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Air Partner plc
Annual Report 2008

Contents

Air Partner is a world-class company, providing every
type of aircraft, for every conceivable mission, in every part of the planet.

No other company does what we do.

Today, we provide a broader range of services, across more sectors and geographies than ever before.

Our reputation for absolute discretion, reliability and innovation has been forged over almost 50 years.

Our growth strategy has proved itself through changing economic climates; since flotation we have delivered 1,000% share price appreciation, returned 400% of the initial float price in dividends, and delivered total shareholder return of 2,700%.

The business model, the global market and the growth drivers

As the world's largest broker we act as a marketer and reseller of private charters on quality airliners, private jets and freight aircraft; we operate day and night around the world, for any and every purpose.
We are focused on becoming the only truly global supplier of aircraft and aviation solutions.

In a very fragmented marketplace, where many supplier airlines are not structured for direct selling, both the buyer and the seller benefit greatly from the active involvement of a reseller who adds heavily to the value proposition on each side.

This is a low-margin industry requiring talented people, great logistical experience and expertise, and fanatical attention to detail. To be dominant one must have the very best team of brokers, be well-managed, highly efficient, forward-thinking, proactive, and be able to optimise all available resources to sustain high volumes of business. One must also have volume for the business to be truly viable. Air Partner has all these assets and is driven by a senior team, passionate for growth.

Any broker or intermediary can "arrange flights"; the art of broking is to work alongside the supplier airline to deliver truly successful flights that meet or beat client expectations. The fine art of broking is to do that 100% of the time, and irrespective of volume.

Whilst the industry primarily services a market driven by ad hoc need, there is an increasing number of clients who recognise the value of using private aviation to solve and host their business and personal needs on a more regular basis. Traditionally though, there are few opportunities for medium-term contracts, so forward visibility is always poor. Air Partner wins disproportionately more contracts than similar companies.

Clients come from three main market segments: Corporates, Governments, and Private (HNW) individuals. The global market size is estimated to be well in excess of £20bn annually. With Air Partner being the largest co-ordinated player and still having only 1% total market share, the business has generous headroom. Encouragingly, the total market is experiencing strong growth in all its sectors, driven by four main factors: increasing globalisation, strong Western economies, an increasing value placed on time, and the utter exasperation of travelling on scheduled airlines.

As the world's largest broker we act as a marketer and reseller of private charters on quality airliners, private jets and freight aircraft; we operate day and night around the world, for any and every purpose. We are focused on becoming the only truly global supplier of aircraft and aviation solutions.

COMMERCIAL JETS
The charter of large airliners, typically Airbus and Boeing equipment, as used by Corporates, Governments, and occasional HNW clients. Bespoke chartered jets offer huge flexibility to users, overcome many of the exasperations of flying on scheduled airlines, and usually cost less per seat than alternative options.

There are multifarious reasons why airliners are chartered: Corporates use them for product launches, conferences, incentives and motivational reasons, and Corporate shuttles. Governments use them for political, Royal, ministerial, military, security, trade, civic, humanitarian and general logistical support reasons.

A range of other users charter for sports events, holiday flights, airline sub-services, and hospitality events; even retail billionaires and other HNWs rent them for their private parties and entertainment.

Our CJ team contracts and manages over 30,000 flight hours, representing tens of thousands of flights annually.

Average visibility - two months

PRIVATE JETS

A team dedicated to offering the full range of private jet products and services from ad hoc charter without commitment, to JetCards (offering 25+ hours of pre-paid use), and owner services of private jet sales consultancy, jet management, charter management, and jet maintenance.

Clients require logistical excellence, easy solutions, value for money, and a recognition from the supplier that, for instance, a five-minute delay on a £10,000 flight is quite unacceptable.

Our PJ team is the largest,
longest-standing and most experienced anywhere, bar none.
We operate tens of thousands of flights each year through a qualified and audited group of around 250 preferred suppliers. Additionally 10% of our flights are reserved for our in-house fleet - Europe's largest and newest fleet of Lears, based in London.

Average visibility - two day

FREIGHT

Most of the world's air freight travels underbelly on scheduled airlines, charged at "pence per kilo" rates, usually at times, and along routes, to suit the airline not the client.
Air Partner's Freight team serves the alternative market where clients need their goods moving to their destination directly, immediately, and on a dedicated plane.

Typically flights go at times and to places where the scheduled airlines do not serve. Regular users are Governments and Corporates.
Payloads vary from the normal (perhaps a satellite, 120 tons of aspirin, or vital car parts), the abnormal (a jet fighter), to the totally bizarre (a nine-carriage railway train, 70 tons of medical supplies, and 1,000 tons of aviation kerosene, as examples).

Average visibility - two hours

A diversified business

The business has always traded strongly when markets are strong. However, over the last decade management has focused on building a business that is equally robust in less favourable market conditions. To this end it has followed a three-dimensional strategy for revenue diversification.

GEOGRAPHIC GROWTH
In 1995 the Group stepped out from being a purely British business and opened its first international office in Paris. The UK business model held up well in this international environment and the French office was profitable from inception, and has grown strongly since. Over the next decade a further 15 offices were planted.

Today the Group has spread its revenues across 22 offices in 15 different countries, reducing its exposure to any one trading bloc, or national economy.

PRODUCT GROWTH
Each year we seek to add new products or services to sell to our core client markets. Within the umbrella of our Commercial Jets and Private Jets businesses we have, over the years, added many additional services; notable recent ones include JetCards, private jet management and maintenance, Air Planner, and GSA partnerships.

CLIENT SECTOR GROWTH
Close attention to market trends will usually allow for us to target new niches every year. Clients who previously had no need for our services can often become new users as world events and changes in the economy occur. We constantly look for new markets, and repackage our products and services to fit these emerging markets. The explosive growth in the use of private jets by the HNW sector, notably for leisure, is a recent example. From a zero start just three years ago, this now represents 13% (£33m) of Group activity.

Together, this three-dimensional diversification of revenues has converted the Group into a strong global player, and reduced its business vulnerability to the cyclicality of any one market. As a by-product, we see a smoothening of the PBT trend line. In the 2006-2008 period, where we experienced near-perfect trading conditions, record results were generated as every division, market, and sector had individually outperformed expectation.

Where we work
Europe
Middle East
Asia
North America

Who we work with
Government
Royal
Corporate
Private (HNW)

What we offer
Private Jet Charter
Commercial Jet Charter
Freight Charter

JetCards
Block Hours Contracts
Private Jet Sales
Private Jet Management
Private Jet Maintenance
Emergency Planning
Flight Operations
Travel Service

Chairman's Statement

In reporting my first set of results as Chairman, I am delighted to announce that Air Partner has once again had a very successful year and achieved record sales and profits. Turnover rose by 35% to £251.3m (2007: £185.8m) and profits increased by 21% to £9.2m (2007: £7.6m). Over the last three years the management team has more than doubled profits. Earnings per share increased to 62.6p (2007: 51.8p) and Group cash at 31st July was £20.8m (2007: £19.5m).

The second half year was characterised by Group sales being up 30% on the first half, and Group profitability being up 38% on the same comparable.

TRADING ENVIRONMENT

In common with most other businesses the trading environment in the last year has become more challenging. For the aviation industry it has been a year of contrasts: on the one hand the high cost of oil is bankrupting many airlines, whilst on the other hand the private jet sector has shown huge growth with major investment in new aircraft. All of this makes predicting the future of the industry more difficult than ever.

PERFORMANCE

Against this background our team of over 250 professionals has performed exceptionally well, taking advantage of opportunities to deliver a greater number of successful flights than ever before.

One of the reasons for the resilience of the Group's performance in the last year is the nature and diversity of the client base. Government work, where we operate thousands of flights (many under challenging conditions) for a range of nation states, now accounts for 43% of sales - an increase of 79% on last year. The second largest client group is that of the Corporate sector where, given pressure on travel budgets and increased competition, business slipped by 2%. Thirdly, sales to High Net Worth clients more than doubled in the year and now represent 13% of turnover.

The main business streams all performed well. Commercial jet business benefited from the strength of demand from our Government sector clients. The geographic spread of our business has also helped with particularly good contributions from France, Italy and Germany. The private jet business encompasses broking, JetCard sales and our own in-house private jet operations. While growth rates have slowed significantly compared with the previous period, the comparison is off a very high base. Pleasingly, JetCard continued to grow well and our private jet operating company at Biggin Hill produced another positive contribution.

Other activities performed well, most notably the UK Freight and Travel divisions, while the Air Planner and Emergency Planning division were both ahead of target.

OUR PEOPLE

Air Partner is very much a people business and its success is due to outstanding teams throughout the Group. However good the individual teams are, ultimate performance relies on the direction by the senior management team. I would like to pay tribute to the hard work of the Executive Directors under David Savile in achieving an excellent result for the year.

I would also like to thank Tony Mack who stood down as Chairman after 23 years, when I took over from him in April 2008. Under his guidance Air Partner has gone from strength to strength. I am delighted that he is staying on the Board as a Non-Executive Director and we will all benefit from his deep understanding of the business and tremendous knowledge of the aviation industry.

DIVIDENDS

In the past the Board has maintained a minimum increase of 10% in the core dividend supplemented by periodic special dividends. This year we propose rebasing the annual dividend by raising the final payment to 22.6p (2007: 13.3p) to bring the total for the year to 30.0p (20.0p). This 50% increase recognises the Board's confidence in the quality of recurring earnings and the level of cash in the Group. The Board intends to maintain its policy of progressively increasing the annual dividend from this higher base.

FUTURE STRATEGY

The events of 9/11 were a watershed for the aviation industry; since then the whole sector has been transformed. In those seven years our sales have tripled and our profitability has quadrupled. We now expect a period of consolidation in the industry which we believe will present longer term opportunities to develop new business and new markets.

We will continue to invest in the business: the recent creation of the Air Partner Academy an in-house learning and development centre, will train the future fee earners and leaders of the business.
On the operational front the substantial commitment to the new private jet enclave at Biggin Hill will provide an exciting expansion in a growing sector of the aviation industry.

THE OUTLOOK

The business world today has clearly changed since our year end, and a total loss of confidence in the financial markets for three long weeks will leave its mark on every business. In spite of this, the first two months of trading has held up better than expected, but forward Commercial Jet business is significantly reduced from the comparable period; it remains to be seen whether this reaction is short-lived whilst the world adjusts to constantly changing financial news, or if this is an early indication of reduced levels in the future.

Past experience of economic downturns has shown that while Group profits can be affected in the short term, they present an excellent platform to develop the business as people and clients are attracted to the stronger players in the market. It is worth emphasising to new readers that the Group has an enviable history of profitable growth, without recourse to debt, and has rewarded shareholders with constantly increasing dividends for well over a decade. Importantly, we remain confident that our strategy, the underlying breadth of the business, the client base and the quality of our people will allow us to seize new opportunities as they emerge, and continue the long term growth of Air Partner.

I am delighted to be part of a great team of people and thank them for their contribution to past results and undoubted future success.

Aubrey Adams, Chairman
16th October 2008

1 & 2
The productivity of a private jet, once experienced, is never devalued or forgotten.

1
35 aviation managers, each with an average of 20 years hands-on experience, ensure that we deliver the impossible as a matter of routine.

2
The JetCard provides the freedom and flexibility of private jet travel with the certainty of fixed pricing and guaranteed availability.

3
100 new flights depart every day.

4
Speed and attention to detail come as standard.

Chief Executive's Review

Coming out of the 2007 Financial Year with record results, for the third consecutive year, the challenge for 2008 seemed daunting. In a business whose core activity is to harvest an ad hoc need (that may not repeat), one enters each new period with limited forward orders, a list of past and therefore potential clients, and just the historic success to encourage the team that anything is possible.

Twelve months on, it is very satisfying to report that not only have we matched the success of 2007, but also we have exceeded it by 35% in sales, 21% in profitability and a net increase of 3% in our active client numbers. Indeed, for the first time we have managed to book contracts worth one quarter of a billion pounds, within a year, representing 400% growth in the last ten years.

2007 was a year of high demand for all of our products, in a strong economic climate with little to hold it back. This year, however, the impact of the credit crunch has been growing through the period, and we have had to adjust our sales approach to maintain growth in times of slower demand. Here, our geographic, product and client sector diversity has ensured that we have been able to adjust our targeting in response to a weakening corporate market, and switch our energies to the non-recessionary governmental sector, and as well as continuing our development of the HNWI/private client sector. The 35% increase in annual sales is attributable to a 79% growth from the Governmental sector, 126% increase from the HNW sector, but a 2% slip from Corporates.

It is inevitable in such markets that our margins come under some pressure and the average Group margin has slipped approximately two percentage points during this period. However, it is important to remember that as a trading company Air Partner does not target a set margin, but transacts business at the best rate available each day. Nevertheless, it is pleasing that the lower margin has been more than offset by a 35% growth in sales.

