AIR PARTNER

ANNUAL REPORT AND ACCOUNTS 2018

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A LONG TERM PARTNER

Air Partner is a trusted adviser to our global customer base, partnering with integrity and long term vision across a broad range of services

AIR PARTNER INSIGHT

We are creating long term value for all our stakeholders, founded on a clear strategic vision, close alignment to the needs of our global customers and diversification through value added acquisitions.

› STRONG LEADERSHIP AND REPUTATION
Led by an experienced Board, Air Partner has developed a market leading Charter division and growing strength in Consulting & Training

› CLEAR, LONG TERM GROWTH STRATEGY
As well as a firm focus on performing well today, Air Partner plans and acts for the long term

› ORGANIC GROWTH
Capitalising on market opportunities, cross selling and internal efficiencies to drive organic growth

› GROWTH THROUGH ACQUISITION
Successfully diversifying earnings with investment in the less cyclical Consulting & Training division

› STRONG FINANCIAL POSITION
Asset light with strong free cash flow and low gearing. Balance sheet strength underpins the long term growth strategy

› SHAREHOLDER RETURNS
Diversification of operations supporting improved quality of earnings and a clear, long term dividend policy for the benefit of our shareholders

AT A GLANCE

Founded in 1961, Air Partner is a global aviation services group providing worldwide aviation charter, consulting and training services to industry, commerce, governments and private individuals. We have a team of 300 great people, operating from 20 gateway cities, providing outstanding customer service to our global client base.

HIGHLIGHTS

- Accounting issue contained and resolved
- Charter division driving underlying performance
- Record results in US and in Freight
- JetCard recognised as the most flexible membership programme in the US and Europe
- Clear, long term growth strategy
- Acquisition of SafeSkys extends aviation services offering

£261.3m
Gross transaction value[1]

8.4p
Underlying basic EPS

£36.1m
Gross profit

3.8p
Final dividend

£5.8m
Underlying profit before tax

5.5p
Total dividend

£4.8m
Statutory profit before tax

£4.8m
Net cash[2]

1. Gross transaction value is defined in Note 2
2. Net cash is defined as total cash less JetCard cash and borrowings.

GROSS PROFIT

Note: As a result of the accounting issue identified in April 2018, the figures above and those reported throughout the Strategic Report relating to income statement items and the prior year balance sheet have been prepared on the basis described in pages 28 and 29 of the Financial Review which may impact their accuracy and reliability

WHAT WE OFFER

CHARTER

In our market leading core division we deliver tailored solutions to often complex aviation requirements, 24/7, year round, leveraging our relationships with aircraft operators to meet our global clients' specific needs.

COMMERCIAL JETS

Charter of large aircraft for 20+ people by governments, corporates, sports and entertainment teams, industrial and manufacturing customers, and tour operators. Also includes Air Partner Remarketing and short term aircraft leasing services, covering both commercial and private jets.

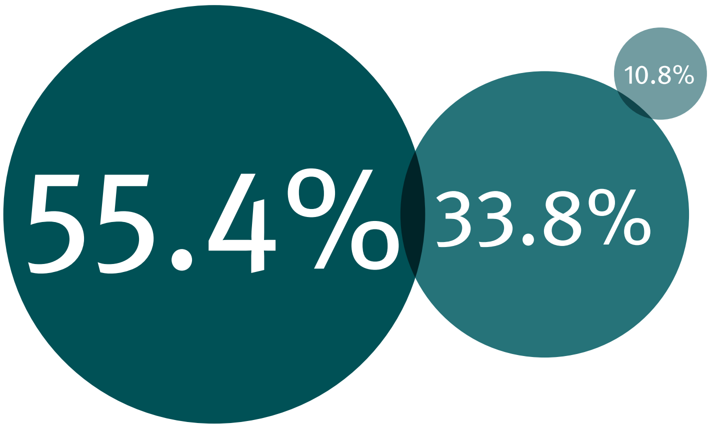
PRIVATE JETS

Charter of small aircraft or jets for up to 19 people, for business and leisure, by corporates, high net worth individuals and government. Industry leading pre-paid JetCard product.

FREIGHT

Charter of cargo aircraft and part-charter, from Learjets to the giant Antonov 225, for regular and bespoke requirements, including emergency aid drops, time-critical door to door freight delivery and on-board couriers.

Percentage of divisions total gross profit



CONSULTING & TRAINING

We provide managed services to airports and resolve safety, compliance and regulatory challenges for our global client base, driving a cultural change to place safety at the heart of organisations.

BAINES SIMMONS

A world leading aviation safety consultant specialising in regulation and compliance, safety management, training and consulting for civil and defence organisations as well as outsourced provision of support to the Isle of Man Aircraft Registry.

CLOCKWORK RESEARCH

A leading fatigue risk management consultancy delivering innovative and effective solutions principally for aviation customers but also for other safety-critical operating environments, such as the oil and gas, and mining sectors.

SAFESKYS

A leading provider of wildlife hazard management and bird control services to civil and military airports. In addition, SafeSkys provides turnkey air traffic control (ATC) services including ATC engineering and training, and survival training for fast jet pilots.

CHAIRMAN'S STATEMENT

I am pleased to report a positive trading performance for the year ended 31 January 2018. The accounting review announced in April 2018 has concluded. It was an unwelcome, challenging and costly event, and certainly not how any business would wish to start a new financial year. It is important to note that it was an accounting issue and not a business issue. It was discovered by the Air Partner team following an upgrade in our finance capabilities which led to a more thorough analysis of our financials. However, it had the potential to overshadow our trading performance and the substantial progress made operationally and financially since our transformation strategy first began in 2015. Now with the review behind us, we have learnt from its findings and will emerge a better, stronger company.

ACCOUNTING REVIEW

In April 2018, following the recruitment of new and enhanced skills into the Group finance department, the Company identified an issue, predominantly relating to the accounting for receivables and deferred income, originating in 2010/11. We immediately appointed independent advisers to carry out a thorough, transparent and exhaustive review into this matter which is now concluded.

We have included details of the work undertaken and outcomes in the Audit and Risk Committee Report on pages 44 to 46. A full analysis of the financial impact is explained in the Financial Review on pages 28 and 29 but key to note is that no cash or assets were lost and no customer, operator or supplier was impacted or disadvantaged. The underlying business remains strong. Integrating the review into the full year audit took significant time and, disappointingly, forced the suspension of trading in our shares. Upon the resignation of Neil Morris, the Chief Financial Officer, we moved quickly to appoint an Interim CFO, to progress a thorough review of our financial controls and to address immediately identified weaknesses. The rectification is underway. These initiatives should give shareholders the necessary confidence in the growth trajectory of Air Partner. Although we will incur £1.3m of cost in financial year 2018/19, as a result of the review and an aborted acquisition, we now move forwards with a robust set of financial statements from which we can confidently pursue our strategy. I would like to thank, in particular, our Chief Executive Mark Briffa, Interim Chief Financial Officer Chris Mann and Financial Controller Ilze Williamson for their tireless work in identifying and resolving these issues.

I would like to emphasise that, as a Board, we are committed to maintaining a consistent and robust level of corporate governance across the business in order to protect value and maintain the stable platform from which we can successfully deliver our strategy. Our governance frameworks are reviewed continually to ensure they evolve appropriately in the best interests of our customers, our people and our shareholders.

STRATEGY UNCHANGED

Over 2017/18 we continued to deliver on our strategy, building further on our position as a long term partner to the aviation industry. Driven by a particularly encouraging second half, gross profit for the year was up 13.8% to £36.1m and underlying profit before tax rose by 23.7% to £5.8m. The results are presented after correction of the overstatement of profits and net assets announced in April 2018 which were fully investigated by the comprehensive post year end accounting review. This review ensured the issue has been completely addressed and leaves Air Partner well placed to pursue its strategic aims.

Our clear growth strategy remains unchanged: we manage the business for the long term in close alignment to the needs of our global customer base. We will continue to grow our Charter business, offering the best possible experience. In addition, we will broaden our offer to build a more complete portfolio of aviation services, reducing the Group's exposure to charter market volatility and improving the overall quality of our earnings. These results give me further confidence that we are pursuing the right strategy and delivering to plan.

Our strategic objectives are supported by a culture committed to customer centricity, strong governance, our great people and to shareholder returns.

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> "Our strategic objectives are supported by a culture committed to customer centricity, strong governance, our great people and to shareholder returns."

CUSTOMER FIRST

Our customers have always been our key focus; our Customer First programme puts them at the heart of every decision we make. Not only does it help to differentiate Air Partner from competitors, but a deeper understanding of our customers and their individual needs enables us to deliver a consistently outstanding service, improving retention and winning new business.

THE BOARD

As previously announced, Richard Everitt stood down as Chairman in June 2017 and I was delighted to take on the role. Following this change, Amanda Wills became Chair of the Remuneration Committee and Richard Jackson became Senior Independent Director. Shaun Smith remains Chair of the Audit and Risk Committee.

As previously reported on 13 April 2018, following the end of the financial year, Chief Financial Officer Neil Morris resigned from the Board.

OUR PEOPLE

We have many great people throughout the business who display a passion and determination to deliver the extraordinary every day. It has enabled us to retain our position as a preferred supplier to some of the world's leading corporations, militaries, governments, regulators, sports teams, creative talent and high net worth individuals. Thanks in large part to Mark Briffa's strong leadership, throughout the accounting review process, colleagues across the Group's UK and international offices remained resolutely focused on maintaining an outstanding service for our global customers. I am immensely proud of this and, on behalf of the Board, would like to thank everyone at Air Partner for their hard work and commitment.

DIVIDEND

The Board is proposing a final dividend of 3.8p, a year on year increase of 5.6%, taking the full year dividend to 5.5p, a year on year increase of 5.8%. The final dividend is expected to be paid on 20 July 2018 to those shareholders on the share register at close of business on 22 June 2018. The ex dividend date will be 21 June 2018. The Board would also like to reaffirm its ongoing commitment to its dividend policy, which targets cover of between 1.5 and 2.0 times underlying earnings per share.

OUTLOOK

2017/18 was a good year of trading performance for Air Partner. I believe these results are a consequence of our customer focused teams constantly delivering high quality services and products to global customers every day. In addition, the long term strategic initiatives and investments that were made two to three years ago are now growing the business, delivering and adding value. We continue to invest in our long term future, and will remain committed to recruiting and training our people, developing and improving products and services, and opening new offices and expanding existing ones. As a result, we have broadened our geographic reach and further diversified our customer and product profile.

