

AIR CHARTER SERVICE GROUP PLC

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 JANUARY 2012

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2012

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AIR CHARTER SERVICE GROUP PLC

OFFICERS AND ADVISERS

THE BOARD OF DIRECTORS

Christopher Leach
Christine Leach
Justin Bowman
Ruan Courtney
Anthony Bauckham
Stewart Pitt
Justin Lancaster
David Malempre (Non-Executive)
Charles Prescott (Non-Executive appointed 21 March 2011)

REGISTERED OFFICE

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

REGISTERED NUMBER

04028491

AUDITOR

Menzies LLP
Chartered Accountants &
Registered Auditors
Ashcombe House
5 The Crescent
Leatherhead
Surrey
KT22 8DY

AIR CHARTER SERVICE GROUP PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31 JANUARY 2012

I am pleased to report a very strong set of results for the year.

Group turnover increased by 20% to £273m which reflects continued growth in our underlying business. Profit after tax increased by 12% to £3.7m.

At the beginning of the year, we engaged in a large and complex evacuation project for around 10,000 passengers from Egypt, Libya and Tunisia. This was followed by a number of relocation flights from Japan after the Tsunami and subsequent radiation leak. The co-operation between our worldwide offices was crucial to the success of these operations and was testament to our global growth strategy.

The group continues to work with certain government departments, charities and relief organisations worldwide. We were pleased to be involved in over 160 flights carrying aid relief to Somalia during the year.

Notwithstanding the additional business derived from the operations above, our underlying business continued to grow. There were a number of major new contracts won within our Commercial Jet division which more than doubled in turnover during the year, whilst Executive Jets turnover increased by 40%.

The group continued to invest in infrastructure, marketing, technology and people, with a particular emphasis on growth investment. During the year we further expanded our office space at the group's headquarters in Surrey, which supports the business worldwide. We also opened a new office in Los Angeles, expanded our reach into China with a Beijing subsidiary and recently opened our India office in February 2012.

Despite the lack of predictability within the industry, our internal management figures show that our underlying business is once again up on prior year. The group remains well diversified, free of any long term debt and well positioned to deliver our future growth plans.



Christopher Leach
Chairman

Date: 30 April 2012

AIR CHARTER SERVICE GROUP PLC

DIRECTORS' REPORT

The directors present their report and the financial statements of the Group for the year ended 31 January 2012.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

Review of the business and future developments

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

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

Financial performance

The Group uses gross profit in measuring the performance of segments and also EBITDA in measuring performance of different offices. Gross profit increased 35% from £20.9 million to £28.2 million, reflecting strong growth particularly in Executive Jet and Commercial Jet segments. EBITDA increased from £5.1 million to £5.6 million. The Group uses charter flight volume as its principal non financial KPI and there were 5,910 charter flights during the year (2011: 5,172). Administrative expenses increased from £16.4 million to £23.4 million, as the Group continues to expand in the UK and overseas, with the opening of a new office in Los Angeles. Future developments are dealt with in the Chairman's statement.

Risks and uncertainty

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

RESULTS AND DIVIDENDS

Profit after taxation for the period increased to £3.7 million (2011: £3.3m) and dividends paid during the year were £1.9 million (2011: £1.6 million).

PURCHASE OF OWN SHARES

During the year the Group purchased 54,054 of its own shares (nominal value of £541 representing 0.2% of issued share capital) for consideration of £50,000, for the purpose of satisfying future share option grants.

FINANCIAL INSTRUMENTS

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

DIRECTORS

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

CDS Leach
Mrs CJ Leach
J Bowman
R Courtney
AE Bauckham
S Pitt
J Lancaster
DV Malempre
WRMC Foyle (resigned 27 January 2012)
C Prescott (appointed 21 March 2011)

POLICY ON THE PAYMENT OF CREDITORS

The Group pays its suppliers in advance of carriage or post flight for certain suppliers. Payment terms are agreed for

AIR CHARTER SERVICE GROUP PLC

DIRECTORS' REPORT

each individual transaction. As at the year end the number of days' purchases outstanding was 7 days (2011: 7 days).

DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the directors are aware:

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

AUDITOR

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

Approved by the Board of Directors on 30 April 2012.