Subject to shareholders' approval, the directors have recommended the payment of a final dividend of 22.6 pence (2007: 13.3 pence) per share that will be paid on 19 December 2008 to shareholders on the register at 14 November 2008. This makes a total dividend for the year of 30.0 pence (2007: 80.0 pence, which included a 60.0 pence special dividend) per share. The shares will be marked ex-dividend on 12 November 2008.

COMMERCIAL JETS (CJ)

This division represents 66% of total sales, and 52% of the gross profit and it remains the strongest part of our business activity in the UK and the overseas office network. It is a unique quality of the CJ team that we match the specialism of our people perfectly to the repeating requirements of our clients. This engenders a long term trust, as we continually deliver successful flights on a size and scale that others cannot achieve.

Whereas a decade ago the team was largely servicing the Corporate sector, today it majors on global Government sector clients. Given the growing agenda of leading powers to pursue active foreign policies, work levels are high and in today's climate such consistent business is an important source of income.

Our Government sector derived business now accounts for 43% (2007: 33%) of total Group sales in the period under review. Governments around the world require aircraft for a wide variety of needs, mostly in the short term and the Group has developed a close working relationship with many states to supply aircraft for anything from prime ministerial travel to peace-keeping troop movements.

They derive comfort from dealing with a large supplier with a long track record of outstanding service across thousands of contracts. Air Partner's strong financial security and the transparency of a fully quoted company allow us to ensure best delivery on all client programmes. The Group's financial strength also allows us to provide important and sometimes unique cash flow to our airline suppliers performing these contracts. This is in stark contrast to alternative bidders and whilst it is a strong USP for the Group, it doesn't override the need for us to be a best value bidder to continue winning new contracts.

Air Partner's wide spread of global commercial jets business has produced strong earnings, with notable performances in France, Italy and Germany, all significantly ahead of target. Tighter procurement budgets and increased competition have led to pressure on margins, and a curtailment of growth in the corporate sector in some territories. However, our diversity has ensured that where slippage has occurred it has been more than offset by disproportionate growth in other key areas, notably the specialist European leisure sector.

However, the high profile failure of airlines is expected to continue through this winter low season, and it is clear that there will be a very different airline landscape in 2009. Accordingly, the charter industry as a whole must now anticipate supply constraints in the future and these have the potential to be more limiting than any reduction in client spend. Over the past five years we have profited from an ample supply of competitive airline capacity to sell, but today, the charter industry's biggest concern is for the short term future of many of the supplier airlines ; traditionally supply returns quickly under improving markets. Consequently it should be a year of contrast: on the one hand, much reduced supply matched with higher prices creates difficult trading conditions for all brokers; on the other hand, however, historically, the Group has always benefited in the medium term from states of flux and the opportunities they generate. Additionally the experience of our professional team, our long trading history, the Group's financial security, and our excellent supplier relationships will all contribute to differentiate us from our peers.

PRIVATE JETS (PJ)

The PJ division spans ad hoc broking, JetCard sales, and our own in-house private jet operations. Total divisional sales were up 6% on the prior year; together PJ accounts for 23% of Group activity.

Ad hoc broking remains a very successful business that has continued to flourish this year, despite PJ being the division most exposed to corporate cutbacks. After two successive record years, we are still pleased to have achieved 95% of PJ's divisional target; this remains a strong achievement given the extremes of 2006 and 2007, and the lack of confidence in the economy today. It is worth noting that total sales for the period were 80% ahead of 2005.

The JetCard division continued to grow well both in terms of sales and profitability throughout the year. There are three essential components to be able to run a successful JetCard programme: volume, captive quality supply, and the ability to optimise the flight programme within your fleet. Air Partner has all three components and the programme is successful, running profitably at competitive rates and on better terms than our rivals. The division continues to perform above expectations; we have maintained client growth through the period, and had a high degree of repeat business. Looking forward we are cautiously investing in a demand driven soft launch of the JetCard across Europe.

The PJ Operating Company (APPJ Ltd.) has seen another year of progress. We are extremely pleased with the halo effect from our Biggin Hill operations, and fleet flight hours and sales turnover have both increased, together with its profitability. Private aviation remains a rapidly consolidating industry, with heavy regulation, high barriers to entry and only a finite number of available opportunities. Against this backdrop our Biggin Hill operations represent a fantastic and rare asset. Air Partner's challenge, as with all its operations, is to take this niche operation and grow the asset for the benefit of all shareholders and customers. Progress against this challenge continues, and in the period under review sales integration and fleet optimisation have been very good, a great testament to the work put in by many to integrate the business. There remain some legacy issues (from pre-acquisition), but most have now been resolved. Encouragingly, we are receiving strong feedback from clients of both our in-house flight operations, and also our third party jet maintenance activity. Moreover, following a recent audit, the regulatory authorities complimented the team on its high quality levels. We will continue to focus on growth and look at all options to build on the work done to date. Additionally, as previously announced, the Group is building a private jet enclave which will rival leading operations in the UK. The enclave's development was slightly delayed due to technical and legal reasons, but we are now at the tender stage ahead of commencing construction. We expect to open the facility in late 2010 and the project has already attracted further new business opportunities to the Group.

Private Jets are used by all three of our main client segments: Governments, Corporates and HNWs. The latter group is where we have concentrated our marketing efforts, and over the past 12 months we have seen the most sales growth. The world of private jets currently remains on a very different trajectory to that of the airline market. Despite a full year of the credit crunch and the high oil price, there is continuing evidence of exceptional growth and capital spending in the higher echelons in the private jet sector. This sentiment has remained throughout the period under review, although clear signs of reduced use have been emerging in some sectors since our year end. Industry observers concur, though, that the backlog of new jet orders through to 2014 and beyond should amply support the industry through any slower years.

FREIGHT

The smallest of the three main divisions, our Freight team is a highly focused, logistics team that delivers the impossible as a matter of routine. This year they were the first division to exceed their annual target, and they did so before the half year.

They went on to achieve over double that target and, in doing so, created strong loyalty from a group of clients who recognise the benefits of well organised rapid air movements of vital cargos. Consolidation of the team in the UK provides for central smart trading and procurement, using our overseas offices to expand our client portfolio locally. Expanding this business creates some issues: the average lead time of business is measured in hours not days, and it gains its trade from its clients' misfortunes or unfortunate necessities. We therefore take growth steadily and expand where we see the demand being sustainable. As elsewhere in the Group, Freight has a team of dedicated sales professionals with unrivalled logistical excellence, provided around the clock all year long. Divisional sales grew 134%, resulting in the business being some 10% (2007: 6%) of overall Group activity.

THE GLOBAL NETWORK -
REGIONAL VARIATIONS

One of the strengths of the group is its international diversity, which creates a spread of earnings across different geographical areas and local economies, each with its own variations for our local office. The UK office has continued to show its strength both in growth of sales and profitability and is unmatched in its network and clients. But beyond the UK, France, Germany, Italy, and Switzerland have provided us with the biggest gains this year. The USA has been the most demanding territory. We have had to accept a year of consolidation as a good outcome for the US market, given the poor trading conditions and our higher dependence on corporate clients.

The record French performance comes from a unique team that has an unbroken ten year history of strong contributions to the Group. This is particularly pleasing in the light of the Group's decision to purchase the division's minority shareholding last year.

It has been a long-standing policy of the company to re-invest today's profits in tomorrow's new territories. This year we have been establishing the two offices in Sweden and Benelux that were started in 2007, and working to grow the profitability of the existing overseas offices opened over the last decade. While our overseas territories provide critical earnings and growth for the parent, the UK market has proven to be very strong, as a result we have held back from new office openings in this period, in favour of investment of additional time and energies into the existing offices. Looking forward, there remain many business cities which could support a local office, all currently in the Western world.

OTHER DIVISIONS

Our Travel division, the Air Planner flight planning service, and our Emergency Planning division all performed ahead of target and each made an important contribution to the Group, providing the diversity of product that appeals to our clients. Air Partner strives to be the only truly global supplier of aircraft and aviation solutions and our progress in all divisions this year takes us closer to that goal, and continues to differentiate the Group from all other aviation companies. Whilst these other divisions account for just 1% of sales, this translates to 4% of profits.

One of many areas where Air Partner differs from its rivals is in its support network. Over recent years we have created, developed and enhanced in-house support for IT, Marketing and PR, Treasury and Finance, and HR to such a level that each operating division can draw on the resources it needs to meet its targets.

The roll-out of the new brand over the past 18 months has been well received, and very successful. The finance functions are meeting their targets and while we now have a robust IT platform, we will need to re-invest over the next year given the volume of trade now being pushed through it.

STRATEGIC UPDATE

The Group has benefited from both a consistent strategy and consistent management now for more than a decade. Each year we make definitive improvements whilst maintaining the integrity of the business. I am delighted that Aubrey Adams accepted our invitation to join us as Non-executive Chairman, and his arrival, and wide business experience has already been a great asset to the Group. This has allowed us to increase the time and commitment given to medium and long term planning, aided in no small way by a talented senior management team that focus on managing the trading business against annual divisional targets. His enthusiasm and vitality adds fresh impetus to our experienced Board. The Group continues to pursue further geographic growth as opportunities arise, and investment in our Biggin Hill operation and the wider team at every level. To this end we are making a significant investment in a formalised in-house learning and development centre.

AIR PARTNER ACADEMY

Above all, we never forget that Air Partner is a people business, and our commitment to personal development has been augmented by the creation of an Air Partner Academy in August 2008. The academy is a serious investment in the ongoing learning and development of all our team. It is a recognition that our business is human-capital intensive, and that it makes long term business sense to increase our investment in skills, and their optimisation. At its heart is the belief that we should be developing careers not just providing jobs. It runs at three levels: starters, expert, and management, and has a dedicated team whose role is to harness individual excellence and progress it throughout the international network. Significant resource and finances have been invested into the initiative, demonstrating the Board's confidence in the long term future of the business.

CURRENT TRADING & OUTLOOK

Seven years ago, the ramifications from the 9/11 tragedy required the Group to be more proactive and to seek out new opportunities as traditional ones were suspended. The Group's response demonstrated our resilience and we went on to achieve record results for that financial year. Reassuringly today, we believe the Group's structural integrity will ensure that we continue to be well-placed to seize new opportunities, and emerge stronger as and when economies recover. In these unusual times, the move to increase the core dividend by 50% announced today clearly demonstrates the Board's longer term confidence in the strength of the business.

After an exceptional fourth quarter, the first two months of trading, amidst dramatically weakening sentiment, have held up surprisingly well across our three main product divisions (Private Jets, Commercial Jets and Freight). In the last three weeks, where we have all been witness to a complete loss of confidence in the global banking system, the visibility of bookings has continued to reduce. The trend towards shortening forwards is somewhat contradicted by acceptable daily earnings statistics, leading us into Q2 with some uncertainty, but a measured degree of optimism given everything happening in the global economy today.

Today, we can feel pleased with past achievements but, as ever, the value of the company lies with its longer term capabilities.

David Savile, Chief Executive
16 October 2008

1
Our strength stems

2
Our team have masterminded some of the most complex civil aviation operations flown today. New missions are frequently launched at a moments notice, flying passengers and freight, any where, any time, on any type of aircraft.

1
City to City to save time.

2
Our own trained engineers have received the highest praise from in-house and third party owners, as well as the safety regulator.

3
Over 250 trained professionals around the world available 24 hours a day to solve your air travel problems.

4
Another polished performance awaits tonight's passengers.

Air Partner is the pre-eminent global private aviation company. We provide the very best of aircraft, to the most discerning of clients. Added value is intrinsic in everything we do.

Our reputation is of delivering successful flights, and flying some of the most complex missions undertaken in civil aviation today.

That success is underpinned by one simple fact…

We believe in each other.

Take a closer look…

Quality

Adding value is at the heart of everything we do.

Quality management; quality earnings; quality dividends.

Dependability

25 years of solid profitability.

25 years of consistent management.

Diversity

Solid blue chip revenues from Corporate, Government and Private HNW sectors.

Diversified earnings streams across Europe, North America, Middle East and the rest of the world.

Longevity

Established almost 50 years; built on long-term client and shareholder relationships.

19 years as a public company building real shareholder value.

Directors and Senior Management

Air Partner is, above all else, a people business, and our prime aim is to recruit and retain the finest aviation experts possible.

Continuity of management is also critical. Both the CEO
and CFO have served 25 years in the Group, the last decade and more in leadership on the Board.

Our senior managers each have an average of 21 years
in the industry and 12 years with the Group.

Recurrent training and personal mentoring is provided
by Cranfield School of Management to further collective
team development, at each and every level.

Executive Board

Aubrey Adams
Non-Executive Chairman, aged 59.