As we always state, the global charter business has consistently been, and will continue to be, a volatile industry. Against this backdrop we will manage the business for the long term, with a very clear strategy of alignment to the needs of our global customer base.

Peter Saunders
Chairman

OUR BUSINESS MODEL

To create long term, sustainable value for shareholders, we are developing a broad offer in the aviation services market for our global customers who choose us because we provide the best in quality, safety and service.

RESOURCES AND RELATIONSHIPS

FINANCIAL CAPITAL

The strength of our balance sheet helps us support and retain key customers by enabling the provision of appropriate credit terms to suit their financial profiles. It also enables us to offer additional aviation services through well targeted acquisitions.

OUR SUPPLIERS

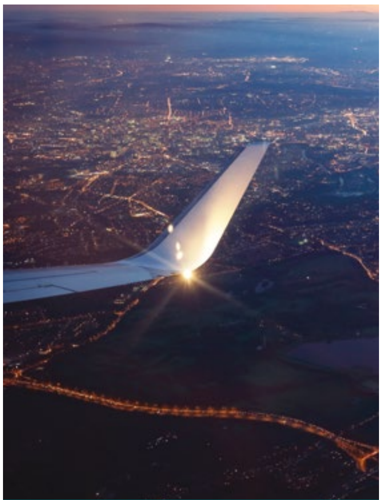
The relationships we have built are essential. In Charter, we trust the airlines with our brand and in turn they trust us to deliver an efficient and professional service, utilising capacity with the backing of our extensive global customer base and financial security. In Consulting & Training, as well as our permanent employees we use a network of associates to deliver our broad spectrum of training courses. These are not simply freelance trainers; they are fully inducted into the business and our ethics, delivering a seamless level of professionalism and service.

OUR CUSTOMERS

Our Charter customers include corporates, sports teams and tour operators, governments and high net worth individuals as well as airlines and the financial services sector for remarketing. Consulting & Training customers include defence, regulators, airports, commercial airlines, private jet operators and ancillary service providers to the aviation industry such as Original Equipment Manufacturers (OEMs).

WHAT WE DO

CHARTER



- Commercial Jets
- Private Jets
- JetCard
- Freight

CONSULTING & TRAINING

- Training, Aviation Safety and Regulatory Compliance
- Air Traffic Control
- Wildlife Management
- Jet Registry
- Emergency Planning

FOR MORE INFORMATION

See page 3 for more detail on 'What we offer'

Explaining our strategy pages 13-19

Divisional reviews pages 22-27

Risks and uncertainties pages 30-33

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WHAT DIFFERENTIATES US?

OUR CUSTOMER SERVICE

Our Customer First programme, introduced in 2015, is now firmly established across the Group. In the Charter business we offer 24/7, year round support, proactively ensuring the best possible flight experience for our customers. In the Consulting & Training division, with safety our core focus, our consultants, researchers and service providers strive to resolve clients' safety, compliance and regulatory challenges. Our excellent customer service has enabled us to achieve preferred supplier and trusted adviser status to some of the most prestigious organisations and discerning individuals in the world.

OUR PEOPLE

We don't own aircraft, choosing to operate an asset light model. Our people, brand and reputation are therefore our main assets. In our experience, technology cannot replace people. In Charter, we invest in technology to improve customer experience and drive efficiencies, but key to our success is our team of dedicated aviation experts who deliver a bespoke personal service to our customers. In Consulting & Training our teams are picked from both military and the civil/commercial sectors where they have gained a deep exposure to, and understanding of, the safety arena.

BRAND AND REPUTATION

Air Partner is well known in the industry for its excellent customer service and is considered a trusted adviser to its broad, global customer base. To provide an unrivalled and more complete range of aviation services to our customers we have bought other well respected businesses. The new businesses will be re-branded as Air Partner companies, bolstering our brand and enabling our acquisitions to benefit from the growth opportunities associated with being part of a bigger PLC group.

OUR PLC STATUS

Air Partner is the only listed company in its sector. As such, we are governed by strict financial regulations and are committed to achieving a high standard of corporate governance, to provide all stakeholders with a high level of financial transparency and assurance.

WHERE DO WE ADD VALUE?

FOR OUR CUSTOMERS

Meeting clients' needs is at the heart of what we do. Our strategy to add more services helps us to provide clients with the services they require and thereby to strengthen these relationships further. Our clients across the business can rely on our skills and expertise to meet often complex aviation requirements. In Charter, we are not limited to our own fleet, but will source the right aircraft to meet our customers' precise requirements. In Consulting & Training, against a backdrop of changing regulation and a zero tolerance of accidents, our customers benefit from our leading edge understanding of safety best practice and our ability to drive cultural change to put safety at the heart of their organisation.

FOR OUR SUPPLIERS

The airlines we work with can rely on our professionalism and experience to market their aircraft effectively to our extensive global customer base. Our network of associates in Consulting & Training benefits from our extensive training offering and large client base.

FOR OUR PEOPLE

We aim to run a business that is equitable for all, regardless of gender, race, nationality, disability or any other difference, and to treat everyone fairly and with respect. We are keen to ensure that people remain engaged and challenged in their roles to reach their full potential. We are committed to training, appropriate levels of remuneration and retaining our best people.

See pages 18 and 19

FOR OUR SHAREHOLDERS

Air Partner's strategic objective to create an equal balance between our two divisions, diversifying into additional aviation services, should provide greater visibility of future earnings to our shareholders. Our clear dividend policy supports visibility of future shareholder returns. Over the financial year ending 31 January 2018, Air Partner has delivered a total return to shareholders of 36.9%.

See pages 20 and 21 for our KPIs

MARKET OVERVIEW

We have been operating in the aviation services market for almost 60 years and have seen considerable change, both in aviation and the wider market, over that time.

Over the last year the industry has seen the demise of both Monarch Airlines and Air Berlin. With capacity taken out of the market, effective sourcing of suitable aircraft for our clients' needs becomes ever more important. With the experience we have in the market, and our strong operator and client relationships, we are responding well.

Our business can be difficult to predict, with limited visibility. We are addressing this with the addition of the more predictable income streams of our Consulting & Training division and, increasingly, we are seeing longer term contracts within Charter. There will always be challenges in terms of natural disasters, political events and changes to the world's major economies, which we monitor closely. We are quick to respond and able to navigate short term market issues, but we also take a long term strategic approach which we believe has significant benefits for our customers, employees and shareholders.

See pages 13 to 19 for more information on our strategy

THE AVIATION MARKET

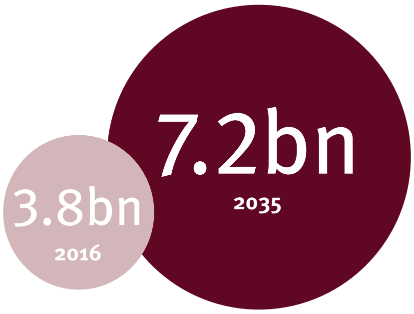
A steadily growing aviation market

Trend: 2017 was another year of above trend passenger growth, up 7.6%, well above the ten-year average pace of 5.5% according to the International Air Transport Association (IATA). IATA predicts an increase in passenger traffic to 7.2 billion passengers in 2035, a near doubling of the 3.8 billion air travellers in 2016.

Impact: As the aviation market grows, the demand for aviation services increases with it.

How we're responding: In Charter, we are investing in our teams where we see increase in demand. We are also adding new service lines to complement our core charter offering, strengthening our customer proposition. By offering more services in the two broad categories of Charter and Consulting & Training, not only do we increase customer retention, we also have the opportunity to cross sell services to strengthen our relationships further.

Predicted growth in passenger traffic



THE WIDER ENVIRONMENT

Economic downturns, material geopolitical events and natural disasters

Trend: The global aviation market can be adversely affected by geopolitical events or natural disasters as well as downturns in the economy.

Impact: This can cause a short term decrease in demand for air travel.

How we're responding: Our Emergency Planning Division is often called upon to provide aid to a disaster zone, or arrange troop transfers or evacuations in times of war. During economic downturns, in our experience, our high net worth clients tend to be less affected. In fact, since the recession of 2008/2009, we have seen an increase in corporates turning away from jet ownership in favour of charter. We have successfully diversified our global client base, and our strategy to broaden the range of services we offer is enhancing the stability of earnings by adding more predictable revenue streams to the Group.

THE MARKET FOR CHARTER

A broad, fragmented and competitive market

Trend: The global air charter market is highly fragmented, with low barriers to entry and little or no regulation.

Impact: As a result the competition is varied. As well as direct competitors, there are competitors offering similar services with a different business model, particularly in the private jet sector (for example, fractional ownership, charter of their own aircraft or charter of aircraft under their management). There is also an increase in competitors using technology to create an end-to-end booking process.

How we're responding: We aim to differentiate ourselves through unrivalled customer service. Our heritage demonstrates stability, quality and financial performance in a market where competitors come and go. We invest in technology to improve customer experience and drive efficiencies but our investment is set at a measured level as, in our experience, technology cannot replace people. The key to our success is a genuine 24/7, year round service by our aviation experts for customers who want a bespoke, personal service.

THE MARKET FOR CONSULTING & TRAINING

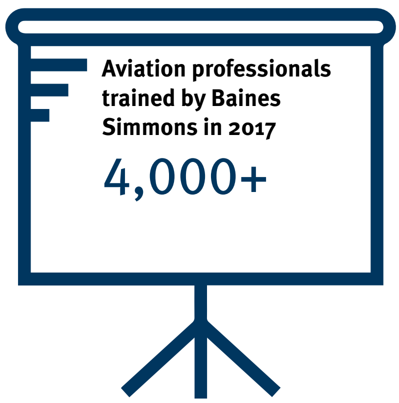
Increased regulation and zero tolerance of accidents

Trend: The pace of growth of the aviation industry, busier skies, more competition, demands for higher fleet utilisation and greater operational capability are occurring against a backdrop of zero tolerance of accidents. Unlike Charter, Consulting & Training services exist in a highly regulated environment, and one in which regulations are constantly changing.

Impact: This is increasing pressure on safety results and management. Furthermore, the aviation safety world has evolved over the past five years from one where it seeks to understand how safety management systems (SMS) work to secure effective performance.