Stewart Pitt
Director

AIR CHARTER SERVICE GROUP PLC

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

YEAR ENDED 31 JANUARY 2012

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Air Charter Service Group PLC for the year ended 31 January 2012 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

AIR CHARTER SERVICE GROUP PLC

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

YEAR ENDED 31 JANUARY 2012

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

Menzies LLP

Andrew Cook FCA (Senior Statutory Auditor)
For and on behalf of MENZIES LLP
Chartered Accountants & Statutory Auditors
Ashcombe House
5 The Crescent
Leatherhead
Surrey
KT22 8DY

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AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 JANUARY 2012

GROUP	Note	2012 £'000	2011 £'000
Revenue		272,707	227,819
Cost of sales		(244,531)	(206,906)
Gross profit		28,176	20,913
Administrative expenses		(23,391)	(16,369)
Operating profit	2	4,785	4,544
Finance income		8	12
Finance costs		(32)	(13)
Profit before tax		4,761	4,543
Tax	5	(1,055)	(1,242)
Profit for the period		3,706	3,301
<i>Other comprehensive income</i>			
Exchange differences on translating foreign operations		3	(40)
Other comprehensive income for the period		3	(40)
Total comprehensive income for the period		3,709	3,261
Profit for the period attributable to:			
Equity holders of the parent		3,626	3,232
Minority Interests		80	69
		3,706	3,301
Total comprehensive income for the period attributable to:			
Equity holders of the parent		3,629	3,192
Minority Interests		80	69
		3,709	3,261

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

AIR CHARTER SERVICE GROUP PLC

CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 JANUARY 2012

GROUP	Note	2012 £'000	2011 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,676	1,833
Deferred tax asset	6	282	178
		<u>2,958</u>	<u>2,011</u>
Current assets			
Trade and other receivables	11	13,043	11,713
Current tax asset		170	188
Cash and cash equivalents		8,273	6,597
		<u>21,486</u>	<u>18,498</u>
Total assets		<u>24,444</u>	<u>20,509</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability	7	(46)	(68)
Provisions	13	(182)	(110)
		<u>(228)</u>	<u>(178)</u>
Current liabilities			
Trade and other payables	12	(16,940)	(15,012)
Current tax liabilities		(457)	(370)
		<u>(17,397)</u>	<u>(15,382)</u>
Total liabilities		<u>(17,625)</u>	<u>(15,560)</u>
NET ASSETS		<u>6,819</u>	<u>4,949</u>
EQUITY			
Called up share capital	16	234	233
Share premium account		233	171
Share option reserve		196	192
Translation reserve		34	31
Own shares	17	(50)	-
Retained earnings		6,010	4,230
		<u>6,657</u>	<u>4,857</u>
Attributable to equity holders of the parent		6,657	4,857
Minority interest		162	92
TOTAL EQUITY		<u>6,819</u>	<u>4,949</u>

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2012.
Signed on behalf of the Board by:


Christopher Leach

Company registration number: 04028491


Stewart Pitt

AIR CHARTER SERVICE GROUP PLC

COMPANY BALANCE SHEET

YEAR ENDED 31 JANUARY 2012

COMPANY

	Note	2012 £'000	2011 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	1,622	1,096
Current assets			
Cash and cash equivalents		5	2
Total assets		1,627	1,098
LIABILITIES			
Current liabilities			
Trade and other payables	12	(333)	(421)
Total liabilities		(333)	(421)
NET ASSETS		1,294	677
EQUITY			
Called up share capital	16	234	233
Share premium account		233	171
Share option reserve		196	192
Own shares	17	(50)	-
Retained earnings		681	81
TOTAL EQUITY		1,294	677

In accordance with the exemptions permitted by Section 408 of the Companies Act 2006 the income statement of the company has not been presented. In the accounts of the company the profit for the financial year amounted to £2.4m (2011: £1.6m) and net profit recognised directly in equity (net of dividends) amounted to £580,000 (2011: loss of £5,000).

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2012.

Signed on behalf of the Board by:

Christopher Leach

Stewart Pitt

Company registration number: 04028491

AIR CHARTER SERVICE GROUP PLC

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2012

GROUP

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Translation Reserve £'000	Own Shares £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 February 2011	233	171	192	31	-	4,230	4,857	92	4,949
New shares issued	1	62	-	-	-	-	63	-	63
Exchange difference on translation of foreign operations	-	-	-	3	-	-	3	-	3
Fair value cost of options	-	-	24	-	-	-	24	-	24
Fair value of options exercised	-	-	(20)	-	-	20	-	-	-
Investment minority shareholders	-	-	-	-	-	-	-	49	49
Dividends paid	-	-	-	-	-	(1,866)	(1,866)	(59)	(1,925)
Comprehensive income	-	-	-	-	-	3,626	3,626	80	3,706
Movement in own shares	-	-	-	-	(50)	-	(50)	-	(50)
At 31 January 2012	234	233	196	34	(50)	6,010	6,657	162	6,819
Prior Year									
At 1 February 2010	229	32	139	71	-	2,579	3,050	32	3,082
New shares issued	4	139	-	-	-	-	143	-	143
Exchange difference on translation of foreign operations	-	-	-	(40)	-	-	(40)	(1)	(41)
Fair value cost of options	-	-	97	-	-	-	97	-	97
Fair value of options exercised	-	-	(44)	-	-	44	-	-	-
Dividends paid	-	-	-	-	-	(1,625)	(1,625)	(8)	(1,633)
Comprehensive income	-	-	-	-	-	3,232	3,232	69	3,301
At 31 January 2011	233	171	192	31	-	4,230	4,857	92	4,949

COMPANY

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Own Shares £'000	Retained Earnings £'000	Total £'000
At 1 February 2011	233	171	192	-	81	677
New shares issued	1	62	-	-	-	63
Fair value cost of options	-	-	24	-	-	24
Fair value of options exercised	-	-	(20)	-	20	-
Dividends paid	-	-	-	-	(1,866)	(1,866)
Dividends received	-	-	-	-	2,446	2,446
Movement in own shares	-	-	-	(50)	-	(50)
At 31 January 2012	234	233	196	(50)	681	1,294
Prior Year						
At 1 February 2010	229	32	140	-	42	443
New shares issued	4	139	-	-	-	143
Fair value cost of options	-	-	96	-	-	96
Fair value of options exercised	-	-	(44)	-	44	-
Dividends paid	-	-	-	-	(1,625)	(1,625)
Dividends received	-	-	-	-	1,625	1,625
Comprehensive income in the year	-	-	-	-	(5)	(5)
At 31 January 2011	233	171	192	-	81	677

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 JANUARY 2012

GROUP	2012 £'000	2011 £'000
Reconciliation of operating profit to operating cash flows		
Operating profit	4,785	4,544
Depreciation	825	506
Profit on disposal of property, plant & equipment	(13)	(11)
Movement on provisions	72	110
Translation differences on flows	(20)	(41)
Share based payment expense	24	97
Operating cash flows before movements in working capital	5,673	5,205
Increase in receivables	(1,330)	(944)
Increase in payables	1,928	4,973
Cash generated from operations	6,271	9,234
Tax paid	(1,054)	(1,300)
Net cash generated from operating activities	5,217	7,934
Investing activities		
Interest received	8	12
Proceeds on disposal of plant, property and equipment	68	25
Purchases of plant, property and equipment	(1,723)	(1,292)
Net cash used in investing activities	(1,647)	(1,255)
Financing activities		
Purchase of own shares	(50)	-
Shares issued to minority interest	49	-
Net proceeds from short term loan	-	(661)
Interest paid	(30)	(13)
Net proceeds from shares issued	62	141
Dividends paid	(1,866)	(1,625)
Dividends paid – minority interest	(59)	(8)
Net cash used in financing activities	(1,894)	(2,166)
Net increase in cash and cash equivalents	1,676	4,513
Cash and cash equivalents at the beginning of the period	6,597	2,084
Cash and cash equivalents at the end of the period	8,273	6,597

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

AIR CHARTER SERVICE GROUP PLC

COMPANY CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2011

COMPANY

	2012 £'000	2011 £'000
Operating profit	-	-
Decrease in receivables	-	102
(Decrease) / increase in payables	(88)	80
Cash (used) / generated from operations	(88)	182
Tax paid	-	(5)
Net cash (used) / generated from operating activities	(88)	177
Investing activities		
Investment in subsidiaries	(501)	(318)
Dividends received	2,446	1,625
Net cash from investing activities	1,945	1,307
Financing activities		
Purchase of own shares	(50)	-
Net proceeds from shares issued	62	141
Dividends paid	(1,866)	(1,625)
Net cash used in financing activities	(1,854)	(1,484)
Net increase in cash and cash equivalents	3	-
Cash and cash equivalents at the beginning of the period	2	2
Cash and cash equivalents at the end of the period	5	2

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

1. ACCOUNTING POLICIES

Basis of accounting

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings up to 31 January 2012. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

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

Key accounting judgements and sources of estimation uncertainty

The Group makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities. As at 31 January 2012 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements, or a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Revenue recognition