Formerly CEO of top commercial property agents Savills plc, Aubrey has a distinguished track record of growth over more than 25 years. His experience in providing leadership in a brokerage selling premium property to commercial and private clients transfers well into Air Partner's premium aircraft charter service.*

David Savile,
Chief Executive, aged 49.
Has over 30 years' experience in aircraft charter, 25 of which are with the Company. He joined in 1983, was appointed to the Board in 1987 in charge of day-to-day operations, and assumed his current role with full responsibility for the whole Group in 1997.

Stephanie White MBA
Chief Finance Officer, aged 45.
Joined the Company in 1983 with previous experience at National Westminster Bank. Stephanie became Finance Controller in 1994, and Finance Director in 1997. She has an MBA gained from Brighton University in 2001.

Mark Briffa
Chief Operating Officer, aged 44.
Having worked for Air Partner for over 11 years, in February 2006 Mark was appointed Chief Operating Officer with responsibility for all Group trading activities. He has over 19 years' experience in the aviation industry, and brings a wealth of trading and personnel talent to the Board.

Anthony Mack
Non-Executive Director, aged 59.
Joining his father's business in 1970, he became Managing Director in 1979. Appointed as Executive Chairman in 1985, he was responsible for floating the business on the USM in 1989, and achieving a full listing on the Stock Market in 1995.*

Richard Everitt
Non-executive director, aged 59.

Qualified as a solicitor in 1974 and after four years in private practice joined BAA. Following its privatisation, he joined the Board with responsibility for strategy and regulatory matters. In 2001 he became Chief Executive of National Air Traffic Services on its part privatisation. In December 2004, he joined the Port of London Authority as Chief Executive.*

7 Justin Barber
8 David Macdonald
9 Birte Püschel-Kipke
10 Gilles Meynard
11 Phil Mathews
12 Kevin Ducksbury
13 Simon King
14 Richard Smith
15 Richard Davies
16 Matthew Savage

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2008.

Principal activity and business review
The principal activity of the Group during the year continued to be aircraft charter brokering and other private aviation services to a diverse range of clients. The Chairman's Statement on pages 10 to 13 and the Chief Executive's Review set out on pages 14 to 20 give an assessment of the business. The Chief Executive's Review also includes details of expected future developments in the business of the Group.

Risks and uncertainties facing the Group
Approximately 94% of our business operates in aircraft charter broking which is a relatively low risk business; the industry normally only sells capacity that is owned and operated by a third party, with contracts normally placed as mirrored transactions; hence no risk is taken on buying capacity in advance of finding a client to use it. A high percentage of the Group's business is of an ad hoc nature, driven by the short term needs of the client. While the Group has operated in this environment for a large part of its long history, and is entirely comfortable with this the Group does not enjoy the luxury of a long forward order book. The three principal business divisions and their normal visibility periods are detailed from page 6 to 9.

Whereas our PJ operating company, at only 6% of the Group turnover, has an increased business risk (compared to pure broking) as the trade model requires each aircraft to fly a certain number of hours to cover its annual operating cost, before contributions pass to the bottom line. However, the Group is well positioned to place significant levels of charter capacity with the managed APPJ fleet. Both the Main Board and the Executive Board constantly review our business risks.

Corporate and social responsibility
The Group has an excellent reputation as a very good employer. It enjoys strong staff retention, and has many long term employees. The 10 senior managers have an average of 8 years working for the Group. Each employee is actively encouraged to build a long term career within the Group and there are frequent opportunities for career advancement, promotion and relocation around the global office network.

Air Partner continues to progress its carbon neutral strategy. An offsetting option has been available to all our clients on all contracts for some time, in addition to the Group's branded green JetCard. The Group's green team continues to work through the activities of the business to further identify ways to actively reduce our overall carbon footprint.

Key performance indicators
The main Key Performance Indicators (KPI's) reflect both financial and non-financial aspects and are aligned to our agreed strategic objectives:

Financial:
- Gross Profit - Up 19% to £29.9m
- Profit Before Tax - Up 21% to £9.2m
- Total Shareholder Return (TSR) - Down 30% to 2,747 pence
- Diluted EPS - Up 23% to 61.7 pence

Key operating management indicators:
- % of Gross Profit taken in Overheads - No change at 72%
- Turnover per team member - Up 15% to £997,000
- Gross Profit per team member - No change at £119,000
- Overheads per team member - Down 1% to £85,000

Non-financial:
- Growth in the number of clients "active" each financial year
- Retention of key team members
- Ongoing revenue diversification by client, product and geography

The directors feel it is not appropriate to report actual statistics on any of these indicators for reasons of commercial sensitivity.

Detailed segmental reporting is found in Note 2 of these financial statements.

Financial risks and treasury policies
The Group has significant operations outside the UK and as such is exposed to movements in exchange rates. This is reviewed on a quarterly basis and, to date, no contract to hedge this exposure has been deemed cost-effective.

Financial position

At the balance sheet date, the Group had £21m of cash balances. This level of cash and the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the Group. Within those cash balances however, there is a significant amount of pre-paid deferred income, which would be repayable on demand.

Results and dividends

The results for the year are set out in the income statement and show a profit, after taxation and minority interests, of £6,351,000 (2007: £5,089,000).

An interim dividend of 7.4 pence (2007: 6.7 pence) per share was paid on 16 May 2008. Subject to shareholders' approval, the directors recommend the payment of a final dividend of 22.6 pence (2007: 13.3 pence) per share that will be paid on 19 December 2008 to shareholders on the register at 14 November 2008; this makes a total dividend for the year of 30.0 pence (2007: 80.0 pence, which included a 60.0 pence special dividend) per share. The shares will be marked ex-dividend on 12 November 2008.

Directors and their interests

The directors who held office during the year had the following beneficial interests in the shares of the Company at the beginning (or date of appointment if later) and the end of the financial year:

a) Ordinary shares of 5 pence each fully paid up.

	31 July 2008	31 July 2007
A G Mack*†	1,761,567	1,761,567
D C W Savile	69,086	136,000
S J White	81,805	93,205
M A Briffa	24,600	20,600
S Srikanthan (Resigned 28th November 2007)	-	-
R Everitt*†	-	-
A J Adams*† (Appointed 1st April 2008)	20,000	-

* Member of the Remuneration Committee.
† Member of the Audit Committee.

b) No director has a non-beneficial interest in the shares of the Company.

c) Details of share options granted to the directors are disclosed on page 43.

d) None of the directors has any direct or indirect interest in any contract or arrangement subsisting at the date of these financial statements which is significant in relation to the business of the Group and which has not otherwise been disclosed.

e) S J White retires by rotation in accordance with the Company's Articles of Association and, being eligible, will offer herself for re-election at the Annual General Meeting.

f) A J Adams was appointed to the Board on 1st April 2008 and in accordance with the Company's Articles of Association will offer himself for election at the Annual General Meeting.

g) A G Mack retires by rotation in accordance with the Company's Articles of Association and, being eligible, will offer himself for re-election at the Annual General Meeting

h) The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year which remain in force at the date of this report.

i) The directors' interests stated above have not changed from 31 July 2008 to the date of notice for the Annual General Meeting.

Substantial shareholdings

Apart from the interest of A G Mack, the directors have confirmed with the shareholders the following interests of 3% or more as at 9 October 2008.

Shareholder:	Number of shares	% held
Framlington Investment Management Ltd	1,163,258	11.42%
Schroder Investments Ltd	1,020,000	10.01%
L&G Investment Management	608,610	5.97%
Hermes Investment Management Ltd	559,926	5.49%
Standard Life Investments	439,391	4.31%
JP Morgan Asset Management	429,900	4.22%
Aberforth Partners	419,526	4.12%

Going concern
The directors are satisfied that the Group and Company have adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis for the preparation of these financial statements.

Charitable and political contributions
The Group made charitable contributions totaling £15,274 (2007: £9,220), principally to local charities serving the communities in which the Group operates. No political donations were made in the current or prior period.

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

At 31 July 2008, the Company had an average of 8 days (2007: 8 days) and the Group 15 days (2007: 21 days), purchases outstanding in trade payables.

Financial instruments
There are detailed disclosures on the Group's treasury policy and key financial risks in note 18 to the financial statements on pages 67 to 71.

Working capital
The directors feel that the current levels of cash held within the business are commensurate with the management of the trading account. It should be borne in mind that there are wide peaks and troughs within each quarter, caused by differing client and supplier payment terms. An increased core dividend has been introduced this year to match the expected surplus of working capital requirements.

Shares and shareholders
The number of ordinary shares issued and fully paid at 31 July 2008 was 10,189,793 (2007: 9,974,893). The increase compared with 2007 reflects the issue of new ordinary shares to satisfy the share options exercised during the year under the Company Share Option Plan 2003.

Capital structure and shareholder rights
The authorised share capital of the company is £750,000 divided into 15,000,000 ordinary shares of 5 pence each. All ordinary shares have equal rights to dividends and capital and to vote at general meetings of the Company. The rights attached to ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association.

Annual General Meeting
The Annual General Meeting of the Company is to be held at 1pm on 10 December 2008 at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP. The notice for this meeting is set out at the end of this document.

Resolution 8 to be proposed at the Annual General Meeting asks shareholders to grant the directors authority under Section 80 of the Companies Act 1985 (the "Act") to allot shares up to a maximum aggregate nominal value of £169,660.00, being approximately 33.3% of the nominal issued ordinary share capital of the Company as at 9 October 2008 (being one third of the ordinary share capital in issue and the amount of ordinary share capital reserved for the issue of shares upon the exercise of options. Such amount is the maximum permitted amount under the best practice Corporate Governance guidelines). The authority will expire at the end of five years from the date of the passing of the resolution. The directors have no present intention of exercising such authority. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 28 November 2007.

If the directors wish to allot unissued shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in resolution 10 below, the Act requires that such shares or
other equity securities are offered first to existing shareholders in proportion to their existing holding.

Resolution 9 asks shareholders to grant the directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £25,474.48 (being 5% of the Company's issued ordinary share capital as at 9 October 2008) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at the end of five years from the date of the passing of the resolution. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 28 November 2007.

Resolution 10 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares of 5 pence each in the capital of the Company ("ordinary shares") for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the issued ordinary share capital, being 1,018,979 ordinary shares. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of (i) 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS). The minimum price payable by the Company for the purchase of its own ordinary shares will be 5 pence per share (being the amount equal to the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time.

Options to subscribe for up to 613,375 ordinary shares have been granted and are outstanding as at 9 October 2008 (being the latest practicable date prior to the posting of this document) representing 6.0% of the issued ordinary share capital at that date. If the directors were to exercise in full the power for which they are seeking authority under resolution 10, the options outstanding as at 9 October 2008 would represent 6.68% of the ordinary share capital in issue following such exercise.

Resolution 11 to be proposed at the Annual General Meeting seeks shareholder approval for the adoption of New Articles of Association to replace the existing Articles of Association. It is a number of years since a full review was made of the Company's Articles of Association. The companies Act 2006 (the "2006 Act") which is being implemented in stages and is expected to be fully in force by 1 October 2009 has brought about a number of changes in the law which need to be reflected in the Articles. The Company is therefore taking the opportunity to adopt new Articles of Association and reflect the changes brought about by the 2006 Act. The principal charges are set out in the "Explanatory notes of principal changes to the Company's Articles of Association" set out on pages 81to 83 of this document.

Resolution 12 to be proposed at the Annual General Meeting seeks shareholder approval for the increase to the "overall dilution limit" contained in Rule 4 of the Air Partner plc Company Share Option Plan 2003 ("the CSOP") from 15% to 20%. The dilution limit relates to the number of ordinary shares which may be issued under any share option scheme or share scheme operated by the Company (a "relevant scheme"). The limit is expressed as a percentage of ordinary shares in issue immediately before any proposed grant of new options and takes into account the number of new shares issued or issuable pursuant to options/awards granted under relevant schemes in the ten years to the proposed date of grant.

The increase to the dilution limit is required to: (i) remedy the small number of base ordinary shares in issue; (ii) reflect the rising number of employees in the Air Partner Group; and (iii) reflect the need for the Company to retain, motivate and incentivise
both senior management and the wider employee population using CSOP options.

Equal opportunities

The Group takes its policy on equal opportunities very seriously and aims to recruit and retain the most capable people without discrimination.

Statement of directors' responsibilities in relation to financial statements

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and have also elected to prepare financial statements for the Group in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.
International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the fair presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances,

a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

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

Responsibility statement

Each of the directors, the names of whom are set out in Directors' Report section of the Annual Report, confirms that to the best of his or her knowledge:

- the financial statements which have been prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Chairman's Statement and the Chief Executive's Review include a fair review of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The responsibility statement was approved by the Board of Directors on 16 October 2008.

Directors' statement as to the disclosure of information to auditors

Each director serving at the date of approval of the financial statements confirms that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Employee involvement

The directors appreciate the importance of promoting and maintaining good communication with the Group's employees and its policy to keep employees regularly informed on matters relating to their employment and business strategy. This is managed by quarterly newsletters, circulars and team briefings.