In Civil aviation, in 2013, global regulators began to move towards performance based regulation (PBR). This is now standard practice for the International Civil Aviation Organization (ICAO) and the European Aviation Safety Agency (EASA). By moving to a PBR approach, regulators are aiming to embed a risk based approach to safety, whether this be SMS or fatigue risk management. In the defence market, bodies such as the European Defence Agency (EDA) have committed to the principles of harmonisation of airworthiness requirements.

How we're responding: A constant desire to improve standards and safety underpins the business models of our Consulting & Training companies. The acquisitions we have made enable us to address these service requirements and the move to a global PBR approach provides opportunities to take these services beyond the UK and Europe to Asia, Australia and North America. Our long term relationships and trusted partner status with military authorities around the world mean we are well positioned to lead this cultural change.



CHIEF EXECUTIVE'S REVIEW

Air Partner performed well over the financial year ended 31 January 2018, reporting underlying profit before tax of £5.8m, an increase of 23.7%. The results for the year are presented after completion of the post year end accounting review and the consequent correction of an overstatement of net assets, the resulting financial impact of which is explained in the Financial Review.

STRATEGY

We have a clear, long term growth strategy in place and I am confident that we are well placed to continue to deliver that strategy.

When I became CEO in 2010 Air Partner was heavily reliant on military contracts which made up over 60% of our £2.8m pre-tax profits. On a like for like comparison, that number is now less than 3% as we have successfully diversified our global customer base, significantly reducing our risk and demonstrating our value as a global player in the industry. Now, no one customer makes up more than 10% of profits.

Since 2015, we have been consistent in pursuing our strategic objective to create a global aviation services group, with balance between our market leading divisions of Charter and Consulting & Training. This objective aims to deliver increasingly high-quality and visible earnings for our shareholders.

In previous reports I have explained how we began our transformation journey with a strong belief that we could generate improved performance from our Charter activities. We firmly placed the customer at the heart of the business: we refreshed our organisational leadership and skills; we re-emphasised our customer and product focus; we developed new channels to market and innovative strategic partnerships, and we are designing and building new systems infrastructure and processes.

Our Charter business generates a strong return on capital employed and is highly cash generative. We reinvest a substantial portion of this cash in products and capabilities, recruitment, new offices and acquisitions. These investments benefit customers and employees and, as a consequence, benefit our shareholders.

Today we have a well invested business and a world class platform enabling us to compete globally to fulfil our customers' highest expectations. I would characterise our approach as one of continual assessment and improvement: we are looking for ways to be better every day. We will continue to invest in the business, in systems, products, and in people and we expect to make further acquisitions to broaden or extend our activities, or to consolidate our market position. Of particular focus are two areas: people and acquisitions.

PEOPLE

Over the last twelve months we have recruited some exceptional people across the organisation as we continue our drive to upskill management and processes. Our ability to attract the best talent is greatly helped by our customers' recognition of our platform strength and market position, our capabilities and strategy. We will continue to recruit across the organisation globally. We are actively looking to expand existing offices as well as looking to open offices in new geographic locations.

ACQUISITIONS

We regularly review acquisition opportunities, many of which we have developed relationships with over several years. We are selective in our approach, assessing each acquisition not only for product, capability and customers, but also for a strong financial track record and future returns and, importantly, for its cultural fit and its people. As well as making both strategic and financial sense, the acquisitions that we have made to date have brought on board excellent teams of highly skilled and experienced people. We have an experienced team enabling us to identify, acquire and integrate these acquisitions.

In September 2017 we acquired SafeSkys Limited, a leading Environmental and Air Traffic Control services provider to UK and International airports. SafeSkys is a fantastic addition to the Group and its acquisition brought some great people into our organisation. SafeSkys was swiftly integrated after acquisition and, though early in our ownership, we are excited for its long term prospects within our Group and see areas where we can support the team and help them grow the scale of their activities, both in the UK and internationally.

In late 2017, we entered discussions to acquire a high quality managed services business with international operations and significant long term contracts with blue chip customers. At the beginning of January 2018, having agreed transaction terms, we entered into an exclusivity period expiring at the end of April 2018. The acquisition, on the agreed terms, would have met our financial return criteria and significantly progressed the delivery of our clear, long term strategic objectives, immediately increasing the weighting of our Consulting and Training profitability to in excess of 30%.

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> "We have a well invested business and a world class platform enabling us to compete globally to fulfil our customers' highest expectations"

Despite the compelling strategic attractions of the acquisition, when our accounting issues were identified, we rightly focused our priorities on our existing business and on our customers, employees and shareholders. As a result, despite six months work and being a few days from announcement we let the exclusivity lapse. In total £0.5m of cost was incurred, and will be expensed in financial year 2018/19. Although we are no longer in exclusivity we have built a strong relationship with the target company and remain in dialogue with the Board members.

ACCOUNTING REVIEW

The events following the end of the financial year have been some of the most challenging I have faced as Chief Executive. In April, we confirmed evidence of repeated and consistently mis-posted accounting journals, resulting in a total net assets overstatement of £4.0m net of corporation tax. This proved a complex issue to resolve and one which had arisen over a period of years dating back as far as 2010/11. The specific accounting corrections are explained in the Financial Review.

As part of our strategy to attract and recruit the best people for our transforming business we effected significant change in our Finance team during 2017, and it was the ability and vigilance of this new team that identified this issue. The investigation to understand the issue, rectify errors and processes, and prevent any similar breakdown in reporting accuracy, has been comprehensive and appropriate.

We have developed a healthy culture of self-improvement across the business, supported by senior management encouraging all of our employees to raise issues and challenge business practices through open channels of communication. Sadly, this case of accounting weakness was complex, without a consistent pattern and difficult to detect, with no clear motivation or evidence of personal gain. It is encouraging that it was our new finance team that identified the issue. This isolated incident does not reflect our values or how we do business, and frankly it lets down our people and adversely impacts our shareholders investment. Our on-going people management processes and the current upgrading of key financial controls place us on a very firm footing to deliver transparency, and provide confidence for our current and potential shareholders in the reporting accuracy of our business performance going forward. It is also important to confirm that no customer, operator or supplier was impacted or disadvantaged by circumstances or outcomes relating to these accounting mis-statements. I would like to thank all involved for their hard work to conclude this issue.

FOCUSED ON THE LONG TERM

Our approach is long term. Our track record of capturing opportunity in a volatile industry has enabled us to grow and develop the business into a market leader, to diversify our customer base and to innovate with new products and services. Aviation is an industry which demands long term partners with shared objectives and vision. These demands regularly go unmet. We choose to take a different approach and to meet these demands, aligning closely with our customers' own strategic plans and activities.

Long term strategic thinking and partnership will continue to inform our actions and behaviour. We will not take a short term decision if we believe that it may have a negative impact on the long term growth, health or reputation of our Group. We will always strive to do things in the right way, for the good of customers and employees, over the long term, firm in the belief that this approach will mean that we get things right and deliver considerable value for our shareholders.

OUR STRATEGIC PRIORITIES

We have five strategic priorities: to create value by putting our customers first; to grow the business organically; to broaden our offer as the demand for aviation services increases; to develop and retain our great people, and to maintain and enhance our brand identity. We explore three of these priorities on pages 13 to 19 but the other two are equally important.

We aim to continue to grow organically by driving efficiencies and investing in sales teams, training and technology. Organic gross profit, adjusting for current and prior year acquisitions, is up 12% year on year. And in an industry that is broad, fragmented and competitive, differentiating our brand is essential for our current and future success. Air Partner is well known in the industry and we have acquired equally well respected businesses. Our aim is to bring all businesses under the one unified brand umbrella later this year.

See our strategy in action and KPIs for more information on pages 13 to 21

CHIEF EXECUTIVE'S REVIEW CONTINUED

OUTLOOK

2017/18 was a good year for Air Partner's trading performance. Much of the strategic work undertaken over the past few years, our focus on self-improvement, and a long term approach to managing the business are evident in these results. These results are also a testament to the hard work and dedication of our staff, and their focus on delivering for our customers.

The accounting review announced at Easter proved to be an unexpected and challenging event for everyone at Air Partner. With the review concluded, I want to thank our staff for their diligence through this period, as their focus on our customer service never wavered. The review has spurred us on to accelerate additional investments in technology and processes to improve our risk measures and reporting so that an event such as this cannot be repeated. As a consequence of the review we start the 2018/19 year with a material one-off cost of £1.3m which will not recur, consisting of £0.8m of professional review fees and £0.5m of aborted acquisition cost.

We are rarely anything more than cautiously optimistic at the start of a year, and this year would certainly be no different. We have a strong portfolio of global Charter products which provides us with exposure to various markets and geographies, and our portfolio approach, without any single product or market dominance, often benefits us to mitigate volatility, in either direction, in any one market or product line over the course of a year. At this point in the year we are seeing a particularly strong performance in Freight and USA, Commercial Jets is flat, while Private Jets UK has started the year slowly. As ever at the beginning of the year, for global Charter at least, it is far too early to predict the full year outcome. Our more pipeline orientated businesses are in Consulting & Training and also Remarketing and these activities have encouraging order books which will develop even further during the year ahead. We have exciting investment initiatives in people, offices and infrastructure planned and underway from previous years; these will position the business well for the years ahead. As a Group we will make further progress in extending our market position and delivering exceptional service and value to our customers globally.

As we always state, the global charter business has consistently been, and will continue to be, a volatile industry. Against this backdrop we will manage the business for the long term, with a very clear strategy of alignment to the needs of our global customer base. In line with our clear growth strategy, the Board continues to assess investment opportunities, both organic and acquisition, to enhance or extend the services and capabilities we offer our customers, which will ultimately strengthen and advance our business.

Mark Briffa
Chief Executive Officer

STRATEGY
IN ACTION

A LONG TERM PARTNER

We have a clear long term strategy to become a world class global aviation services group, aligned to the needs of our global customer base. To achieve this, we have five strategic priorities:

- Putting our customers first
- Growing organically
- Broadening our offer
- Developing and retaining our people
- Maintaining and enhancing our brand identity

Over the next pages we explore some of these in greater detail.

PUTTING CUSTOMERS FIRST

Customer service is part of our DNA. Putting customers at the heart of every decision we make enables us to provide a consistently exceptional, tailored service across the Group.

In response to customer demand and feedback, we got to know our clients better, developing proactive, disciplined and relationship-driven behaviours and processes to become true partners to our global clients, exceeding customer expectations across all products and geographies.