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

Property, plant and equipment

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

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

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

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

Impairment of tangible assets

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

1. Accounting policies (continued)

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

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

Operating lease agreements

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

Pension costs

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

Taxation

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

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

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

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

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

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

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

Financial instruments

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

1. Accounting policies (continued)

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

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

Bank borrowings

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

Trade payables

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

Equity instruments

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Functional and presentation currency

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

1. Accounting policies (continued)

Share-based payments

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

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

Exceptional items

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

New standards and interpretations not yet adopted

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

IFRS 1	First time Adoption of International Financial Reporting Standards (effective 1 July 2011)
IFRS 7	Financial Instruments: Disclosures (amendment effective 1 July 2011)
IFRS 9	Classification and Measurement of Financial Instruments (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements (effective 1 January 2013)
IFRS 11	Joint arrangements (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13	Fair Value Measurement (effective 1 January 2013)
IAS 1	Presentation of Financial Statements (amendment effective 1 July 2012)
IAS 12	Income Taxes (amendment effective 1 January 2012)
IAS 19	Employee Benefits (amendment effective 1 January 2013)
IAS 27	Consolidated and separate financial statements (effective 1 January 2013)
IAS 28	Investments in Associates (effective 1 January 2013)

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

2. OPERATING PROFIT

Operating profit is stated after charging:

	2012 £'000	2011 £'000
Staff costs (note 3)	14,168	9,823
(Profit) on disposal of property, plant & equipment	(13)	(11)
Depreciation of owned fixed assets	825	506
Auditors remuneration: Group		
- as auditor	82	79
- for other services	114	60
Operating lease costs:		
- plant and equipment	307	178
- other	1,205	849
Foreign exchange losses / (gains)	154	(33)

Auditor's fees

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

	2012 £'000	2011 £'000
Audit	29	26
Accounting	-	-
Taxation compliance	28	24
Business consultancy	-	-

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

	2012 £'000	2011 £'000
Audit of the financial statements	53	53
Taxation compliance	86	36

3. PARTICULARS OF EMPLOYEES

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

	2012 No	2011 No
Number of staff	225	153

The aggregate payroll costs of the above were:

	2012 £'000	2011 £'000
Wages and salaries	12,456	8,841
Share based payments	24	97
Social security costs	1,276	755
Other pension costs	412	130

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

4. DIRECTORS' EMOLUMENTS

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

	2012 £'000	2011 £'000
Emoluments receivable	1,278	1,056
Value of company pension contributions to money purchase schemes	352	75
Share based payments	8	36
	<u>1,638</u>	<u>1,167</u>
Emoluments of highest paid director:		
Total emoluments	286	244
Value of company pension contributions to money purchase schemes	155	46
	<u>441</u>	<u>290</u>
	No	No
Number of directors who accrued benefits under a money purchase pension scheme:	<u>7</u>	<u>7</u>

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

Share options

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

	Issue date	Exercise price (pence)	Held at 31 January 2011 No.	Granted during year No.	Exercised during year No.	Expired, lapsed or cancelled No.	Held at 31 January 2012 No.
S Pitt	23 July 2007	43.2	57,355	-	(57,355)	-	-
	18 June 2010	55.0	114,700	-	-	-	114,700
J Lancaster	23 July 2007	43.2	45,880	-	-	-	45,880
	18 Feb 2008	34.0	229,411	-	(58,824)	-	170,587

5. TAXATION ON ORDINARY ACTIVITIES

The tax charge comprises:

	2012 £'000	2011 £'000
(a) Current tax:		
In respect of the year:		
UK Corporation tax	836	840
Adjustment in respect of prior years	(14)	(5)
Foreign tax	359	340
Total current tax	<u>1,181</u>	<u>1,175</u>
Deferred tax (Notes 6 and 7)	(125)	67
Tax on profit on ordinary activities	<u>1,055</u>	<u>1,242</u>

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

5. Taxation on ordinary activities (continued)

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

	2012 £'000	2011 £'000
Profit before taxation	4,761	4,544
Taxation at UK corporation tax rate of 26% / 28%	1,254	1,272
Effects of:		
Expenses not deductible for tax	168	111
Deduction for options exercised	(15)	(51)
Capital allowances in excess of depreciation	26	(75)
UK and overseas taxes at differing rates	(239)	(77)
Adjustment in respect of prior years	(14)	(5)
Deferred tax	(125)	67
Total tax (note 5a)	<u>1,075</u>	<u>1,242</u>

