid during the year: Equity dividends on ordinary shares	<u>1,625</u>	<u>1,100</u>

### 9. PROPERTY, PLANT AND EQUIPMENT

Current year:

Group	Leasehold improvement £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
At 1 February 2010	249	291	243	1,103	1,886
Additions	339	173	50	730	1,292
Disposals	(20)	(17)	(59)	(48)	(144)
<b>At 31 January 2011</b>	<u><b>568</b></u>	<u><b>447</b></u>	<u><b>234</b></u>	<u><b>1,785</b></u>	<u><b>3,034</b></u>
<b>Depreciation</b>					
At 1 February 2010	9	186	125	506	826
Charge for the year	59	59	60	328	506
Disposals	(13)	(16)	(55)	(47)	(131)
<b>At 31 January 2011</b>	<u><b>55</b></u>	<u><b>229</b></u>	<u><b>130</b></u>	<u><b>787</b></u>	<u><b>1,201</b></u>
<b>Net Book Value</b>					
At 1 February 2010	240	105	118	597	1,060
<b>At 31 January 2011</b>	<u><b>513</b></u>	<u><b>218</b></u>	<u><b>104</b></u>	<u><b>998</b></u>	<u><b>1,833</b></u>

Prior year:

Group	Leasehold improvement £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
At 1 February 2009	363	312	257	898	1,830
Additions	232	69	57	517	875
Disposals	(346)	(90)	(71)	(312)	(819)
<b>At 31 January 2010</b>	<u><b>249</b></u>	<u><b>291</b></u>	<u><b>243</b></u>	<u><b>1,103</b></u>	<u><b>1,886</b></u>
<b>Depreciation</b>					
At 1 February 2009	132	199	112	495	938
Charge for the year	43	56	63	313	475
Disposals	(166)	(69)	(50)	(302)	(587)
<b>At 31 January 2010</b>	<u><b>9</b></u>	<u><b>186</b></u>	<u><b>125</b></u>	<u><b>506</b></u>	<u><b>826</b></u>
<b>Net Book Value</b>					
At 1 February 2009	231	113	145	403	892
<b>At 31 January 2010</b>	<u><b>240</b></u>	<u><b>105</b></u>	<u><b>118</b></u>	<u><b>597</b></u>	<u><b>1,060</b></u>

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

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

### 10. INVESTMENTS IN SUBSIDIARIES

#### Company

Current year:	Subsidiary undertakings £'000
<b>Cost and Net book value</b>	
At 1 February 2010	339
Capital contribution	97
Investments	318
Transfers from within the Group	342
At 31 January 2011	<u>1,096</u>
<b>Prior year:</b>	<b>Subsidiary undertakings £'000</b>
<b>Cost and Net book value</b>	
At 1 February 2009	264
Capital contribution	75
At 31 January 2010	<u>339</u>

#### 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
Kingston Aviation Subsidiary Limited	England	Ordinary shares	100%	Dormant

#### Transferred from Air Charter Service plc during the year:

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 FZCO	Dubai	Ordinary shares	100%	Leasing and chartering aircraft
Air Charter Service (HK) Ltd	Hong Kong	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	South Africa	Ordinary shares	100%	Leasing and chartering aircraft

#### Held by Air Charter Service plc:

Air Courier Service Limited	England	Ordinary shares	100%	On board courier service
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### 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	8,260	8,973	-	-
Amounts owed by Group undertakings	-	-	-	102
Other debtors	184	105	-	-
Prepayments and accrued income	3,269	1,691	-	-
	<u>11,713</u>	<u>10,769</u>	<u>-</u>	<u>102</u>

No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from trade receivables. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

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### 12. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	3,963	2,873	-	-
Amounts owed to Group undertakings	-	-	421	-
Other taxation and social security	260	182	-	-
Accruals and deferred income	10,768	6,965	-	-
Other creditors	21	19	-	-
	<u>15,012</u>	<u>10,039</u>	<u>421</u>	<u>-</u>

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

### 13. PROVISIONS

	Total £'000
At 1 February 2010	-
Restoration of leasehold property	110
At 31 January 2011	<u>110</u>

### 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 company 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.

#### *Credit risk*

Credit risk predominantly arises from trade receivables, cash and deposits with banks. Amounts shown in the trade receivables balance are net of £17,000 allowances for doubtful debts (2010: £73,000). 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.