Just one of the many examples of where we are delivering exceptional service is with our JetCard, recognised for the fourth consecutive year as the best, most flexible and affordable private jet membership programme in the industry. Constantly looking to improve and deliver the very best VIP experience, we achieve an unrivalled level of service within the industry. This year we have introduced complimentary VIP catering with gourmet menus across 33 airports in Europe. We specialise in last minute logistical planning and can make even the most remote location more convenient and accessible. And our JetCard customers can book in complete confidence knowing that aviation safety is at the heart of the business thanks to Baines Simmons, an Air Partner company and world leader in aviation safety consulting.

We have strengthened relationships and built new ones in new and existing markets. We are delivering what our customers want by putting them first in all that we do.

#1

Air Partner's JetCard has once again been recognised by independent consultants, Conklin and De Decker, as the number one offering in the industry for flexibility and affordability

BROADENING OUR OFFER

While we continue to grow our Charter business, we are also broadening our offer in aviation services.

Since 2014 we have reviewed over 60 businesses, taking a very selective approach to acquisitions.

This year we acquired SafeSkys. It's a great fit with our strategy, providing good visibility of revenues and strong global growth opportunities.

SafeSkys has been trading for over 24 years, providing airport wildlife management and services, air traffic control and air traffic engineering to over 85 international airports. It is one of the world's leading providers of wildlife services which range from bespoke training courses to the production of plans and procedures to comply with ICAO, EASA and national CAA/FAA regulations.

SafeSkys is also a CAA approved Air Navigation Service Provider (ANSP). One of our air traffic services (ATS) contracts is with Llanbedr, which was resurrected in 2014 as a Centre of Excellence for Unmanned Aerial Systems, having been closed for over 10 years. SafeSkys were engaged early in the project to re-establish the provision of air traffic services which involved designing and re-equipping the control tower with state of the art equipment, the production of procedures and operations manuals as well as the design and implementation of the safety management system. We also selected, recruited and trained the staff required to deliver the service. The aerodrome opened on time and on budget with full CAA approval. We believe ATS offers considerable global growth opportunities.

We have many shared clients and our teams across the Group are communicating to identify cross selling opportunities. SafeSkys provides wildlife control services to nine Royal Air Force (RAF) Airfields and two CAA airports within the UK and ground school training for fast jet pilots on the Hawk T1 and T2 aircraft at Royal Air Force Valley for both the RAF and overseas foreign air forces.

DEVELOPING AND RETAINING OUR PEOPLE

Air Partner is a people business. We are very proud of our committed people and teams, putting our customers first to deliver consistently outstanding results.

Attracting, developing and retaining our great people are critical to our success. We have done a lot of work again this year to engage our staff and build a culture in which they feel included, valued and empowered to reach their full potential. Last year, we launched our first ever global employee opinion survey and have this year introduced 'engagement' as a strategic KPI. We have listened to the results, understood what matters to our people and responded. We have taken action, from small steps like making fresh fruit available in our offices, to some bigger ones such as introducing a whole new communications framework to help involve and include all our people in all aspects of our business. This is increasingly important as we add new companies to the Air Partner family of businesses.

People tend to stay with Air Partner for a good length of time. The average stay is five years and some of our staff have been with us for 10, 15 or 20 years plus. We recognise their dedication by linking remuneration to performance and we actively encourage personal development by offering training to build capabilities and cultivate exciting careers. This year we introduced a graduate trainee programme, taking in a team of new graduates and giving them the opportunity to experience different aspects of the Group's businesses. We will continue to develop this and hope to see our graduates progress with us for many years to come.

‘I started in a very junior broking support role. From the moment I walked in I was made to feel very welcome. Over the years, Air Partner has invested in me with training to support my career. I work hard, I look after customers really well and I do my best every single day. The Company recognises and rewards me for that. At every stage I’ve had good people around me giving me good advice — the same advice I now give to my team.’

Clive Chalmers: Trading Director, UK (19 years)

‘The Graduate Scheme has been a great opportunity to see how each area of the business operates and to build relationships with colleagues across the Group. I’ve received a lot of support in each department and learnt about areas I didn’t think I would have much interest in. It’s been very hands on and I was proud to win my first client, a high profile international businesswoman in the beauty industry.’

Courtney Jones: Graduate Account Manager (10 months)

‘Over 11 years, I’ve worked in many aspects of the business from marketing to sales to Customer First. Air Partner is a diverse business with a performance-driven culture, but it is also a business that supports employees when they seek personal development and new opportunities.’

Miranda Taft: Senior Vice President, Customer First & Operations, US (11 years)

‘I have had the opportunity to use my language skills and work with our international colleagues in different countries. I had a brilliant mentor who helped me build a fulfilling career. I try to do the same and assist junior staff members in the business with training and coaching. I have been with Air Partner for 21 years and it certainly hasn’t been boring!’

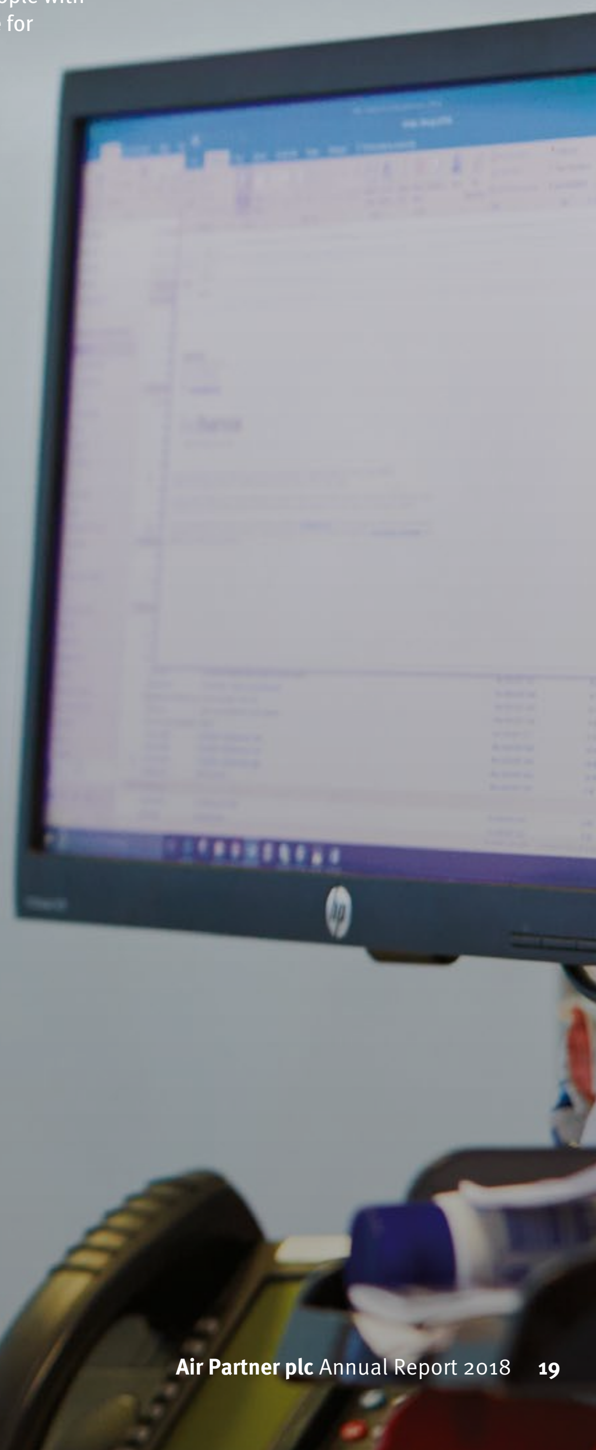
Claudia Schimansky: Trading Manager, Private Jets Europe (21 years)

‘The Company really listens and responds to feedback and we get regular opportunities to meet with Mark (CEO) over informal lunches. I feel supported in my career, surrounded by people with knowledge who have been here for many years.’

Jemma Goddard: Airworthiness Coordination Team Leader, Baines Simmons (2 years)

GENDER DIVERSITY

	Male	Female
Directors	4	1
Executive team	4	3
Senior management	11	6
Employees (including team leaders/managers)	192	112



KEY PERFORMANCE INDICATORS

We monitor a range of financial and strategic indicators that reflect the underlying strength of our business and help to measure progress against our strategy.

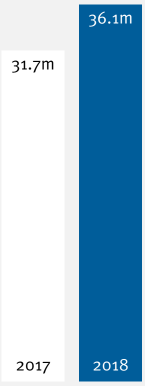
Gross transaction value

£261.3M

This represents the total amount invoiced to our customers

Gross profit

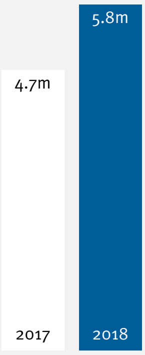
£36.1M



Being the key measure of business success

Underlying profit before tax

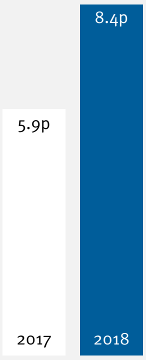
£5.8M



Being the main measure of financial performance used within the business

Underlying basic earnings per share

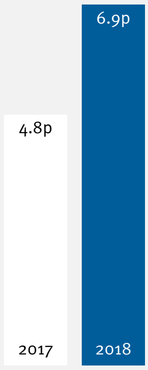
8.4P



Being EPS derived from underlying profit for the year (which excludes other items)

Basic earnings per share

6.9P



Being EPS derived from profit for the year including other items

Return on equity

43.4%

Return on equity is calculated as operating profit for the year over net assets

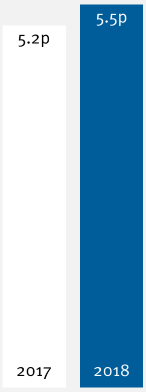
Cash (excluding JetCard)

£4.8M

Representing cash excluding JetCard cash net of debt

Dividends per share

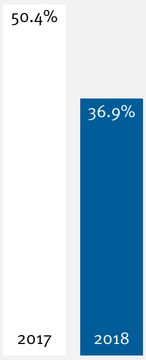
5.5P



As adjusted for the share split which took effect on 31 January 2017

Total shareholder return

36.9%



Calculated as closing share price plus dividends less opening share price, all divided by opening share price

STRATEGIC KEY PERFORMANCE INDICATORS

We are on a journey of transformation to become a world-class global aviation services group. Last year we introduced four new key performance indicators (KPIs) to measure our progress against this strategy. For the first time, this year we have comparative data for these measures.