6. DEFERRED TAX ASSETS

	Share based payment £'000	Other timing differences £'000	Overseas tax losses £'000	Accrued pensions £'000	Total £'000
Current Year					
At 1 February 2011	54	30	83	11	178
Credit / (charge) to the income statement	(3)	14	95	(2)	104
At 31 January 2012	<u>51</u>	<u>44</u>	<u>178</u>	<u>9</u>	<u>282</u>
Prior Year					
At 1 February 2010	37	46	81	13	177
Credit / (charge) to the income statement	17	(16)	2	(2)	1
At 31 January 2011	<u>54</u>	<u>30</u>	<u>83</u>	<u>11</u>	<u>178</u>

7. DEFERRED TAX LIABILITY

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

7. Deferred tax liability (continued)

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

8. DIVIDENDS

	2012 £'000	2011 £'000
Paid during the year: Equity dividends on ordinary shares	<u>1,866</u>	<u>1,625</u>

9. PROPERTY, PLANT AND EQUIPMENT

Current year:

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

9. Property, plant and equipment (continued)

Prior year:

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

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

10. INVESTMENTS IN SUBSIDIARIES

Company

Current year:

Cost and Net book value

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

Prior year:

Cost and Net book value

	Subsidiary undertakings £'000
At 1 February 2010	339
Capital contribution	97
Investments	318
Transfers from within the Group	342
At 31 January 2011	1,096

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

10. Investments (continued)

Subsidiaries

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

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade receivables	8,439	8,260	-	-
Amounts owed by Group undertakings	-	-	-	-
Other debtors	255	184	-	-
Prepayments and accrued income	4,349	3,269	-	-
	<u>13,043</u>	<u>11,713</u>	<u>-</u>	<u>-</u>

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

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	4,928	3,963	-	-
Amounts owed to Group undertakings	-	-	333	421
Other taxation and social security	412	260	-	-
Accruals and deferred income	11,593	10,768	-	-
Other creditors	7	21	-	-
	<u>16,940</u>	<u>15,012</u>	<u>333</u>	<u>421</u>

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

13. PROVISIONS

	Total £'000
Current year	
At 1 February 2011	110
Restoration of leasehold property	72
	<hr/>
At 31 January 2012	182
	<hr/>
Prior year	
At 1 February 2010	-
Restoration of leasehold property	110
	<hr/>
At 31 January 2011	110
	<hr/>

The provision relates to the restoration of leasehold properties, principally the UK head office in Surrey, upon which the lease expires in 2021 which is when the restoration costs can reasonably be expected to be paid out. The head office lease includes a break clause in 2015, which could result in restoration costs being incurred at this earlier stage. The provision has been estimated through consultation with an external construction firm.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Capital management

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

Credit risk

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

The trade receivables balance set out in note 11 above includes £6.4 million (2011: £5.7 million) relating to sales invoiced in advance of carriage, with a corresponding balance included within deferred income. The remaining balance of £2.6 million (2011: £2.6 million) represents trade receivables in relation to charters operated in the period, no significant amounts being past due at the balance sheet date.

Liquidity risk

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

The Group has an overdraft facility, and a \$7.5m short term trade loan facility with Barclays Bank plc (2011: \$3.0m) for the purpose of funding credit sales to government departments, relief and charitable organisations. No amounts were drawn down at the balance sheet date. Amounts included in note 12 above mature within six months of the balance sheet date.

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

14. Financial risk management objectives and policies (continued)

Foreign currency risk

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

Currency	2012 Local (‘000)	2012 Closing rate	2012 GBP (£’000)	2011 Local (‘000)	2011 Closing rate	2011 GBP (£’000)
US Dollars	5,292	1.58	3,349	5,858	1.60	3,661
Euros	3,450	1.21	2,851	2,307	1.17	1,972
GB Pounds Sterling	504	1.00	504	389	1.00	389
Other various			1,569			575
			<u>8,273</u>			<u>6,597</u>

Foreign currency risk sensitivity analysis

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

	2012 Closing rate	2012 Adjusted rate	2012 Effect (£’000)	2011 Closing rate	2011 Adjusted rate	2011 Effect (£’000)
<i>Sterling strengthens by 10%</i>						
US Dollar	1.58	1.74	(304)	1.60	1.76	(333)
Euro	1.21	1.33	(259)	1.17	1.29	(184)
<i>Sterling weakens by 10%</i>						
US Dollar	1.58	1.42	372	1.60	1.44	407
Euro	1.21	1.09	317	1.17	1.05	225