Over the past year we have continued to invest in learning and development; having established a team of coaches responsible for delivering the new Air Partner Academy. The Group continues to recognise the importance of developing all of the team, maintaining the correct environment and level of support needed to be successful.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Mazars LLP as auditor of the Company will be proposed at the Annual General Meeting.

S J White
Company Secretary
16 October 2008

Directors' Remuneration Report

INFORMATION NOT SUBJECT TO AUDIT
Membership of the Remuneration Committee is set out on page 42. It is responsible for determining, on behalf of the Board, the salary and benefits packages of the Chairman and executive directors. The Board as a whole determines the salary and benefits paid to the other executive directors of the subsidiary undertakings.

Under the Remuneration Committee policy external reviews are completed bi-annually, therefore no formal external comparisons were conducted this year (last review being in 2007). The Remuneration Committee will seek external advice ready for July 2009.

Travers Smith LLP, the Company's solicitors, provides advice in relation to any legal matters and share options rules.

Remuneration policy
Air Partner is a service business whose success in any given market conditions is ultimately dependent on the quality and performance of its people. The remuneration policy is consequently geared towards attracting and retaining the best people. The Remuneration Committee aims to ensure that overall remuneration is above average when compared with companies of a similar size and complexity. As well as external comparison, each executive director's remuneration is determined by reference to individual competence and both individual and corporate performance in any given year with an emphasis of remuneration to be substantially performance related.

The package consists of basic salary, share options, performance related bonuses and pensions. Other benefits include private health for themselves and families, life cover and reimbursement of home telephone expenses.

Individual components of remuneration:
Basic salary and benefits
This is intended to reflect the individual responsibility, performance and experience of each director. The Remuneration Committee has determined that salaries will rise by an average of 4% in 2008/09 for the executive directors.

Personal performance bonus
Each executive director (excluding A G Mack) is entitled to performance related pay up to a maximum of 10% of salary for achieving specific non-financial targets based on the medium-term strategy of the business. These targets were fully achieved in the current year.

Profit related bonus
The bonus is based on a target which is set at the beginning of the year and which is intended to reflect a level of profitability that is equivalent to a reasonable return on shareholder funds. Bonuses paid to each director reflect individual areas of responsibility and the achievement of the target.

Pensions
Under the terms of their service contracts, D C W Savile, M A Briffa and S J White are eligible for contributions to personal pension schemes of their choice. The Company does not have any final salary pension schemes in place.

Share options
Share options are awarded to executives and other senior individuals at the Remuneration Committee's discretion. The aggregate market price for options awarded during any one year period may not exceed four times the individual's relevant emoluments. There is only one scheme open to directors at the current time, which was approved in 2003. This scheme does not have any performance criteria. Grants are awarded under both "approved" and "unapproved" parts of the plan according to current Inland Revenue rules. All outstanding options will lapse upon cessation of employment.

Service contracts
The executive directors have service contracts which contain a 12 month termination and notice clause. In the event of early termination of the contracts, each director is entitled to compensation equal to their basic salary and contractual benefits for the notice period.

The policy on termination payments is that the Company does not normally make payments beyond its contractual obligations. However, in exceptional circumstances, an additional ex-gratia payment may be considered based on factors including the director's past contribution and the circumstances of the director's departure.

Non-executive directors

The non-executive directors' appointments, fees and benefits are made and determined by the Chairman and the three executive directors. In the year S Srikanthan retired as a non-executive director, whilst A G Mack resigned as Chairman, replaced on a non-exectuive basis by A J Adams. Each non-executive director holds a letter of appointment. For R Everitt this is dated October 2004, and for A G Mack and A J Adams this is dated April 2008, and includes a rolling three-month notice clause.

Performance graph

The graph below shows the change in the total shareholder return for each of the last five financial years compared with the FTSE All Share index.

FTSE All Share index was selected as it represents the broadest equity market index in which the Company is a constituent member.

INFORMATION SUBJECT TO AUDIT

Directors' emoluments

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

	Salary/ fees £	Performance and profit related bonus £	Benefits £	Pension contributions £	2008 Total £	2007 Total £
Executive directors:						
D C W Savile	250,000	256,807	1,546	30,000	538,353	472,153
S J White	175,000	205,888	2,460	21,000	404,348	358,688
M A Briffa	160,000	156,542	1,592	19,200	337,334	246,053
Non-executive directors:						
S Srikanthan (Resigned 28th November 2007)	8,979	-	-	-	8,979	21,576
R Everitt	21,550	-	-	-	21,550	20,700
A G Mack	74,833	46,130	1,689	-	122,652	121,374
A J Adams (Appointed 1st April 2008)	29,000	-	-	-	29,000	-
	719,362	665,367	7,287	70,200	1,462,216	1,240,544

There were also gains on the exercise of share options of £81,250 for D C W Savile (2007: 194,000), £81,250 for S J White (2007: £194,000) and £81,250 for M A Briffa (2007: £363,750) under the Air Partner plc Company Share Option Plan 2003.

Share options

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

	Notes	Number of options 31 July 2007	Granted	Exercised	Lapsed	31 July 2008	Exercise price	Earliest date of exercise	Expiry date
D C W Savile	a)	10,000	-	(10,000)	-	-	387.50p	31 July 2007	31 July 2014
	b)	40,000	-	-	-	40,000	792.50p	21 November 2009	21 November 2016
	c)	20,000	-	-	-	20,000	1,316.00p	22 May 2010	22 May 2017
	d)	-	10,000	-	-	10,000	884.00p	31 Jan 2011	31 Jan 2018
		70,000	10,000	(10,000)	-	70,000			
S J White	a)	10,000	-	(10,000)	-	-	387.50p	31 July 2007	31 July 2014
	b)	40,000	-	-	-	40,000	792.50p	21 November 2009	21 November 2016
	c)	20,000	-	-	-	20,000	1,316.00p	22 May 2010	22 May 2017
	d)	-	10,000	-	-	10,000	884.00p	31 Jan 2011	31 Jan 2018
		70,000	10,000	(10,000)	-	70,000			
M A Briffa	a)	10,000	-	(10,000)	-	-	387.50p	31 July 2007	31 July 2014
	b)	40,000	-	-	-	40,000	792.50p	21 November 2009	21 November 2016
	c)	20,000	-	-	-	20,000	1,316.00p	22 May 2010	22 May 2017
	d)	-	10,000	-	-	10,000	884.00p	31 Jan 2011	31 Jan 2018
		70,000	10,000	(10,000)	-	70,000			
A G Mack		-	-	-	-	-	N/A	N/A	N/A
S Srikanthan (Resigned 28th November 2007)		-	-	-	-	-	N/A	N/A	N/A
R Everitt		-	-	-	-	-	N/A	N/A	N/A
A J Adams (Appointed 1st April 2008)		-	-	-	-	-	N/A	N/A	N/A

The market price on exercise of the share options in the year was 1,200 pence.
The options are exercisable as follows:
a), b), c) and d)-These options have no performance criteria.
The market price of the shares at 31 July 2008 was 764.5 pence (31 July 2007: 1,165 pence) and ranged between 705 pence and 1,310 pence during the year.
The average share price during the year was 980 pence.

On behalf of the Board

R Everitt
Chairman of the Remuneration Committee
16 October 2008

Corporate Governance Statement

The Company is committed to the principles of good corporate governance. The Listing Rules of the Financial Services Authority require listed companies to disclose how they comply with the principles and provisions contained in the 2006 Combined Code on Corporate Governance ("the Code"). This report explains how the directors seek to apply the requirements of the Code to procedures within the Group.

Compliance with the combined code
For the financial year ended 31 July 2008 and in the period up to the date of approval of this report, the Board considers it has complied with the aspects of the Code except as follows:

a) Up until April 2008 the Audit Committee did not consist exclusively of independent non-executive directors as envisaged by the Code as A G Mack is a member of the Committee (C.3.1).

b) The non-executive directors have rolling three-month contracts rather than contracts for a fixed term as envisaged by the Code (A.7.2).

c) The Remuneration Committee met four times during the year. Up until April 2008 it did not consist exclusively of independent non-executive directors as envisaged by the Code as A G Mack is a member of the Committee (B.2.1).

d) Although the Company has clear procedures and controls in place there is no formal framework laid down for the manner in which the Board reviews the effectiveness of these internal controls. No formal review is carried out on an annual basis, although the Board keeps such controls under ongoing review. This covers all controls including financial, operational and compliance controls in addition to risk management systems (C.2.1).

e) No formal Nomination Committee has been set up by the Board; all matters regarding the appointment of non-executive directors are made by the Board as a whole. Independent consultants are used to source potential candidates. In view of the size of the Company the Board considers it appropriate to undertake this function as a whole (A.4.6).

f) Performance evaluation of the Board, its Committees and the individual directors is ongoing on a month to month basis and is not formally recorded or minuted (A.6.1).

g) The Audit Committee does not have formal written terms of reference (C.3.2), which are therefore not available (C.3.3) nor are there formal arrangements in place whereby staff may raise concerns in confidence (C.3.4). This also applies to the Remuneration Committee (B.2.1). These remain under review.

Due to the size and operating structure of the Company at the present time, the above exceptions are not considered materially important to the Company's short-term business performance. As the Company develops, specific areas of non-compliance will be reviewed.

Applying The Principles Of The Code
Board constitution and effectiveness
The Board currently comprises of three executive and three non-executive directors, including the Chairman who is responsible for running the Board. Thus the non-executive directors make up at least one third of the membership of the Board. It is the Board's opinion, given the size of the Group, that the current composition of the Board fulfils the requirements of the Combined Code, such that no individual or group of individuals can dominate the Board's decision making.

The roles of the Chairman and Chief Executive are split. The Chairman is A J Adams, the Chief Executive is D C W Savile and the senior independent non-executive director is R Everitt.

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

The Board carries the ultimate responsibility for the conduct of the Group's business. It meets on a monthly basis, excepting a summer and a Christmas break, and more frequently if required. It receives regular and ad hoc presentations to ensure it has timely information needed to discharge its duties.

During the year the Board met on thirteen occasions. S Srikanthan was absent for one of these meetings, M A Briffa was absent for two meetings and R Everitt was absent for three meetings.

Every country manager or department head had the opportunity to present their business strategy to the Main Board during the year, giving an up to date overview of all business issues, future plans and opportunities and ensuring everyone is aligned with the Group strategy.

All directors are required to be submitted for re-election at least every three years, with at least one third of the Board needed to stand at any one Annual General Meeting.

Remuneration policy for individual executive packages is disclosed in the Directors' Remuneration Report.

Board responsibilities
The Board acknowledges the division of responsibilities for running the Board and managing the Group's business. A summary of the respective roles and responsibilities follows.

The Chairman is expected to:

• ensure the Board follows and reviews a strategy which will deliver sustained increasing shareholder value;
• lead the Board, creating the right environment for the overall Board and individual effectiveness, both inside and outside the boardroom;
• ensure new directors have the appropriate induction to the requirements of the Board;
• lead the Board, by monitoring and challenging all aspects of operational performance; and
• ensure the Group follows good corporate governance practice.

The Chief Executive is expected to:

• set, communicate and implement Group strategy throughout all the business units;
• provide effective Group leadership;
• take responsibility for the day-to-day management of the Group in-line with the agreed strategy and parameters set by the Board;
• deliver results according to the agreed targets and budgets;
• ensure appropriate levels of management and resources are in place in order to achieve such targets; and
• ensure in conjunction with the Chief Finance Officer, effective communication with its shareholders, customers, employees and other stakeholders.

Communication with shareholders
The Board has developed a comprehensive programme to ensure that effective communication by both executive and non-executive directors with shareholders, analysts and the financial press is maintained throughout the year. This is achieved through its Annual and Interim Reports, results and other announcements, as well as through presentations to institutional shareholders. In addition, the Group publishes its statutory accounts and various Group policies on its website and has developed this site in an effort to communicate more readily with a wider audience of shareholders. The Board seeks to present its strategy and performance in an objective and balanced manner.

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

Details of the resolutions to be proposed at the Annual General Meeting can be found within the Notice of meeting on pages 78 to 80. In accordance with the Combined Code the votes cast by proxy will again be declared at the meeting after the votes have been cast.

The Board and its Committees
The directors have access to the Company Secretary, S J White, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary, whose appointment or removal is a matter for the Board as a whole, if requested to do so by individual directors, facilitates the provision of independent professional advice at the Group's expense. The Board meets regularly throughout the year, with a formal schedule of matters specifically reserved to it for decision. These include strategy plans, the approval of financial statements, major non-recurring projects, business risk assessment and

new initiatives. The Board receives appropriate and timely information in order to enable it to properly discharge its duties. The day-to-day running of the Group is delegated to D C W Savile, S J White, M A Briffa and the Senior Management team.