This year, following the launch of our global employee opinion survey, we have added 'Engagement' as a measure of our strategic priority 'to develop and retain our people'.

CUSTOMERS AND BRAND

Net Promoter Score

Our Net Promoter Score is calculated by subtracting the percentage of customers who are detractors (score the Group's service 0-6 out of 10) from those who are promoters (score the Group's service 9 or more out of 10).

79%

(2017: 75%)

GROW ORGANICALLY

Increase in gross profit in our Charter business

This measure illustrates the performance of our Charter division, excluding all post FY 2014/15 acquisitions.

£6.0m

(2017: £0.3m)

BROADEN OUR OFFER

Acquisition contribution to underlying operating profit

This measure demonstrates the contribution to profits arising from our strategy of introducing new service lines to our customers.

£0.6m

(2017: £0.7m)

PEOPLE

Employee turnover

Calculated as the percentage of employees who leave the Group during the financial year and are replaced by new employees.

22%

(2017: 25%)

PEOPLE

Engagement

Measurement of employee positivity in response to a group of key questions on employee advocacy and overall satisfaction.

69%

Note: As a result of the accounting issue identified in April 2018, the figures above and those reported throughout the Strategic Report relating to income statement items and the prior year balance sheet have been prepared on the basis described in pages 28 and 29 of the Financial Review which may impact their accuracy and reliability

DIVISIONAL REVIEWS
CHARTER

Our Charter division has delivered a robust full year performance, with gross profit up 22.8% to £31.3m and underlying operating profit up 9.5% to £6.7m.

COMMERCIAL JETS

This performance has been driven by growth in Commercial Jets with gross profit up 22.7% to £17.3m and underlying operating profit up 13.7% to £3.8m. Strength has been seen across territories and sectors and from new and existing customers. In the US we posted record results, despite a strong comparative period last year when we benefited from the US election candidates' flying. The traditionally softer second half of the trading year did not materialise as we were able to respond effectively to customers' needs in the face of hurricanes Irma and Maria, which hit the US and the Caribbean in September, and to a non-hurricane related evacuation for one of our customers in the leisure sector. We have also seen an increase in activity in the MICE sector (Meetings, Incentives and Corporate Entertainment). In Europe we benefited from prior investment in people in the sports sector and we are well placed to continue to perform well with this year's FIFA World Cup taking place in Russia. We saw good results from Tour Operating programmes and continued strength in automotive, where we have helped with the launch of a cross over vehicle for a major German manufacturer and are seeing growing opportunities despite an increasingly competitive environment. In the UK and Europe, we continue to see steady, year round demand to meet government requirements.

Air Partner Remarketing has had an encouraging year in which it has secured a number of exclusive mandates and demonstrated the benefit of inclusion in the wider Air Partner Group with its most recent sale of a 2009 vintage Beechcraft King Air 200 for Air Hamburg, the result of an introduction from Private Jets. During the year, Air Partner Remarketing has successfully sold and delivered two B737-700 aircraft and a GE engine for Kenya Airways, two 747-400s on behalf of China Airlines, and won exclusive contracts with a large Australian bank and with Saudia, the latter to market 15 Boeing 777-200ER aircraft.

PRIVATE JETS

In Private Jets, gross profit was up 3.4% to £10.6m, while underlying operating profit decreased by 56.6% to £1.1m. This largely reflects lower sales in the UK, as we moved key personnel to the US, and the subsequent impact of investment we have made in upskilling our sales team across territories. We are beginning to see the benefit of this investment with some good new client wins and expect to see further benefit in the new financial year. In the US, where we expanded our New York office last year and recruited new management to bring greater focus and strong leadership

In Europe, we benefited from prior investment in our Sports sector

The sale of a Beechcraft King Air 200 was a result of an introduction from our Private Jets division

Note: As a result of the accounting issue identified in April 2018, the figures above and those reported throughout the Strategic Report relating to income statement items and the prior year balance sheet have been prepared on the basis described in pages 28 and 29 of the Financial Review which may impact their accuracy and reliability

+22.8%

Charter gross profit

+22.7%

Commercial Jets gross profit

+3.4%

Private Jets gross profit

to the region, investment has enabled us to service an increase in demand and we have seen a record rise in overall client numbers of 80%. Business from existing customers is performing well with JetCard renewals up 16% including two €1m renewals and utilisation up 8%. The Air Partner JetCard in the US has been recognised as the most flexible membership programme in the industry for four consecutive years and this accolade has this year been extended to JetCard in Europe. We welcomed back a number of clients from competitors and we continue to go the extra mile to exceed customer expectations. All JetCard cash is held in segregated client accounts. The partnerships and alliances we have rolled out in the last 18 months have not only enhanced our customer experience but have introduced new customers to us. We have continued to add to JetCard's exceptional product offering with the introduction of new gourmet menus across 33 airports in Europe and we plan to expand this further.

FREIGHT

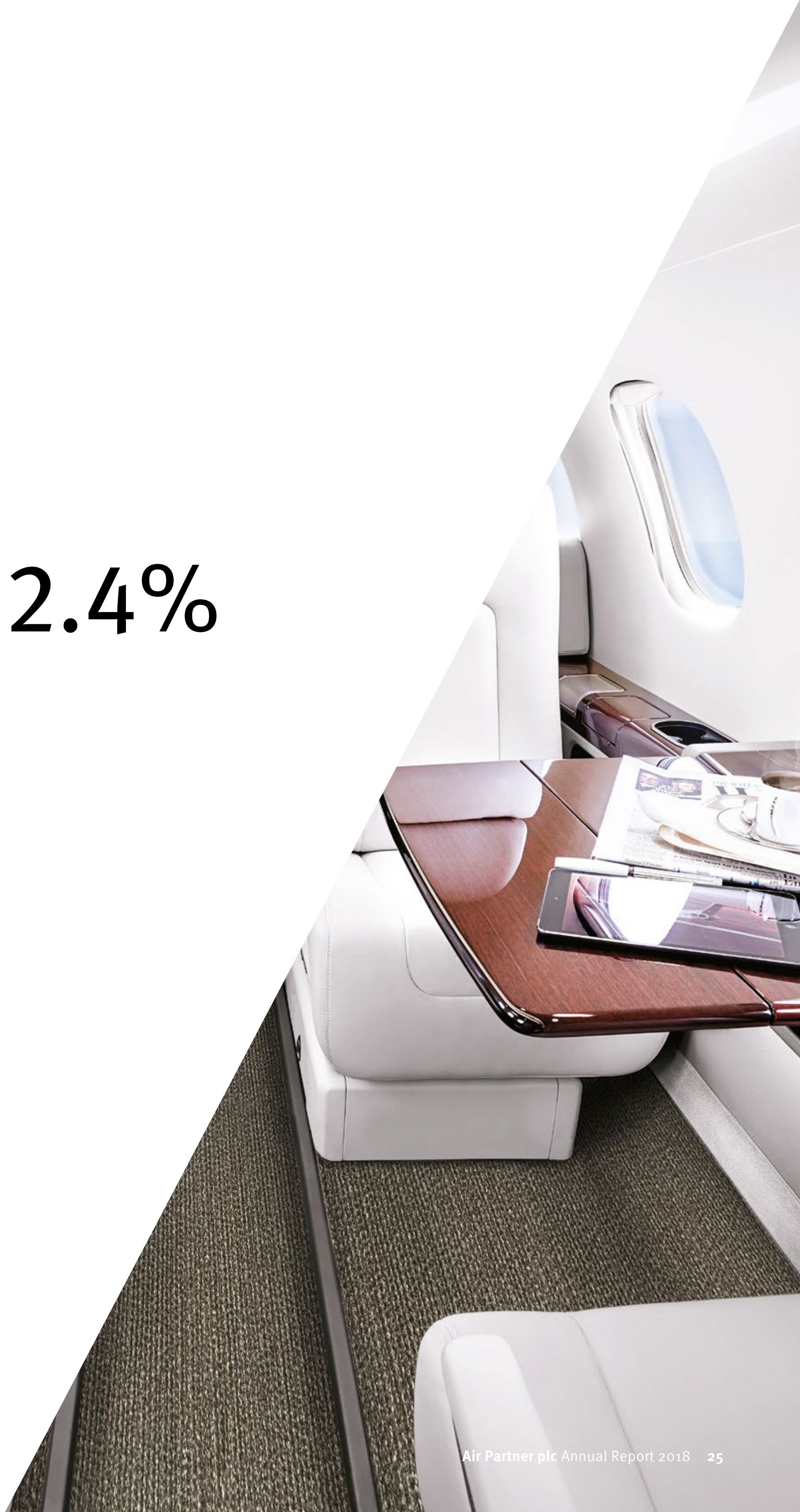
Freight is an especially volatile sector, but is a strategic offering, enabling us to provide our customers with a full aviation service. Freight has had a record year with gross profit up 202.4% and client numbers at their highest level. This outperformance has been driven by a mix of charters carried out across the Caribbean to support the relief effort of hurricanes Irma and Maria, the positive and immediate impact of new hires over the period, and ongoing contracts in the Middle East. Our ability to respond quickly to requirements in this region demonstrates the advantage of Air Partner's geographic reach.

We have seen a record rise in overall Private Jet client numbers

Client numbers in Freight are at their highest level since Air Partner began operating

+202.4%

Freight gross profit



DIVISIONAL REVIEWS
CONSULTING & TRAINING

In our Consulting & Training division, gross profit was down 23.1% year on year at £4.8m, while underlying operating profit was down 8.8% at £0.6m.

BAINES SIMMONS

Baines Simmons has had an encouraging year with good, longer term contract wins and some of the pipeline projects crystallising in the second half. Customer engagement and contract wins have been good across civil and military organisations and the forward pipeline remains strong. In the first half Baines Simmons secured contracts with Tier 1 national carriers, the Royal Air Force of Oman and the European Defence Agency. In January, we won the STEP (Safety Training for Error Prevention) tender with the Ministry of Defence (MOD), for a four to six year project. This is the third time we have been selected in a competitive tender to provide training, advice and guidance to the UK MOD and extends our remit to include the Royal Navy and the Army as well as the Royal Air Force. Academy Training has also continued to perform well with over 4,000 people completing training programmes during the year. A number of commercial contracts were also won throughout the year. In the second half we began work on a new three year strategic plan for Baines Simmons which is extremely exciting, and as part of that, in April 2018 we appointed Ian Holder, a safety management specialist, as Baines Simmons Managing Director. This is an important appointment and it follows a period of interim management. Ian has been integral to developing the new plan and he will undoubtedly bring strong leadership with a transparent and team orientated approach, and a deep understanding of the business and the market.