15. OPERATING LEASE ARRANGEMENTS

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

	2012 £’000	2011 £’000
Land & buildings		
Within 1 year	1,147	680
Within 2 to 5 years	2,032	1,410
Over 5 years	-	35
	<u>3,179</u>	<u>2,125</u>

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

16. CALLED UP SHARE CAPITAL

Authorised share capital:

	2012 £'000	2011 £'000
100,000,000 Ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	No	2012 £'000	No	2011 £'000
Ordinary shares of £0.01 each	23,431,796	<u>234</u>	23,268,675	<u>233</u>

Shares were issued during the year as follows:

Date	Number issued	Nominal Value (£)	Premium (£)	Total (£)
8 March 2011	4,280	43	1,806	1,849
9 March 2011	4,280	43	1,806	1,849
23 May 2011	8,823	88	2,912	3,000
1 June 2011	4,280	43	1,806	1,849
19 July 2011	4,280	43	1,806	1,849
26 July 2011	58,824	588	19,412	20,000
9 August 2011	13,960	140	5,891	6,031
9 January 2012	58,512	585	24,692	25,277
26 January 2012	5,882	59	1,941	2,000
Total	<u>163,121</u>	<u>1,631</u>	<u>62,073</u>	<u>63,704</u>

17. OWN SHARES

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

The trust is authorised to acquire shares from existing employee shareholders within the parameters required to satisfy options granted by, or intended to be granted by, the Group to its employees. The trust is not intended to sell shares to employees and no sales of shares were made to employees in the period. During the year, 54,054 Ordinary shares were purchased from existing employee shareholders. At 31 January 2012, the Trust held 54,054 Ordinary shares in Air Charter Service Group Plc.

18. SHARE-BASED PAYMENTS

Equity based share options

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

18. Share based payments (continued)

Details of the scheme are as follows:

Grant date	Exercise price (pence)	Held at 31 January 2011 No	Granted during year No.	Exercised during year No	Expired, lapsed or cancelled No	Held at 31 January 2012 No	Remaining Life Years
23 July 2007	43.2	460,425	-	89,592	32,200	338,633	5.5
18 February 2008	34.0	1,043,825	-	73,529	-	970,296	6.0
18 June 2010	55.0	344,112	-	-	-	344,112	8.5
6 January 2012	75.0	-	104,040	-	-	104,040	10.0
Total		1,848,362	104,040	163,121	32,200	1,757,081	

The closing weighted average exercise price of the options was 42.3p (31 January 2011: 40.2p). The number of options available to staff to exercise at the year end amounted to 1,308,929 (2011: 460,425).

The cost of services received in respect of the share options in the scheme above is measured as the fair value of the options granted and the cost is spread over the vesting period. The total charge for the year relating to the employee share based plan was £24,000 (2011: £97,000). The fair values were calculated using the Black-Scholes valuation method and the inputs to the model were as follows:

Options granted on 23 July 2007

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

Options granted on 18 February 2008

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

Options granted on 18 June 2010

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

Options granted on 6 January 2012

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

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2012

19. RELATED PARTY TRANSACTIONS

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

	2012 £'000	2011 £'000
Amounts owed to Group undertakings	<u>333</u>	<u>421</u>

During the year D Malempre, a director of the company, charged Air Charter Service plc £70,016 plus VAT in respect of the provision of legal services, £14,250 plus VAT in respect of legal training for staff and £281 in respect of out of pocket expenses (2011: £64,880 plus VAT, £8,450 plus VAT and £578 respectively). The remuneration of the directors who are the key management personnel of the Group is set out in note 4. The Company received dividends of £2.4 million during the year from its subsidiary companies (2011: £1.6 million).

The directors received dividends during the year as follows:

CDS Leach	£745,824	(2011: £679,379)
Mrs CJ Leach	£734,824	(2011: £679,379)
J Bowman	£211,408	(2011: £165,565)
R Courtney	£52,854	(2011: £41,393)
AE Bauckham	£19,456	(2011: £7,503)
S Pitt	£6,541	(2011: £1,876)
J Lancaster	£5,285	(2011: £Nil)

There were 12 other staff members who received dividends during the year, having exercised share options previously held under the share option scheme set out in note 18. There are 46 staff members in the share option scheme in total.

20. CONTINGENT LIABILITIES

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

21. CONTROLLING PARTY

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