Audit Committee report

The Audit Committee met twice during the year under the chairmanship of A J Adams along with R Everitt as a non-executive director and A G Mack, who represents the shareholders by virtue of his 17.29% shareholding. All members attended both meetings. Although not members, the external auditor and the Chief Finance Officer were invited to attend these meetings, allowing the Chief Finance Officer to leave at the end of each meeting in order for the committee to have private discussions with the auditor.

The content and scope of the external audits are agreed in advance of any audit and any matters arising from the Auditor's report are discussed prior to the approval of the financial statements being signed off. The Audit Committee reviews and monitors the Group's internal financial controls, whilst the Board itself monitors and reviews all internal controls, systems and procedures along with risk management assessments.

The Audit Committee meets with the external auditors twice each year to review historic numbers and any future changes that will affect the business going forward. Mazars LLP are the current principal auditors and liaise with the Audit Committee regarding the current details of work undertaken for the Group. A distinction is made between audit and non-audit business so as to ensure the auditor retains objectivity and independence.

The Audit Committee judges the external auditors' independence and the effectiveness of the audit process, taking into consideration relevant UK regulatory requirements. The Committee is required to report its finding to the Board, making any necessary recommendations for action or improvements.

Remuneration Committee report

The Group has constituted a Remuneration Committee under the Chairmanship of R Everitt to provide recommendations to the Board on the framework for executive director remuneration. The other members of the Committee are A J Adams and A G Mack. The Remuneration Committee met four times during the year with all members in attendance. The Remuneration Committee's report is given in full on pages 41 to 43.

Internal control

The full Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In establishing this system, the directors have considered the nature of the Group's business, with regard to the risks to which that particular business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance. An internal audit function is currently being constructed and will be fully operational within the next 12 months. The key procedures currently in place are as follows:

- detailed and comprehensive budgeting systems, with a full operating forecast for 12 months and a longer term, five year strategic plan, both formally approved by the Board;
- business performance reports are circulated on a daily basis for sales bookings, with full results being produced monthly;
- quarterly divisional reports are also formally submitted for the Board to review;
- clearly defined authority limits and controls are in place over contract signing limits, purchasing commitments and capital expenditure;
- complex treasury instruments are not used in the normal course of business, any specific projects that may involve such instruments are put to the Board; and
- the directors confirm that they keep the effectiveness of the system of internal control under review.

Independent Auditors' Report
To the members of Air Partner plc

We have audited the group and parent company financial statements (the "financial statements") of Air Partner plc for the year ended 31 July 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and related notes. These company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of directors' responsibilities the company's directors are responsible for the preparation of the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements and part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements with the parent company financial statements.

We read other information contained in the Annual Report, and consider the implications for our report if we become aware of any apparent material misstatements or material inconsistencies with the company financial statements. This other information comprises only the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Chief Executive's Review. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

• the group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the group's affairs as at 31 July 2008 and of its profit for the year then ended;
• the parent company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 July 2008;
• the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the ISA Regulation; and
• the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP
Chartered Accountants
and Registered Auditors
Tower Bridge House
St Katharine's Way
London
E1W 1DD
16 October 2008

Financial Statements

Consolidated income statement
for the year ended 31 July 2008

Continuing operations	Note	2008 £'000	2007 £'000
Revenue	2	251,315	185,780
Cost of sales		(221,410)	(160,600)
Gross profit		29,905	25,180
Administrative expenses		(21,444)	(18,233)
Operating profit	3	8,461	6,947
Finance income	5	784	668
Finance costs	5	(2)	(9)
Profit before tax		9,243	7,606
Taxation	6	(2,892)	(2,511)
Profit for the period		6,351	5,095
Attributable to:			
Equity holders of the parent company		6,351	5,089
Minority interests		-	6
		6,351	5,095
Earnings per share:			
Basic	8	62.6p	51.8p
Diluted	8	61.7p	50.3p

Consolidated statement of recognised income and expense
for the year ended 31 July 2008

	2008 £'000	2007 £'000
Exchange differences on translation of foreign operations	645	(175)
Net gain/(expense) recognised directly in equity	645	(175)
Profit for the period	6,351	5,095
Total recognised income and expense for the period	6,996	4,920
Attributable to:		
Equity holders of the parent company	6,996	4,909
Minority interests	-	11
	6,996	4,920

Consolidated balance sheet

as at 31 July 2008

Assets	Note	2008 £'000	2007 £'000
Non-current assets			
Goodwill	9	4,374	3,619
Other intangible assets	10	204	379
Property, plant and equipment	11	1,852	1,421
Deferred tax assets	22	292	157
		6,722	5,576
Current assets			
Inventories	14	434	395
Trade and other receivables	15	30,388	26,675
Cash and cash equivalents		20,756	19,479
		51,578	46,549
Total assets		58,300	52,125
Current liabilities			
Trade and other payables	16	(10,040)	(9,763)
Financial liabilities	18	(217)	(170)
Current tax liabilities		(1,422)	(1,164)
Other liabilities	17	(29,503)	(23,605)
		(41,182)	(34,702)
Net current assets		10,396	11,847
Non-current liabilities			
Deferred tax liabilities	22	(36)	(76)
		(36)	(76)
Total liabilities		(41,218)	(34,778)
Net assets		17,082	17,347
Equity			
Share capital	24	509	499
Share premium account	25	4,264	3,475
Translation reserve	25	356	(289)
Share option reserve	25	591	454
Retained earnings	25	11,362	13,023
Equity attributable to equity holders of the parent		17,082	17,162
Minority equity interest	25	-	185
Total equity		17,082	17,347

These financial statements were approved and authorised for issue by the Board on 16 October 2008 and are signed on its behalf by:

S J White
Director

M A Briffa
Director

Company balance sheet

as at 31 July 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	685	257
Deferred tax assets	22	256	236
Investments	12	4,060	3,193
Other receivables	13	2,500	3,000
		7,501	6,686
Current assets			
Trade and other receivables	15	12,710	10,106
Cash and cash equivalents		10,569	9,177
		23,279	19,283
Total assets		30,780	25,969
Current liabilities			
Trade and other payables	16	(3,071)	(2,008)
Financial liabilities	18	(217)	(170)
Current tax liabilities		(836)	(713)
Other liabilities	17	(15,000)	(10,006)
		(19,124)	(12,897)
Net current assets		4,155	6,386
Total liabilities		(19,124)	(12,897)
Net assets		11,656	13,072
Equity			
Share capital	24	509	499
Share premium account	25	4,264	3,475
Share option reserve	25	591	454
Retained earnings	25	6,292	8,644
Total equity		11,656	13,072

These financial statements were approved and authorised for issue by the Board on 16 October 2008 and are signed on its behalf by:

S J White
Director

M A Briffa
Director

Consolidated and company cash flow statement

for the year ended 31 July 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Net cash inflow from operating activities	26	9,440	12,097	7,690	5,686
Investing activities					
Interest received		784	668	450	483
Dividends received		-	-	1,592	782
Proceeds on disposal of property, plant and equipment		-	1,638	-	3
Purchase of minority interest		(935)	-	-	-
Acquisition of subsidiaries (net of cash acquired)		-	(2,104)	(882)	(2,191)
Purchases of property, plant and equipment		(697)	(968)	(536)	(78)
Net cash (used in)/generated by investing activities		(848)	(766)	624	(1,001)
Financing activities					
Dividends paid		(8,221)	(2,030)	(8,221)	(1,866)
Decrease in bank loans		-	(2,533)	-	-
Amounts owed by group undertakings		-	-	500	-
Proceeds on issue of shares		799	910	799	910
Net cash used in financing activities		(7,422)	(3,653)	(6,922)	(956)
Net increase in cash and cash equivalents		1,770	7,678	1,392	3,729
Opening cash and cash equivalents		19,479	11,931	9,177	5,512
Effect of foreign exchange rate changes		107	(130)	-	(64)
Closing cash and cash equivalents		20,756	19,479	10,569	9,177

Notes to the financial statements

for the year ended 31 July 2008

1 ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, including International Accounting Standards ("IAS"), interpretations ("IFRIC") issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in Sterling and, unless otherwise stated, rounded to the nearest thousand. They are prepared on the historical cost basis, except for the revaluation of certain financial instruments which are stated at fair value.

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2 Share-based Payment - revised 2008 (effective 1 January 2009)

IFRS 3 Business Combinations - revised 2008 (effective 1 July 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IAS 1 Presentation of Financial Statements - revised 2007 (effective 1 January 2009)

IAS 23 Borrowing Costs - revised 2007 (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements - revised 2008 (effective 1 July 2009)

IAS 28 Investments in Associates - revised 2008 (effective 1 January 2009)

IAS 31 Interests in Joint Ventures - revised 2008 (effective 1 January 2009)

IAS 32 Financial Instruments: Presentation - revised 2008 (effective 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement - revised 2008 (effective 1 January 2009)

May 2008 revisions as a result of the Annual Improvements Project (effective 1 January 2009)

IFRIC 12 Service Concession Arrangements (effective 1 January 2008)

IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction (effective 1 January 2008)

IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant Standards and Interpretations come into effect.

IFRS 7 Financial Instruments: Disclosures became effective from 1 January 2007.This standard replaces disclosure rules previously set out in IAS 32 Financial Instruments: Presentation and Disclosures.

All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. This adoption of a new standard has not had an effect on the equity or profit for the current or prior years.

IAS 1 Presentation of Financial Statements: Capital Disclosures became effective as from 1 January 2007. This amendment requires new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. All disclosures relating to the Group's capital management including all comparative information has been updated to reflect the new requirements.

b) Basis of consolidation

The consolidated financial statements include the results of the Company (including its branch in Spain and Japan) and its subsidiary undertakings, all of which have been made up to 31 July 2008.

i) Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Where necessary, adjustments are made to the financial statements of subsidiaries to bring in their accounting policies into line with those used by the Group.

ii) Transactions eliminated on consolidation
Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

iii) Minority interests
Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amounts of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination.

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

ii) Financial statements of foreign operations
The assets and liabilities of overseas foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average rate for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve.

d) Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement by instalments over the estimated useful lives as follows:

Short leasehold property	-	over the life of the lease
Leasehold improvements	-	over the life of the lease
Plant and equipment	-	17-33% per annum on a straight-line basis
Motor vehicles	-	25% per annum on a reducing balance basis
Aircraft	-	10% per annum on a straight-line basis

e) Revenue
Revenue is measured from the fair value of the consideration received for the provision of goods and services to third-party customers and is stated exclusive of Value Added Tax. In respect of the Group's principal activities (being that of air charter brokers hiring aircraft for charter to its customers) and the provision of travel agency services the full contract value is realised as revenue when the economic benefits are deemed to have passed to the customer. That is classified when the first flight of a particular contract has taken place. Income from aircraft leasing is recognised on a straight-line basis over the term of the relevant lease.

f) Share-based payments
The Group will from time to time offer employees the chance to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options.

Prior to 2007, the fair value of the options granted was measured using the Black Scholes model. From 2007 onwards, the fair value of the options granted was measured using the Trinominal model on the basis it offers a more comprehensive and realistic share option value. Previous options will remain at their historic, Black Scholes model value as there is no material valuation difference to the Trinomial model.

g) Taxation
The tax expense represents current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to the tax payable in respect of previous years.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

h) Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income or expenditure from operating leases is recognised on a straight-line basis over the lease term.

i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

j) Derivative financial instruments
The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately. Derivatives not designated into an effective hedge relationship are classified as a current financial asset or a current financial liability.

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

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

k) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

l) Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

m) Assets under construction
Assets under construction are carried at cost less any recognised impairment losses. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

n) Goodwill
Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

o) Key accounting estimates and judgments

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

i) Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimations (see note 9).

p) Impairment of assets
Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment, investments measured using a cost basis and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use to the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash-generating unit's or asset's value in use, 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 risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

q) Intangible assets - arising on business combinations
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be reliably measured. The cost of such intangible assets is their fair value at the acquisition date. Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer relationships- 33% per annum on a straight-line basis

r) Inventories
Inventories represent spare aircraft parts which are used in the repair and maintenance of all aircraft used by the Group. Inventories are valued at the lesser of cost and net realisable value computed on the first in first out basis. Items are invoiced out to customers when utilised in repairs and maintenance.

s) Financial assets
Financial assets, other than hedging instruments, can be divided into the following categories:
• Loans and receivables
• Financial assets at fair value through profit or loss

Generally, Air Partner recognises all financial assets using trade day accounting. An assessment of whether a financial asset is impaired is made at each reporting date. For receivables, this is based on the latest credit information available, i.e. recent defaults and external credit ratings. Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the income statement line item 'Finance Cost' or 'Finance Income' respectively.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty.