The trade receivables balance set out in note 11 above includes £5.7 million relating to sales invoiced in advance of carriage, with a corresponding balance included within deferred income. The remaining balance of £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 \$3m short term trade loan facility with Barclays Bank plc 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.

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# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

### 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	2011 Local (£'000)	2011 Closing rate	2011 GBP (£'000)	2010 Local (£'000)	2010 Closing rate	2010 GBP (£'000)
US Dollars	5,858	1.60	3,661	2,265	1.60	1,416
Euros	2,307	1.17	1,972	335	1.15	291
GB Pounds Sterling	389	1.00	389	60	1.00	60
Other various			575			317
			<b>6,597</b>			<b>2,084</b>

### 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:

	2011 Closing rate	2011 Adjusted rate	2011 Effect (£'000)	2010 Closing rate	2010 Adjusted rate	2010 Effect (£'000)
<i>Sterling strengthens by 10%</i>						
US Dollar	1.60	1.76	(333)	1.60	1.76	(129)
Euro	1.17	1.29	(184)	1.15	1.27	(26)
<i>Sterling weakens by 10%</i>						
US Dollar	1.60	1.44	407	1.60	1.44	157
Euro	1.17	1.05	225	1.15	1.04	32

## 15. OPERATING LEASE ARRANGEMENTS

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

	2011 £'000	2010 £'000
<b>Land &amp; buildings</b>		
Within 1 year	680	340
Within 2 to 5 years	1,410	934
Over 5 years	35	4
	<b>2,125</b>	<b>1,278</b>

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

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

### 16. CALLED UP SHARE CAPITAL

#### Authorised share capital:

	2011 £'000	2010 £'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	2011 £'000	No	2010 £'000
Ordinary shares of £0.01 each	23,268,675	<u>233</u>	22,941,150	<u>229</u>

### 17. 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:

Grant date	Exercise price (pence)	Held at 31 January 2010 No.	Granted during year No.	Exercised during year No	Expired, lapsed or cancelled No	Held at 31 January 2011 No	Remaining Life Years
23 July 2007	43.2	792,230	-	327,525	4,280	460,425	6.5
18 February 2008	34.0	1,043,825	-	-	-	1,043,825	7.0
18 June 2010	55.0	-	344,112	-	-	344,112	9.5
<b>Total</b>		<b>1,836,055</b>	<b>344,112</b>	<b>327,525</b>	<b>4,280</b>	<b>1,848,362</b>	

The closing weighted average exercise price of the options was 40.2p (31 January 2010: 38.0p). The number of options available to staff to exercise at the year end amounted to 460,425.

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 £97,000 (2010: £75,000). 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%

# AIR CHARTER SERVICE GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2011

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*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%

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

### 18. RELATED PARTY TRANSACTIONS

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

	2011 £'000	2010 £'000
Amounts owed by Group undertakings	-	102
Amounts owed to Group undertakings	421	-

During the year D Malempre, a director of the company, charged Air Charter Service plc £64,880 plus VAT in respect of the provision of legal services, £8,450 plus VAT in respect of legal training for staff and £578 in respect of out of pocket expenses (2010: £43,235 plus VAT, £6,000 plus VAT and £nil 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 £1.6 million during the year from its subsidiary companies (2010: £1.1 million). The directors received dividends during the year as follows:

CDS Leach	£679,379
Mrs CJ Leach	£679,379
J Bowman	£165,565
R Courtney	£41,393
AE Bauckham	£7,503
S Pitt	£1,876

### 19. CONTINGENT LIABILITIES

The Group operates in various overseas jurisdictions, some of which are less well developed, from a legal and 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 authorities is possible, but this cannot be predicted and no provision has been made for contingent liabilities of which directors are not aware.

Last year, ACS Hong Kong received a claim from a customer for an amount of £0.4m for alleged breach of contract in relation to a charter flight. The claim was resisted and eventually withdrawn, and the customer has recently filed a reduced claim of £37,000. The directors are of the opinion that no liability will arise and accordingly no provision is made within these accounts.

### 20. 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.