CLOCKWORK RESEARCH

Our Fatigue Risk Management (FRM) Team, trading as Clockwork Research, has had a good second half. Over the year Clockwork has carried out work for Tier 1 national carriers and airlines across the world and for a high profile train provider in the UK. In a move into rotary, a national air rescue client became the first rotary operator in Europe to be given fatigue risk management approval by the regulator. With Clockwork now fully integrated into the Baines Simmons offer we are beginning to see the benefits of a complimentary client list. The pipeline of opportunities is good and we expect to increase efficiency further next year.

SAFESKYS

SafeSkys, acquired in September 2017, has performed well over the last quarter of the financial year. The integration of the team into our Gatwick headquarters was completed in November and we are extremely pleased with progress. SafeSkys has a good customer base with stable contracts of an average of four to six years duration and good visibility of revenues. A key RAF contract was secured at year end to operate in the Scottish region. The air traffic control side of the business is performing in line with expectations and in the years ahead offers considerable opportunities for growth from a global perspective.

We continue to assess acquisition opportunities within Consulting & Training as we aim to create a balanced mix between our two divisions.

Baines Simmons has won new contracts across military and civil organisations.

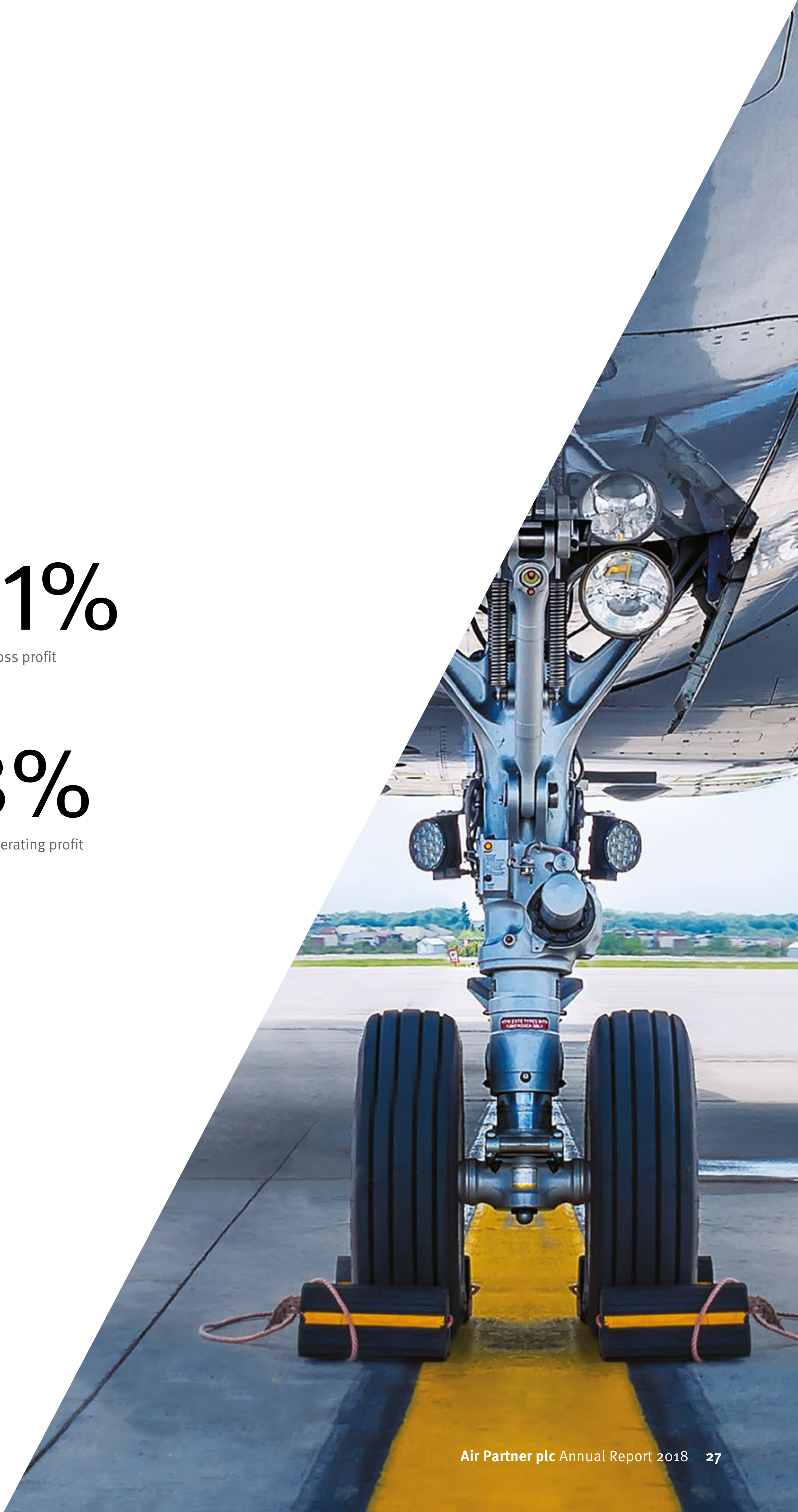
Our Fatigue Risk Management team has carried out work for Tier 1 national carriers and airlines across the world.

-23.1%

Consulting & Training gross profit

-8.8%

Consulting & Training operating profit



FINANCIAL REVIEW

The Accounting Issue has been contained and resolved, and the correction to net assets has been quantified. Despite the resulting restatement, the strength of our balance sheet will continue to support our competitive positioning and advantage in the market place.

FINANCIAL IMPACT OF THE POST YEAR END ACCOUNTING REVIEW

As explained in the preceding Chairman's Statement and Chief Executive's Review, as part of its year end process the Company identified an issue over its financial controls which had a material impact on current and prior period results. An extensive review was subsequently undertaken with external advisory support. Further detail surrounding the facts and circumstances of the accounting issue and the investigation is provided in the Audit and Risk Committee report on pages 44-46. The financial implications of this issue are summarised as follows:

- The total cumulative impact on total net assets was an overstatement of £4.0m net of corporation tax; this was in line with the guidance provided that it would not exceed £4.0m.
- The resultant £4.0m correction to decrease net assets is effected as follows:
  - £4.3m decrease of net assets as at 31 January 2018, being a pre-tax gross impact of £4.4m less related corporation tax relief arising in the year of £0.1m.
  - £0.3m increase of net assets as at 31 January 2019, being the retrospective corporation tax relief expected to be reclaimed on the gross correction attributable to prior periods.
- Of the gross amount, £0.9m was identified as relating to the year ended 31 July 2011. It has not been possible to attribute the remaining £3.5m to specific trading years, nor to specific lines in the Income Statement.
- In light of the review findings and this misstatement of accounting entries since 2010/11, the Directors deemed it appropriate to correct the unidentified £3.5m net assets overstatement by apportioning this amount on a straight line basis across each of the last eight trading periods.
- In the opinion of the Directors this is the most reasonable approach and the Directors believe that, after adopting this method of correction, the historic, adjusted accounts broadly represent the growth pattern of the business during this extended period of time. However, the auditor's report will contain a limitation of scope qualification in respect of the apportionment of the £3.5m. This is inevitable as it cannot be estimated reliably across either the accounting periods or the Income Statement lines impacted.
- As a result of the Board's apportionment the profit for both the current and prior years is stated after classifying the £0.4m correction as exceptional costs in each of these years. This resulted in a corresponding £4.0m reduction in opening retained earnings as at 1 February 2017.
- The anticipated total corporation tax recovery resulting from the total net assets correction is £0.4m. Of this amount £0.1m is included in the 2017/18 results; the remaining £0.3m is expected to be recognised in 2018/19 following agreement by HMRC.
- There was no related impact on cash or debt balances.
- The review undertaken to investigate the issue was wide-ranging and exhaustive. Total associated costs of £1.3m, representing £0.8m for the services of external advisors and £0.5m of aborted acquisition costs, will be recognised as an expense in the year ended 31 January 2019.
- A thorough assessment of financial controls has been progressed to address all weaknesses and support the essential transparency of financial reporting, to give current and potential investors the necessary confidence in the growth trajectory of the Company.

ACCOUNTING POLICIES

There have been no changes to accounting policies during the year. However, a review of the potential impact of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, was conducted during the period. It is management's conclusion that there will be no material impact on the financial statements arising from the implementation of IFRS 9 and IFRS 15 in subsequent financial years. However, under IFRS 16 the majority of operating leases will be accounted for as right of use assets, which will largely be offset by corresponding lease liabilities. The lease liability will increase net debt. It is anticipated that operating expenses will decrease and financing costs will increase as the operating lease charge is replaced by depreciation and interest. The overall impact on net profit is not expected to be material.

BALANCE SHEET STRENGTH

Despite the impact of the accounting review and net assets correction the strength of our balance sheet will continue to support our competitive advantage and positioning in the market.

At the balance sheet date the Group's own cash, net of borrowings, was £4.8m (2017: net debt £1.8m). As noted in the interim report, the Group has moved all JetCard cash into segregated accounts to provide protection to our customers.

“The recent upskilling of the Finance team through external recruitment and the successful upgrading of the accounting system are critical enablers supporting an evolutionary programme to embed effective financial control and enhance business performance insight.”

The increase in the Group’s own cash reflects the trading performance over the year together with positive changes in working capital. The Group’s debt facility at 31 January 2018 comprised a revolving credit facility (“RCF”) of up to £7.5m, arranged through the Group’s principal banker, of which £2.5m was drawn down as at the year end. The Group also has an unutilised £1.5m overdraft facility. All financial covenants were complied with during the period and to the date of approval of this report.

FINANCIAL OVERVIEW

Gross transaction value: top line performance increased by £45.5m (21.1%) to £261.3m (2017: £215.8m) primarily due to an increase in client activity in the Freight division and the United States operations. Freight activity is often driven by one off and unusual events; our investment in people realised financial benefits in the year as we were well placed to win hurricane relief related contracts. In the USA we delivered a significant new contract with a major insurance company as new hires brought new clients into the business.