Financial assets at fair value through profit or loss include financial assets that are automatically categorised as fair value through profit or loss as per IAS 39.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions.

t) Financial liabilities and equity instruments issued by the Group

Equity instruments

An equity instrument is a contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items 'Finance Costs' and 'Finance Income'.

u) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the Company's shareholders.

v) Segmental reporting

At 31 July 2008, the Group is organised into geographical businesses. The geographic regions are the Group's primary reporting format for segment information as they represent the dominant source and nature of the Group's risks and returns. The Group's secondary reporting format is business segments: Private Jets, Commercial Jets, Freight and Other.

Segment assets include all intangible assets, property, plant and equipment, inventories, trade and other receivables, cash and cash equivalents and deferred tax assets. Segment liabilities comprise mainly trade and other payables and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment.

2 SEGMENTAL ANALYSIS

Segmental information is presented in respect of the Group's geographical and business markets. The primary format, geographical segments, is based on the Group's management and internal reporting structure and is organised in four areas: United Kingdom, Europe, United States of America and the Rest of the World. The figures in the segments are based on the location of the asset The following table provides analysis between each geographical market:

2008	United Kingdom £'000	Europe £'000	United States of America £'000	Rest of the World £'000	Consolidated £'000
Revenue	152,000	76,589	19,088	3,638	251,315
Segment operating profit	5,934	1,626	882	19	8,461
Finance income	-	-	-	-	784
Finance costs	-	-	-	-	(2)
Profit before tax	-	-	-	-	9,243
Taxation	-	-	-	-	(2,892)
Profit for the period	-	-	-	-	6,351
Segment assets	31,846	21,564	3,407	1,483	58,300
Segment liabilities	20,811	19,090	1,143	174	41,218
Amortisation	175	-	-	-	175
Depreciation	252	64	2	72	390
Capital expenditure	641	56	-	-	697

2007	United Kingdom £'000	Europe £'000	United States of America £'000	Rest of the World £'000	Consolidated £'000
Revenue	107,935	57,970	16,041	3,834	185,780
Segment operating profit	4,324	1,313	856	454	6,947
Finance income	-	-	-	-	668
Finance costs	-	-	-	-	(9)
Profit before tax	-	-	-	-	7,606
Taxation	-	-	-	-	(2,511)
Profit for the period	-	-	-	-	5,095
Segment assets	25,594	18,963	4,236	3,332	52,125
Segment liabilities	14,035	17,062	2,060	457	33,614
Amortisation	146	-	-	-	146
Depreciation	185	53	2	72	312
Capital expenditure	131	83	-	754	968

The secondary format, business segments, is derived by allocating revenue based on the size of aircraft being flown or whether cargo is involved.

Private jets are aircraft with up to 20 seats, commercial jets are aircraft with over 20 seats and, freight are flights primarily carrying cargo. All remaining activities are classified as other.

Business segment - revenue	2008 £'000	2007 £'000	Business segment - assets 2008 £'000	2007 £'000
Private jets	58,644	55,282	17,210	15,685
Commercial jets	165,415	117,525	35,016	30,929
Freight	24,687	10,527	3,138	2,591
Other	2,569	2,446	2,936	2,920
	251,315	185,780	58,300	52,125

Business segment - operating profit			Business segment - capital expenditure	
Private jets	3,178	2,783	289	91
Commercial jets	4,418	3,717	375	112
Freight	558	120	17	10
Other	307	327	16	755
	8,461	6,947	697	968
Finance income	784	668		
Finance costs	(2)	(9)		
Profit before tax	9,243	7,606		
Taxation	(2,892)	(2,511)		
Profit for the period	6,351	5,095		

3 OPERATING PROFIT

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

	2008 £'000	2007 £'000
Net foreign exchange loss	551	122
Change in financial liabilities	(47)	198
Profit on disposal of property, plant and equipment	-	(78)
Depreciation of property, plant and equipment	390	312
Amortisation of intangible fixed assets	175	146
Operating lease rentals - land and buildings	543	437
Operating lease rentals - aircraft leasing	1,040	698
Staff costs (see note 4)	14,215	12,167
Auditors' remuneration		
Group	118	134
Company	75	70

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

	2008 £'000	2007 £'000
The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	75	70
Total audit fees	75	70
Fees payable to the Company's auditors and their associates for other services to the Group		
-		
The auditing of accounts of associates of the company pursuant to legislation (including that of countries and territories outside Great Britain	-	-
- Tax services	18	9
- Other services	-	55
Total non-audit fees	18	64

The fees payable for Other services in 2007 above, have been included within directly attributable acquisition costs relating to the acquisition of Gold Air International Limited and therefore are not charged to operating profit.

4 DIRECTORS AND EMPLOYEES

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

	2008 Number	2007 Number
Operations	190	164
Administration	62	48
	252	212

	2008 £'000	2007 £'000
The aggregate payroll costs comprised:		
Wages and salaries	12,249	10,260
Social security costs	1,719	1,690
Pension costs	247	217
	14,215	12,167

The Group contributes to personal pension plans of certain employees and this cost is charged to the income statement in the year in which it is incurred.

Full disclosure of directors' emoluments, share options and directors' pension entitlements which form part of their remuneration packages, and their interests in the Company's share capital are disclosed in the Directors' Report on pages 36 to 40 and the Directors' Remuneration Report on pages 41 to 43.

5 FINANCE INCOME AND COSTS

Finance income	2008 £'000	2007 £'000
Interest on bank deposits	784	668

Bank deposits have been classified as loans and receivables in accordance with IAS 39.

Finance costs	2008 £'000	2007 £'000
Interest on bank overdrafts	2	9

Bank overdrafts have been classified as financial liabilities measured at amortised cost in accordance with IAS 39.

6 TAX

	2008 £'000	2007 £'000
Current income tax:		
UK corporation tax	1,803	1,636
Foreign tax	1,264	969

Current income tax charge	3,067	2,605
Deferred tax (see note 22)	(175)	(94)
	2,892	2,511

Corporation tax is calculated at 28% (2007: 30%) of the estimated assessable profit for the year.

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

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

	2008 £'000	2008 %	2007 £'000	2007 %
Profit on ordinary activities before tax	9,243	-	7,606	-
Tax at the UK corporation tax rate of 28% (2007: 30%)	2,588	89%	2,282	91%
Tax effect of expenses that are not deductible in determining taxable profit	108	4%	80	3%
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	256	9%	114	4%
Tax effect of capital allowances in excess of depreciation	(5)	-	(7)	-
Tax effect of other temporary differences	62	2%	146	6%
Tax effect of utilisation of tax losses	-	-	(93)	(4%)
Tax effect of prior year adjustments	(117)	(4%)	(11)	-
	2,892	100%	2,511	100%

7 DIVIDENDS

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for year ended 31 July 2007 of 13.3 pence (2006: 12.1 pence) per share	1,356	1,200
Special dividend for year ended 31 July 2007 of 60.0 pence per share	6,111	-
Interim dividend for year ended 31 July 2008 of 7.4 pence (2007: 6.7 pence) per share	754	666
	8,221	1,866
Proposed final dividend for the year ended 31 July 2008 of 22.6 pence (2007: 13.3 pence per share)	2,303	1,327

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8 EARNINGS PER SHARE

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

	2008 £'000	2007 £'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	6,351	5,089
Earnings for the purposes of diluted earnings per share	6,351	5,089
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	10,138,500	9,818,736
Effect of dilutive potential ordinary shares: share options	157,769	296,161
Weighted average number of ordinary shares for the purposes of diluted earnings per share	10,296,269	10,114,897

9 GOODWILL

	Goodwill £'000
Cost	
At 1 August 2006	-
Additions	3,619
At 1 August 2007	3,619
Additions	755
At 31 July 2008	4,374
Provision for impairment	
At 1 August 2006, 1 August 2007 & 31 July 2008	-
Net book value	
At 31 July 2008	4,374
At 31 July 2007	3,619

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The goodwill additions relate to the acquisition of the 45% minority interest of Air Partner International SAS.

Goodwill in Air Partner Private Jets Ltd has been measured on the basis of its value in use, by applying cash flow projections based on the financial budgets circulated to the Board covering a three-year period. In the case of goodwill in Air Partner International SAS, the period reviewed in terms of financial budgets is on a one-year basis. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The estimated growth rates are based on past performance and expectation of future changes in the market. The rate used to discount the forecast cash flows from each unit is 10.69%.

10 OTHER INTANGIBLE ASSETS

Group	Customer relationships £'000
Cost	
At 1 August 2006	-
Additions	525
At 1 August 2007 & 31 July 2008	525
Amortisation	
At 1 August 2006	-
Charge for the year	146
At 1 August 2007	146
Charge for the year	175
At 31 July 2008	321
Net book value	
At 31 July 2008	204
At 31 July 2007	379

Included in the £525,000 intangible asset above is a tax amortisation benefit of £121,000.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold property and leasehold improvements £'000	Aircraft £'000	Fixtures and equipment £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000 £'00
Cost						
At 1 August 2006	480	-	1,282	-	107	1,869
Exchange adjustments	-	-	(22)	-	(1)	(23)
Acquisitions	82	-	274	-	12	368
Additions	1	753	207	-	7	968
Disposals	(375)	-	(450)	-	(47)	(872)
At 1 August 2007	188	753	1,291	-	78	2,310
Exchange adjustments	-	102	113	-	9	224
Additions	20	-	199	389	89	697
Disposals	-	-	(202)	-	-	(202)
At 31 July 2008	208	855	1,401	389	176	3,029
Depreciation						
At 1 August 2006	393	-	1,004	-	47	1,444
Exchange adjustments	-	-	(21)	-	(1)	(22)
Charge for the year	18	68	205	-	21	312
Disposals	(375)	-	(426)	-	(44)	(845)
At 1 August 2007	36	68	762	-	23	889
Exchange adjustments	-	10	83	-	7	100
Charge for the year	20	72	263	-	35	390
Disposals	-	-	(202)	-	-	(202)
At 31 July 2008	56	150	906	-	65	1,177
Net book value						
At 31 July 2008	152	705	495	389	111	1,852
At 31 July 2007	152	685	529	-	55	1,421

Company	Short leasehold property £'000	Fixtures and equipment £'000	Assets under construction £'000	Motor vehicles £'000	Total
Cost					
At 1 August 2006	480	691	-	54	1,225
Additions	1	78	-	-	79
Disposals	(375)	(2)	-	(14)	(391)
At 1 August 2007	106	767	-	40	913
Additions	4	115	389	28	536
Disposals	-	-	-	-	-
At 31 July 2008	110	882	389	68	1,449
Depreciation					
At 1 August 2006	393	540	-	17	950
Charge for the year	17	67	-	9	93
Disposals	(375)	(1)	-	(11)	(387)
At 1 August 2007	35	606	-	15	656
Charge for the year	17	79	-	12	108
Disposals	-	-	-	-	-
At 31 July 2008	52	685	-	27	764
Net book value					
At 31 July 2008	58	197	389	41	685
At 31 July 2007	71	161	-	25	257

12 INVESTMENTS

Company	Total £'000
Shares in subsidiary undertakings at cost at 1 August 2006	310
Additions	2,191
Transfer of non-current assets held for resale to investments	692
Shares in subsidiary undertakings at cost at 1 August 2007	3,193
Additions	882
Liquidation of dormant subsidiaries	(15)

Shares in subsidiary undertakings at cost at 31 July 2008	4,060

The following is a list of the principal trading subsidiaries of which Air Partner plc is the beneficial owner:

Name	Principal activity	Country of incorporation	Holding
Air Partner International SAS	Air charter broking	France	100%
Air Partner International GmbH	Air charter broking	Germany	100%
Air Partner Inc	Air charter broking	US	100%
Air Partner Switzerland AG	Air charter broking	Switzerland	100%
Air Partner Travel Consultants Limited	Travel agency	England and Wales	100%
Air Partner Srl	Air charter broking	Italy	100%
Air Partner Leasing Pty Limited	Aircraft leasing	Australia	100%
Air Partner Leasing Pty No. 2 Limited	Aircraft leasing	Australia	100%
Air Partner Private Jets Limited	Aircraft management	England and Wales	100%
Air Partner Benelux BV	Air charter broking	Holland	100%
Air Partner Sweden AB	Air charter broking	Sweden	100%

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

13 OTHER RECEIVABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts owed by Group undertakings	-	-	2,500	3,000
	-	-	2,500	3,000

14 INVENTORIES

	2008 £'000	2007 £'000
Group		
Aircraft parts	434	395
	434	395

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Gross trade receivables	23,171	21,154	9,332	7,270
Allowance for bad and doubtful debts	(485)	(159)	(72)	(65)
Trade receivables	22,686	20,995	9,260	7,205
Amounts owed by Group undertakings	-	-	1,276	587
Social security and other taxes	128	73	78	58
Other receivables	679	99	6	1
Prepayments and accrued income	6,895	5,508	2,090	2,255
	30,388	26,675	12,710	10,106

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

All trade and other receivables have been reviewed for indicators of impairment.

Reconciliation of bad and doubtful debt provision.

	£'000
At 1 August 2006	165
Receivables written off during the year	(3)
Provision for doubtful receivables	(3)
At 31 July 2007	159

	£'000
At 1 August 2007	159
Receivables written off during the year	(92)
Provision for doubtful receivables	418

In addition, some of the unimpaired trade receivables are past due at the reporting date. The age of financial assets past due but not impaired is as follows:

	2008 £'000	2007 £'000
Not more than 3 months	5,250	5,151
More than 3 months but not more than 6 months	1,195	882
More than 6 months but not more than 1 year	57	56
More than 1 year	260	167

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts falling due within one year:				
Trade payables	9,296	9,193	2,927	1,875
Other taxation and social security payable	744	570	144	133
	10,040	9,763	3,071	2,008

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

17 OTHER LIABILITIES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Deferred income	17,997	12,913	8,001	4,850
Accruals	10,884	10,445	6,854	5,066
Other liabilities	622	247	145	90
	29,503	23,605	15,000	10,006

The directors consider that the carrying amount of other liabilities approximates their fair value.

18 FINANCIAL INSTRUMENTS

The objectives of the Group's treasury activities are to manage financial risk, minimise adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities and to ensure that the working capital requirements fit the needs of ongoing business.

The Group has various financial instruments such as cash, trade receivables and trade payables that arise directly from its operations, along with forward currency contracts undertaken to minimise risk on future business.

a) Interest rate risk

The Group's policy is to manage interest rate risk and to maximise its return from its cash balances. The Group's main interest rate risk is to variable rates on cash held at the bank. Certain cash balances are deposits on fixed interest terms, but are never lodged for more than three months to ensure that the Group does not suffer unduly from the risk of interest rate variation.

	Group	
	2008 £'000	2007 £'000
Cash held at year end on fixed interest rates	12,057	11,029
Cash held at year end on variable interest rates	8,699	8,450
	20,756	19,479

	Company	
	2008 £'000	2007 £'000
Cash held at year end on fixed interest rates	8,159	6,815
Cash held at year end on variable interest rates	2,410	2,362
	10,569	9,177

The following table illustrates the sensitivity of cash held on variable interest rates on profit before tax for the year to a reasonably possible change in interest rates, with effect from the beginning of the year. There was no impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions.

	Group			
	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash held at year end on variable interest rates	87	85	(87)	(85)

	Company			
	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash held at year end on variable interest rates	24	24	(24)	(24)

b) Credit risk
The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Group	
	2008 £'000	2007 £'000
Cash and cash equivalents	20,756	19,479
Trade and other receivables	30,260	26,602
	51,016	46,081

	Company	
	2008 £'000	2007 £'000
Cash and cash equivalents	10,569	9,177
Trade and other receivables	12,632	10,048
	23,201	19,225

The Group constantly monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to an external credit verification process.

The directors consider that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk, with exposure being spread over a large number of customers.

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

Refer to note 15 for the reconciliation of impairment losses.

c) Liquidity risk
The Group faces liquidity risks in paying operators before a flight occurs or before payment is received from the client. The Group aims to mitigate liquidity risk by, where possible, making payments to operators only once payment from the client has been received.

The Group manages cash within its operations and ensures that cash collection is efficiently managed. Any excess cash is placed on low-risk, short-term interest-bearing deposits or distributed to shareholders through dividends, although the company retains enough working capital in the business to ensure that the business operations can run smoothly.

As at 31 July 2008, the Group's liabilities have contractual maturities which are summarised below:

	Group							
	Current				Non-current			
	Within 6 months		6 to 12 months		1 to 5 years		More than 5 years	
	2008	2007	2008	2007	2008	2007	2008	2007
Trade and other payables	9,296	9,193	-	-	-	-	-	-
Other liabilities	29,503	23,605	-	-	-	-	-	-
Financial liabilities	217	170	-	-	-	-	-	-
	39,016	32,968	-	-	-	-	-	-

	Company							
	Current				Non-current			
	Within 6 months		6 to 12 months		1 to 5 years		More than 5 years	
	2008	2007	2008	2007	2008	2007	2008	2007
Trade and other payables	2,927	1,875	-	-	-	-	-	-
Other liabilities	15,000	10,006	-	-	-	-	-	-
Financial liabilities	217	170	-	-	-	-	-	-
	18,144	12,051	-	-	-	-	-	-

d) Foreign currency risk
The Group has invested in foreign operations outside the United Kingdom and also buys and sells goods and services denominated in currencies other than Sterling. As a result the value of the Group's non-Sterling revenue, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and in US Dollar and Euro rates in particular. The Group's policy on foreign currency risk is not to enter into forward contracts for buys/sells until a firm contract has been signed.

The Group considers using derivatives where appropriate to hedge its exposure to fluctuations in foreign exchange rates. The purpose is to manage the currency risks arising from the Group operations. It is the Group's policy that no trading in financial instruments will be undertaken.

Foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	Group							
	2008 £'000				2007 £'000			
	Eur €	US $	GBP £	Other	Eur €	US $	GBP £	Other
Nominal amounts								
Financial assets	21,613	3,943	24,346	1,114	18,842	5,146	21,091	1,002
Financial liabilities	17,704	1,056	19,747	509	16,249	2,011	14,328	380
Short-term exposure	39,317	4,999	44,093	1,623	35,091	7,157	35,419	1,382
Financial assets	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-
Long-term exposure	-	-	-	-	-	-	-	-
	39,317	4,999	44,093	1,623	35,091	7,157	35,419	1,382

	Company							
	2008 £'000				2007 £'000			
	Eur €	US $	GBP £	Other	Eur €	US $	GBP £	Other
Nominal amounts								
Financial assets	741	112	21,985	363	429	415	18,238	143
Financial liabilities	83	-	17,844	-	49	-	11,832	-
Short-term exposure	824	112	39,829	363	478	415	30,070	143
Financial assets	-	-	2,500	-	-	-	3,000	-
Financial liabilities	-	-	-	-	-	-	-	-

Long-term exposure	-	-	2,500	-	-	-	3,000	-
	824	112	42,329	363	478	415	33,070	143

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the Euro and US Dollar exchange rates, with all other variables held constant, on profit before tax and equity.

It assumes a 10% change of the Sterling/Euro exchange rate for the year ended 31 July 2008 (2007: 10%). A 10% change also assumed for the Sterling/US Dollar exchange rate (2007: 10%).

Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity is based on the Group's foreign currency financial instruments held at each balance sheet date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If Sterling had strengthened against the Euro and US Dollar by 10% (2007: 10%) and 10% (2007: 10%) respectively then this would have had the following impact:

		Group				
		2008			2007	
		£'000			£'000	
	Eur €	US $	Total	Eur €	US $	Total
Financial assets	(1,965)	(358)	(2,323)	(1,713)	(468)	(2,181)
Financial liabilities	1,602	98	1,700	1,496	189	1,685
Effect of profit before tax	(363)	(260)	(623)	(217)	(279)	(496)

		Company				
		2008			2007	
		£'000			£'000	
	Eur €	US $	Total	Eur €	US $	Total
Financial assets	(68)	(10)	(78)	(39)	(38)	(77)
Financial liabilities	9	-	9	6	-	6
Effect of profit before tax	(59)	(10)	(69)	(33)	(38)	(71)

If Sterling had weakened against the Euro and US Dollar by 10% (2007: 10%) and 10% (2007: 10%) respectively then this would have had the following impact:

	Group					
		2008			2007	
		£'000			£'000	
	Eur €	US $	Total	Eur €	US $	Total
Financial assets	2,401	438	2,839	2,094	572	2,666
Financial liabilities	(1,958)	(120)	(2,078)	(1,828)	(230)	(2,058)
Effect of profit before tax	443	318	761	266	342	608

	Company					
		2008			2007	
		£'000			£'000	
	Eur €	US $	Total	Eur €	US $	Total
Financial assets	83	12	95	48	46	94
Financial liabilities	(11)	-	(11)	(7)	-	(7)
Effect of profit before tax	72	12	84	41	46	87

e) Forward contracts
The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is a party to foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

These derivatives are classified as trading instruments and are therefore not accounted for under hedge accounting.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and any change in their fair value is recognised in the income statement.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below and their related fair value is as follows (terms not exceeding three months from 31 July 2008):

	Group & Company	
	2008	2007
	£'000	£'000
Forward foreign exchange contracts	7,707	6,652
Financial liability	(217)	(170)

Changes in the fair value of derivative financial instruments amounting to £47,000 have been debited to the income statement in the year (2007: £198,000).

The fair value of these contracts has been estimated using the contract exchange rate and the bank's current forward rate, which is quoted at a discounted rate.

f) Capital risk management
The Group's objectives when managing capital 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.

The Group currently has no long-term debt and therefore has no gearing.

19 FINANCIAL ASSETS BY CATEGORY

	Group	
	2008	2007
	£'000	£'000
Current Assets		
Derivative financial instruments:		
Financial assets held at fair value through profit or loss		
• Designated through profit or loss	-	-
• Held for trading	-	-
Non-financial instruments	562	468
Loans and receivables		
• Financial assets measured at amortised cost	51,016	46,081
	51,578	46,549

	Company	
	2008	2007
	£'000	£'000
Current Assets		
Derivative financial instruments:		
Financial assets held at fair value through profit or loss		
• Designated through profit or loss	-	-
• Held for trading	-	-
Non-financial instruments	78	58
Loans and receivables		
Financial assets measured at amortised cost	23,201	19,225
	23,279	19,283

Forward contracts classified as Held for trading are not held for speculative trading purposes, but are used to manage foreign currency risk.

The directors consider that the carrying amount of the financial assets approximate their fair value.

20 FINANCIAL LIABILITIES BY CATEGORY

	Group	
	2008	2007
	£'000	£'000

Current Liabilities		
Derivative financial instruments:		
Financial liabilities measured at fair value through profit or loss		
• Designated through profit or loss	-	-
• Held for trading	(217)	(170)
Non-financial instruments	(2,166)	(1,734)
Trade payables:		
Financial liabilities measured at amortised cost	(38,799)	(32,798)
	(41,182)	(34,702)

	Company	
	2008 £'000	2007 £'000
Current Liabilities		
Derivative financial instruments:		
Financial liabilities measured at fair value through profit or loss		
• Designated through profit or loss	-	-
• Held for trading	(217)	(170)
Non-financial instruments	(980)	(846)
Trade payables:		
Financial liabilities measured at amortised cost	(17,927)	(11,881)
	(19,124)	(12,897)

Forward contracts classified as Held for Trading are not held for speculative trading purposes, but are used to manage foreign currency risk.

The directors consider that the carrying amount of the financial liabilities approximate their fair value.

21 SHARE-BASED PAYMENTS

The Company has a share option scheme that entitles certain senior staff of the Group to shares in the Company. Options are exercisable at the price equal to the average quoted market price of the Company's shares on the date of the grant. The vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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

	2008		2007	
	Number of share options	Weighted average exercise price(pence)	Number of share options	Weighted average exercise price(pence)
Outstanding at beginning of the period	773,500	749.80	649,375	333.8
Granted during the period	87,675	870.9	433,500	1,047.6
Forfeited during the period	(32,900)	1,162.2	-	-
Exercised during the period	(214,900)	372.4	(309,375)	293.9
Outstanding at the end of the period	613,375	409.2	773,500	749.8
Exercisable at the end of the period	125,100	366.2	340,000	370.2

The weighted average remaining contractual life of share options outstanding at the year end is 7.25 years (2007: 7.52 years).

The range of exercise prices of outstanding share options at the year end was between 295.0 pence to 1,310.0 pence (2007: 295.0 pence to 1,310.0 pence).

Weighted average market price for the year on the exercise of options was 1,206 pence (2007: 873 pence).

The fair value received in return for share options granted are measured by reference to the fair value of the share options granted. The estimate of fair value of the services received is measured based on the Trinomial model. Options prior to 2007 were valued under the Black Scholes model. The contractual life of the option (10 years) is used as an input into this model.

The inputs into the Trinomial model are as follows:

	30 January 2008
Underlying share price (pence)	8.63
Exercise price (pence)	8.84
Expected volatility	37%
Vesting period	3
Option life	10 years
Employee exit rate	25%
Employee exercise multiple	1.5
Risk-free interest rate	4.50%
Dividend yield	3.5%

The share option awards are granted under a service condition, there are no performance or market conditions associated with the share options.

Expected volatility was determined by calculating the historical volatility of the Group's share price since June 1998, along with two other quoted companies that were considered to exhibit some degree of comparability with Air Partner.

The total charge for the year relating to employee share-based payment plans was £346,000 (2007: £213,000), all of which related to equity share-based payment transactions.