Revenue: Air Partner primarily uses gross profit as its key indicator of business performance. This is due to the potential for revenue, as determined under IFRS, to fluctuate depending on the number of contracts enacted in the year where the Company acts as principal, as opposed to agent. The £6.0m (14.0%) increase in revenue to £48.5m (2017: £42.5m) is largely driven by the £4.4m increase in gross profit. The remaining increase of £2.0m is due to an increase in revenue from contracts where Air Partner acts as principal.

Gross profit: this primary measure increased by £4.4m (13.8%) to £36.1m (2017: £31.7m), attributable to improved performance in the USA, Freight and Commercial Jets. The Commercial Jets division similarly highlighted the commercial benefits of strong relationships with loyal customers, operating three aircraft on tours throughout the summer season to boost results. The 13.8% increase in gross profit is lower than the 21.1% increase in gross transaction value due to the difference in gross margins realised across the product mix.

Underlying operating profit: underlying operating profit increased by 24.9% to £5.9m (2017: £4.7m), with the majority of the increase being attributable to the improved performance in the USA and Freight, as noted above. Excluding the impact of Air Partner Remarketing’s results from the Commercial Jets division, our core charter business’s performance increased by £1.7m, on a like-for-like basis. The operating profit figures for both the current and prior years is stated after accounting for a £0.4m exceptional expense item in each year, as explained in the commentary on the post year end accounting review above.

Other items: other items of £1.0m comprised £0.3m of restructuring costs, £0.3m for the amortisation of intangible assets arising on acquisition and £0.4m of acquisition related costs.

Operating profit: operating profit increased by £0.9m to £4.9m (2017: £4.0m) as a result of the year on year improvement in underlying performance more than compensating for the restructuring and acquisition related costs incurred during the period.

Finance charges: the Group’s net finance charge of £0.1m comprises interest on the Group’s loan and interest receivable on cash balances.

TAXATION

The Group’s underlying effective tax rate for the financial year was 24% (2017: 33%) and total effective tax rate was 27% (2017: 35%). During the year, the Group implemented a new global transfer pricing policy, reflecting best practices and the guidelines issued by the Organisation for Economic Cooperation and Development.

FOREIGN EXCHANGE

Where possible, the Group uses natural hedges to minimise its foreign exchange exposure, for example matching JetCard deposits denominated in Euro or US dollars with the respective liability. In addition, the Group uses derivative financial instruments to hedge certain transactions in accordance with its internal policies.

ACCOUNTING DEVELOPMENTS

The Group uses Navision as its accounting system. During the period, the Group successfully upgraded the system by completing the global roll-out of Navision 2016 on schedule and on budget facilitating improved reporting, more robust financial control and an ability to integrate automatically with our CRM system. In addition, the UK finance team was restructured, supported by the recruitment of more qualified staff to upskill the function. These two actions are critical enablers in a wider evolutionary change programme that will see the short term development of an effective financial control framework, together with a leveraging of this platform to drive enhanced business performance insight and accurate decision making in order to more effectively realise commercial success and associated financial returns.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

RISK MANAGEMENT PROCESS

The Board defines the risk appetite and monitors the management of significant risks to ensure that the nature and the extent of the significant risks borne by the Company are aligned with the overall goals and strategic objectives. Our risk appetite influences the culture of our business and how we operate, and is reflected in our management structure. The Operating Board supports the Board in monitoring the exposures through regular reviews and its general oversight of the day-to-day running of the business.

ANNUAL RISK ANALYSIS

We identified and assessed new and existing risks over the course of the year as the Group's overall risk profile continued to evolve. The Board and the Executive Team performed further analysis to prioritise these risks, with a focus on those considered to pose the greatest risk to achieving our objectives.

During the year, there has been a change to our legal and regulatory risks following the potential uncertainties arising from Brexit and the US Presidential election. However, both of these political events could present opportunities, and we are continuing to evaluate the situation.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk to the Group's business stems from the general economic conditions in which our clients operate, affecting their willingness and ability to charter or contract consulting services. Ad hoc charters are likely to continue to be affected by serious economic instability in the major world markets.

The inherent risk to Air Partner's chartering business is the fact that lead times for ad hoc bookings are measured in days or weeks, rather than months. Forward bookings can be impacted very suddenly by changes in financial markets, political instability and natural events affecting the movement of people or cargo from one country to another. Economic uncertainty affects corporate, government and individual clients and affects the quality of aircraft supply as operators consolidate or leave the market.

Contractually, this risk is mitigated in that we sell capacity on aircraft owned and operated by a third party, and contracts with our customers are normally placed as mirrored transactions.

The Group does not have any contractual arrangements with any significant individual or company which are essential to continuation of the business.

General business risks faced by the Group are those faced by businesses with similar characteristics. Those listed here are the principal risks considered by the Board to have a potentially material impact on the Group achieving its long term strategic objectives.

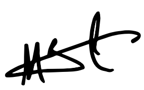
Risk	Change in risk assessment	Strategic initiatives potentially impacted	Potential impact	Controls/processes to mitigate
Market conditions/cost structure Forward visibility of air charter bookings is often measured in days or weeks rather than months, and can be materially impacted by changes in financial markets, political instability and natural events affecting the movement of people or cargo from one country to another.		Customers Maintaining brand value	Limited visibility of future bookings may result in a cost structure that does not align with market conditions.	Extension of the offering following the acquisition of Cabot Aviation Services Limited, and particularly Baines Simmons Limited, has enhanced the stability of earnings by adding more predictable revenue streams to the Group. Further diversification of the client base of the aircraft chartering business across governments and non-governmental organisations, commercial enterprises and individuals, as well as across geographic regions, allows for some smoothing when there are seasonal or sectorial changes in demand. We continue to focus on overheads to ensure they are appropriate to the level of business and appropriate action is taken if necessary.
Retaining, developing and expanding the Group's customer base The challenge of retaining and expanding customers in a highly competitive environment with low barriers to entry.		Customers Growing organically	The Group's ability to maintain and grow revenue could be adversely affected.	Roll-out of the Customer First programme which underpins the Group's strategy for identification of, and marketing to, potential customers while elevating the customer experience through improved process capabilities.
Attraction, retention and motivation of staff The challenge of attracting new talent and retaining existing key staff.		Customers Developing and retaining our people Growing organically Broadening our offer	Loss of earnings.	Investment in recruitment and talent management, including through internal and external courses, especially through a longstanding arrangement with Cranfield University to improve performance. Elements of remuneration are tied to individual and Group performance. Regular review of remuneration and other incentives to ensure we remain on par with our competitors.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Change in risk assessment	Strategic initiatives potentially impacted	Potential impact	Controls/processes to mitigate
Financial counterparty risk Financial exposure following payments in advance of services to operators.		Customers Maintaining brand value	Loss of earnings.	When selecting which operator to use, we assess reputation and financial strength in order to mitigate the risk of making payments to businesses that may fail. In addition, where possible, we use third party bank guarantees instead of cash deposits.
Non-financial counterparty risk Reliance on third parties for delivery of services to end clients. Operator compliance with relevant regulations.		Customers Maintaining brand value	Failure of aircraft or operator chartered by Air Partner.	We always choose high quality aircraft and carriers for every charter. Air Partner maintains non-owned aircraft liability insurance which can also be extended to clients. All flights are watched in operation by the in-house operations team. In addition, there is both an internal audit and an external audit process, the latter performed as part of the ISO accreditation.
Competitor risk The risk of falling behind competitors in product development, standards of service or cost effectiveness.		Creating value Maintaining brand value	Loss of customers.	Roll out of the Customer First programme across the Group will embed a unified and elevated level of customer service delivery by aligning our sales and marketing strategy with service delivery. We also undertake regular client surveys to ensure we remain responsive to competitor activity and client demands within acceptable price levels for the quality and standards of service provided.
Legal, regulatory and HS&E The challenge of operating in multiple jurisdictions subject to a large number of different and evolving laws and regulations, including tax and civil aviation authority requirements. Risks to health or safety arising out of activities relating to our services and workplace operations. Satisfactorily controlling the environmental impact of our services.		Customers Developing and retaining our people Maintaining brand value	Non-compliance with regulations could result in loss of customers or damage to the Group's brand.	Management reviews policies and processes at Operating Board level. The business has a range of policies to minimise these risks and reviews and updates them on a regular basis.

Risk	Change in risk assessment	Strategic initiatives potentially impacted	Potential impact	Controls/processes to mitigate
Business growth Challenges in enhancing and extending the Air Partner offer following recent acquisitions.		Customers Broadening our offer Maintaining brand value	Lack of sufficient control over the strategic and commercial activities of new operations resulting in financial loss or reputational damage.	We have a dedicated integration team to ensure that benefits arising from an acquisition are maximised whilst maintaining control over core operations.
Reputational risk Damage to Air Partner's reputation following incident or inappropriate behaviour by our staff.		Customers Maintaining brand value	Damage to the Group's brand could result in loss of clients or impair its ability to expand the customer base.	Our brand values of honesty, truth and reliability are treated very seriously. Discretion is key to our customer service and its importance is communicated to all members of the team.
Business interruption Reliance on systems for sourcing and booking aircraft and client management.		Customers Maintaining brand value	Systems failure could result in business interruption.	Business continuity and disaster recovery plans are in place to mitigate this risk.
Controls to safeguard value and identify opportunities Ensuring appropriate and effective controls and risk management frameworks are embedded in our changing business.		Creating value Maintaining our brand value	Process failure leading to avoidable financial loss; reduction in share price; inability to maximise business opportunities	Our controls and risks framework are subject to continual review by senior and Board level management to ensure they are fit for purpose for the foreseeable future

Pages 1 to 33 of this Annual Report constitute the Strategic Report. It has been approved and signed on behalf of the Board on 11 June 2018.



Mark Briffa
Chief Executive Officer

BOARD OF DIRECTORS

PETER SAUNDERS
Independent non-executive Chairman

ARC RC NC

Peter joined the Board in September 2014 and became Chairman of the Board in June 2017. Peter has a wealth of experience in marketing and customer service: he is a non-executive director of Godiva Chocolatier NV; non-executive director of Total Wines & More; non-executive director of Natura Cosméticos S.A. and was Chief Executive Officer of Body Shop International plc from 2002 to 2008. Past board experience includes Canadian Tire Corporation, Jack Wills and Second Cup.

MARK BRIFFA
Chief Executive Officer

Mark has an extensive knowledge of air charter broking and of the aviation industry worldwide, with over 30 years' experience working within the aviation sector. Before joining Air Partner he held commercial roles at Air 2000 and All Leisure. He started his career with Air Partner in 1996 as a Commercial Jets Broker and joined the Board in 2006 as Chief Operating Officer, becoming Chief Executive Officer in April 2010.