22 DEFERRED TAX

Deferred tax has been calculated at 28% in respect of UK companies and at the prevailing rates for the overseas subsidiaries. The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

Group	Accelerated tax depreciation £'000	Tax losses £'000	Share-based payment adjustment £'000	Hedging adjustment £'000	Intangibles £'000	Total £'000
At 1 August 2006	73	26	149	(9)	-	239
Recognised on Acquisition	(93)	-	-	-	(159)	(252)
Credit / (expense) to the income statement	80	(26)	(13)	9	44	94
At 1 August 2007	60	-	136	-	(115)	81
Credit to the income statement	39	42	41	-	53	175
At 31 July 2008	99	42	177	-	(62)	256

Company	Accelerated tax depreciation £'000	Share-based payment adjustment £'000	Hedging adjustment £'000	Total £'000
At 1 August 2006	134	149	(9)	274
Credit / (expense) to income statement	(34)	(13)	9	(38)
At 1 August 2007	100	136	-	236
Credit / (expense) to income statement	(21)	41	-	20
At 31 July 2008	79	177	-	256

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

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Deferred tax liabilities	(36)	(76)	-	-
Deferred tax assets	292	157	256	236
	256	81	256	236

No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the overseas tax paid by the dividend paying subsidiaries overall is sufficient to fully offset any UK tax liability.

23 EMPLOYEE BENEFITS

In the UK the Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held in individual personal pension schemes which are fully transferable if the employee leaves the Company.

Similar schemes operate across the rest of the Group depending on local regulations, and individual's social contribution levels. The amount of expense related to such pension contributions is disclosed in note 4.

24 SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
15,000,000 (2007: 15,000,000) ordinary shares of 5.0 pence each	750	750
Issued and fully paid:		
10,189,793 (2007: 9,974,893) ordinary shares of 5.0 pence each	509	499

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

25 STATEMENT OF CHANGES IN EQUITY

Group	Share capital £'000	Share premium account £'000	Share option reserve £'000	Translation reserve £'000	Retained earnings £'000	Minority interest £'000	Total equity £'000
Opening equity as at 1 August 2007	499	3,475	454	(289)	13,023	185	17,347
Exchange differences on translation of foreign operations	-	-	-	645	-	-	645
Net gain recognised directly in equity	-	-	-	645	-	-	645
Share option movement for period	-	-	346	-	-	-	346
Profit for the period	-	-	-	-	6,351	-	6,351
Total recognised income and expense for the period	-	-	346	-	6,351	-	6,697
Dividends	-	-	-	-	(8,221)	-	(8,221)
Purchase of minority interest	-	-	-	-	-	(185)	(185)
Issue of shares under share option scheme	10	789	(209)	-	209	-	799
Closing equity as at 31 July 2008	509	4,264	591	356	11,362	-	17,082

Company	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity as at 1 August 2007	499	3,475	454	8,644	13,072
Share option movement for period	-	-	346	-	346
Profit for the period	-	-	-	5,660	5,660
Total recognised income and expense for the period	-	-	346	5,660	6,006
Dividends	-	-	-	(8,221)	(8,221)
Issue of shares under share option scheme	10	789	(209)	209	799
Closing equity as at 31 July 2008	509	4,264	591	6,292	11,656

Translation reserve

The translation reserve represents the accumulated exchange differences arising from the impact of the translation of subsidiaries with a functional currency other than pounds Sterling.

Share option reserve
The share option reserve relates to the accumulated costs associated with the outstanding share options issued to staff but not exercised.

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating profit for the period	8,461	6,947	5,320	5,009
Adjustments for:				
Depreciation and amortisation	565	458	108	93
(Profit)/loss on disposal of property, plant and equipment	-	(78)	-	1
Movement on financial liability	47	198	47	198
Share option cost for period	346	213	346	213
Operating cash flows before movements in working capital	9,419	7,738	5,821	5,514
Increase in receivables	(3,713)	(522)	(2,604)	(2,589)
(Increase)/decrease in inventories	(39)	54	-	-
Increase in payables	6,584	6,979	6,072	4,187
Cash generated from operations	12,251	14,249	9,289	7,112
Income taxes paid	(2,809)	(2,143)	(1,598)	(1,423)
Interest paid	(2)	(9)	(1)	(3)
	9,440	12,097	7,690	5,686

27 OPERATING LEASE ARRANGEMENTS
The Group as lessee

	2008 Land and buildings £'000	2008 Aircraft leasing £'000	2007 Land and buildings £'000	2007 Aircraft leasing £'000
Minimum lease payments under operating leases recognised as costs for the year	543	1,040	437	698

At the balance sheet date, the Group has outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

Within one year	585	-	106	-
In the second to fifth year inclusive	2,292	1,800	796	1,489
After five years	19,440	-	-	-
	22,317	1,800	902	1,489

Operating lease payments represent rentals payable by the Group for certain office properties it uses and for certain aircraft in its Air Partner Private Jets business. Leases are negotiated in isolation, dependent on the trading conditions in the country/region concerned.

The Group as lessor
Operating leases relate to an aircraft that is owned by the Group.

	2008 Aircraft leasing £'000	2007 Aircraft leasing £'000
Within one year	151	148
In the second to fifth year inclusive	453	590
After five years	-	-
	604	738

Aircraft leasing rental income earned during the year was £154,000 (2007: £279,000).

28 PROFIT FOR THE FINANCIAL YEAR
The Group financial statements do not include a separate income statement for Air Partner plc (the parent undertaking) as permitted by Section 230 of the Companies Act 1985. The parent company profit after tax for the financial year is £5,660,000 (2007: £4,472,000) including dividends from subsidiary companies of £1,592,000 (2007: £1,051,000).

29 RELATED PARTY TRANSACTIONS

The Company had transactions in the ordinary course of business during the year under review with related parties.

Trading transactions	2008 £'000	2007 £'000
Subsidiaries		
Sales to subsidiaries	220	174
Purchases from subsidiaries	2,485	2,290
Amounts owed by subsidiaries at 31 July	1,118	40

Outstanding balances that relate to trading balances are placed on inter-company accounts with no specific credit period.

Loans to related parties	2008 £'000	2007 £'000
Loans to Air Partner Private Jets Limited	2,658	3,547

Loans repayable to the Company carry interest at a rate of 1% above the Bank of England's base rate per annum.

During the year, the Lee Baron Group Limited charged fees to the Group of £82,500 (2007: nil) in respect of project management on the development of a hangar in Biggin Hill. P Savile, brother of D C W Savile, is employed by the Lee Baron Group Limited. The initial contract negotiation for this was supervised by S J White and A G Mack, independent of D C W Savile. At the year end there was a balance of £7,500 owed to Lee Baron Group Ltd (2007: nil).

30 CONTINGENT LIABILITIES

The Group has a terminable indemnity for £240,000 (2007: £240,000) in respect of a passenger sales agency agreement and also a bank guarantee for £4,500 (2007: £4,500) lodged in regard to certain employee rights in Dubai.

31 EVENTS AFTER THE BALANCE SHEET DATE

On 19 August 2008 the Group signed an 80 year ground rent lease on a site at Biggin Hill for an annual rent of £261,189.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP at 1pm on 10 December 2008 for the transaction of the following business:

Ordinary business
As ordinary business to consider and, if thought fit, to pass the following resolutions of which 1 to 8 will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution:

1 To receive the Directors' Report and accounts for the year ended 31 July 2008 together with the auditor's report on those accounts and on the auditable part of the Directors' Remuneration Report.

2 To approve the Directors' Remuneration Report for the year ended 31 July 2008.

3 To declare and approve the payment of a final dividend for the year ended 31 July 2008 of 22.6 pence per ordinary share to holders of ordinary shares registered at the close of business on 14 November 2008.

4 To re-elect S J White as a director.

5 To elect A J Adams as a director, who has been appointed as a director since the last Annual General Meeting of the Company.

6 To re-elect A G Mack as a director.

7 To re-appoint Mazars LLP as auditor to the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to fix their remuneration.

8 THAT the directors be generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 (the "Act"), to exercise all powers of the Company to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £240,510.35 to such persons and at such times and on such terms as they think proper during the period of five years from the date of the passing of this resolution (unless previously revoked or varied by the Company in general meeting) and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority, so that all previous authorities of the directors pursuant to the said Section 80 be and are hereby revoked.

9 THAT the directors be and are empowered in accordance with Section 95 of the Companies Act 1985 (the "Act") to sell treasury shares (as defined in Section 162 of the Act) and, subject to the passing of resolution 8 set out in the Notice convening this Meeting, make other allotments of equity securities (and the expression "allotment of equity securities" and like expressions used in this resolution shall have the meaning given to them by virtue of Section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in Section 80 of the Act) by that resolution, in each case as if Section 89(1) and sub-sections (1) - (6) of Section 90 of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:

i) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering (other than the Company itself in respect of any shares held by it as treasury shares) where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

ii) the allotment (otherwise than pursuant to paragraph 9(i) above) of equity securities up to an aggregate nominal value not exceeding £25,474.48; and this power, unless renewed, shall expire at the end of five years from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require an allotment of equity securities to be made after such expiry and the directors may make an allotment of equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

10 THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 5 pence each in the capital of the Company ("ordinary shares") provided that:

i) the maximum number of ordinary shares hereby authorised to be purchased is 1,018,979;

ii) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5 pence per share, being the nominal amount thereof;

iii) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);

iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and

v) the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

11 THAT pursuant to section 9 of the Companies Act 1985, the Articles of Association of the Company be deleted in their entirety and the regulations contained in the document submitted to the meeting, and initialed by the Chairman for the purpose of identification, be approved and adopted as the Articles of Association in substitution of and to the exclusion of, the existing Articles of Association of the Company.

12 THAT the directors of the Company be authorised to:
i) amend Rule 41 of the Air Partner plc Company Share Option Plan 2003 in order to increase the overall dilution limit from 15% to 20%; and
ii) do all such things as may be necessary to give effect to the aforementioned amendment.

S J White
Company Secretary
16 October 2008

1 A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than 1 proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Completion of the Form of Proxy will not prevent you from attending and voting in person.

2 To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 1pm on 8 December 2008 at the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

3 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 1pm on 8 December 2008 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 11am on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4 In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

5 The following documents are available for inspection at the registered office of the Company, Platinum House, Gatwick Road, Crawley, West Sussex RH10 9RP, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting:

a) the register of interests of the directors and their families in the share capital of the Company;

b) copies of service contracts between the directors and the Company or its subsidiary undertakings;

c) copies of the current Articles of Association of the Company, the proposed Articles of Association of the Company and a version of the Articles of Association showing the proposed changes; and

d) copies of the Air Partner plc Company Share Option Plan 2003.

6 As at 15 October 2008 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 10,189,793 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 October 2008 are 10,189,793.

Explanatory notes of principal changes to the Company's Articles of Association

The Company's current articles of association (the "Current Articles") were adopted on 30 October 1989 and amended by special resolution on 23 November 2005. It is proposed in resolution 11 to adopt new articles of association (the "New Articles") in order to update the Current Articles and in particular to take account of changes in English company law brought about by the Companies Act 2006.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 80 of this document.

1. Shares in uncertificated form
Provisions have been included in the New Articles to reflect the Company's ability to implement such arrangements as may be necessary for any class of shares to be held by members in uncertificated form as a participating security in accordance with the Uncertificated Securities Regulations 2001.

2. Form of resolution
The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

3. Convening shareholder meetings
The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

4. Votes of members
Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

5. Retirement by rotation
The provisions in the Current Articles dealing with the retirement of Directors by rotation are being amended so that any non-executive Director who has held office for nine years or more shall become subject to annual re-election in accordance with the provisions of the Combined Code on Corporate Governance.

6. Removal of Directors
The provisions in the Current Articles dealing with the removal of Directors are being amended so that in addition to the power of members to remove a Director by ordinary resolution, the New Articles also authorise the Board to remove a Director by serving a written notice on such Director, signed by not less than three-quarters of the other Directors.

7. Remuneration of Directors
The Existing Articles provide that the remuneration payable by way of fee to all of the Directors shall not exceed an aggregate figure of £75,000. The New Articles increase this figure to £200,000.

8. Conflicts of interest
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the pre 1 October 2008 position. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

9. Electronic and web communications
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

10. Nomination notices
The Companies Act 2006 provides for indirect investors who hold their shares through intermediaries to exercise certain membership rights. Even if a company's articles are not specifically amended, members of a company whose shares are admitted to trading on a regulated market will be able to nominate another person (for instance, the beneficial holder of shares) to receive all information to which they are entitled. The New Articles set out the nomination process and include associated provisions relating to the Company's maintenance of records of nominations made.

11. Distribution of assets otherwise than in cash
The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

12. Directors' indemnities and loans to fund expenditure
The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

13. General
Generally the opportunity has been taken to bring clearer language into the New Articles.

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