RICHARD JACKSON
Independent non-executive director

ARC RC NC

Richard joined the Board on 7 September 2016 and became Senior Independent Director in June 2017. He served at the Civil Aviation Authority for 11 years as Group Director of Consumer Protection where he was instrumental in the introduction of new ATOL regulations. Richard began his career with the Ministry of Defence in 1974 before joining the financial services sector. Richard also acts as consultant to a number of aviation and travel-related clients.

SHAUN SMITH
Independent non-executive director

ARC RC NC

Shaun joined the Board on 1 May 2016, being appointed as Chair of the Audit and Risk Committee in June 2016. He began his career in retail management and corporate treasury at Marks and Spencer plc. He joined Aga Rangemaster Group plc (formerly Glynwed International plc) in 1989, becoming Group Treasurer in 1999 and Group Finance Director from 2001 to 2015. He is a qualified corporate treasurer, and has an economics degree. Shaun is also Group Finance Director of Norcros plc.

AMANDA WILLS, CBE
Independent non-executive director

ARC RC NC

Amanda joined the Board on 20 April 2016 and was appointed Chair of the Remuneration Committee in June 2017. Amanda began her career with Airtours plc and was Chief Executive Officer of Virgin Holidays Travel Group from 2001 to 2014. Amanda is currently non-executive director of eDreams ODIGEO S.A., a global online travel agency, and Chairman of Urbanologie.com, a digital start-up business catering for the high net worth and luxury sector. In 2015 Amanda was awarded a CBE for services to the British travel industry and to charity.

Note: Neil Morris, former Chief Financial Officer, resigned from the Board on 13 April 2018

ARC:
Member of the Audit and Risk Committee

RC:
Member of the Remuneration Committee

NC:
Member of the Nomination Committee

EXECUTIVE TEAM

LEE PYLE
Group Head of Technology

TONY WHITTY
Managing Director, Charter

JULIA TIMMS
Chief Marketing Officer

RACHEL THRIPP
Group HR Director

TRACY BEICKEN
Group Legal Counsel and Company Secretary
Appointed 22 August 2017

IAN HOLDER
Managing Director, Baines Simmons
Appointed 24 April 2018

MARK BRIFFA
Chief Executive Officer

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

"We are committed to achieving a high standard of corporate governance, valued by our customers, shareholders, employees and all stakeholders."

DEAR SHAREHOLDER

In this, my first governance statement as Chairman, I would like to take the opportunity to highlight our ongoing commitment to conduct business with a high standard of corporate governance. We believe this is an essential part of our brand values and we know it is something our customers, shareholders, employees and other stakeholders place value in.

KEY ACTIVITIES THIS YEAR

We have continued to be active on the acquisition front, scrutinising proposals and conducting the due diligence necessary to ensure that any proposed acquisitions will meet our shareholders' expectations. I am pleased to welcome SafeSkys, a leading Environmental and Air Traffic Control services provider, to the Group (see page 26). Other key areas of focus have been Information Technology (IT), as we continue to invest in technology platforms that not only improve our customer experience but enable us to integrate acquisitions seamlessly, and a revisit of our risk assessment processes, given the continued growth in services provided by the enlarged Group.

POST YEAR END ANNOUNCEMENT

In April 2018 the Company announced that, as part of its year end process, it had identified an issue over its financial controls which has had a material impact on Air Partner results in prior periods. We immediately appointed independent advisers to carry out a thorough, transparent and exhaustive review into this matter which is now concluded. We have moved quickly to appoint an Interim CFO, to progress a thorough review of our financial controls and to address immediately identified weaknesses. This matter is explained more fully in the Audit and Risk Committee Report on pages 44 to 46.

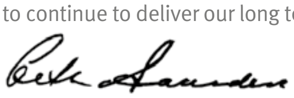
BOARD VISITS ACROSS THE GROUP

We have continued to hold some of our Board meetings away from the Group's headquarters in Gatwick, this year going to our charter broking office in Cologne, Germany. We will continue this later in 2018 with a visit planned to our broking office in Milan, Italy in September. Visiting our sites and meeting our people is enormously valuable; what we learn about the Group in a short visit is worth hours of time in the boardroom.

BOARD CHANGES

We said farewell to Richard Everitt at our 2017 AGM following 11 years on the Board, wishing him all the very best in his future endeavours. Following Richard's departure, I was appointed as Chairman of the Board, with Richard Jackson becoming the Senior Independent Director and Amanda Wills becoming Chair of the Remuneration Committee, roles both previously held by me. I also act as Chair of the Nomination Committee. In addition, while not a member of the Board, we also welcomed Tracy Beicken to Air Partner in August 2017 as Group Legal Counsel and Company Secretary. The Company's Chief Financial Officer, Neil Morris, resigned from the Board on 13 April 2018.

We have a highly experienced Board and, together with the Group's Senior Management, I am confident we have the right team in place to continue to deliver our long term strategy.



Peter Saunders
Chairman

11 June 2018

UK CORPORATE GOVERNANCE CODE

The Board supports the principles and provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council in April 2016 (the Code). Our duty is to manage the Group in accordance with the Code, and we believe that, throughout the year, the Company applied the main principles of the Code, and complied with its provisions. We have structured our corporate governance report in line with the Code's principles, and you will find the relevant compliance statements highlighted in each section. The Financial Reporting Council issued a consultation paper in December 2017 regarding proposals to update the UK Corporate Governance Code, with a revised code being effective from 1 January 2019. The Board shall keep itself appraised of the consultation as it progresses and intends to comply with the amended Code.

Leadership – see page 38

Effectiveness – see page 40, and the Nomination Committee report on page 43

Accountability – see page 41, and the Audit and Risk Committee report on page 44

Remuneration – see the Directors' remuneration report pages 47 to 57

Relations with shareholders – see page 42

CORPORATE GOVERNANCE REPORT
LEADERSHIP

ROLE OF THE BOARD

It is the Board's role to ensure the effective direction and control of the Group's business for the long term benefit of all shareholders. The Board has oversight of the application of standards of corporate governance that are appropriate to the Group's size, profile and circumstances and which emphasise the value of good corporate governance to the sustainable growth of the Group.

The Board sets the strategic aims of the Group and rigorously reviews trading performance against strategic initiatives, and against financial targets set at the beginning of the year. The Board's activities during the year have included the consideration of proposals in line with its acquisition strategy. The Board meets formally at least five times a year with additional meetings as necessary.

A formal schedule of matters is reserved for Board decision, including formulation and development of strategy, major acquisitions or disposals, significant bank borrowings, Board-level appointments, the approval of financial reports and price-sensitive statements and overall business risk assessment. A copy of the schedule is available online at www.airpartner.com.

The Board receives reports at each meeting from the Chief Executive Officer, the Chief Financial Officer and, following meetings of Board committees, from their respective chairs.

BOARD MEETINGS

The table below shows the attendance record of individual directors at Board meetings and relevant Committee meetings.

Number of meetings	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mark Briffa*	8	5	5	–
Neil Morris*	8	5	5	–
Non-executive Directors				
Peter Saunders	8	5	5	–
Richard Jackson	7	4	5	–
Shaun Smith	8	5	4	1
Amanda Wills	6	4	4	1
Richard Everitt[1]	3	2	1	1

1. Richard Everitt resigned as a director on 28 June 2017.

* Mark Briffa and Neil Morris were not members of the Audit and Risk Committee, Remuneration Committee or Nomination Committee but attended meetings when appropriate by invitation. Accordingly, the number of meetings attended by them (in full or in part) as guest, are identified in the table above. Other senior executives were regularly invited to attend meetings for specific items. Neil Morris resigned as a director on 13 April 2018.

UK CORPORATE GOVERNANCE CODE

A. Leadership

A.1 The role of the Board

The Board's role is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims and ensures that the necessary resources are in place to achieve those aims. The Board met formally eight times during the year. There is a clear schedule of matters reserved for the Board, together with delegated authorities throughout the Group.

A.2 Division of responsibilities

The roles of the Chairman and the Chief Executive Officer are clearly defined. The Chairman, Peter Saunders, is responsible for the leadership and effectiveness of the Board. The Chief Executive Officer, Mark Briffa, is responsible for leading the day-to-day management of the Group in line with the strategy set by the Board. Roles and responsibilities of key Board members are available online at www.airpartner.com.

A.3 The Chairman

The Chairman sets the agendas for the Board meetings, manages the meeting timetable in conjunction with the Company Secretary and promotes open and constructive debate between executive directors and non-executive directors during meetings. The Chairman ensures that directors receive accurate, timely and clear information and ensures effective communication with shareholders.

A.4 Non-executive directors

The Chairman actively invites the non-executive directors' views. They scrutinise the performance of management against agreed goals and provide objective and constructive challenge to the executive directors. They attend an annual strategy day with the Operating Board and help develop proposals on strategy. If a director had a concern which could not be resolved about the running of the Company or a proposed action, they would ensure that their concerns were recorded in the Board minutes. The non-executive directors have discussions without the executive directors present. The non-executive directors determine appropriate levels of remuneration of executive directors and have a prime role in succession planning.

GOVERNANCE STRUCTURE: BOARD AND COMMITTEES

The Board

Peter Saunders
Chairman

Responsibilities

The Board carries ultimate responsibility for the effective direction and control of the Group's business and is accountable to shareholders for the long term success of the Group. This is achieved through:

- setting the strategic objectives of the Group
- approving strategic projects and Group and divisional budgets
- ensuring that the Group operates effective risk management
- reviewing trading performance against financial targets set at the start of the financial year.

Chief Executive

Mark Briffa

Remuneration Committee

Amanda Wills, Chair
Peter Saunders
Richard Jackson
Shaun Smith

Responsibilities

- Determining and agreeing with the Board the policy for remuneration of the Chief Executive Officer and Chief Financial Officer
- Reviewing the ongoing appropriateness and relevance of the remuneration policy in comparison with industry benchmarks and levels of remuneration in the business as a whole
- Approving the design and targets of performance-related pay and share incentive plans and awards made to executive directors and performance targets to be used

Read more on page 47

Audit and Risk Committee

Shaun Smith, Chair
Peter Saunders
Richard Jackson
Amanda Wills

Responsibilities

- Reviewing financial reporting, focusing on the appropriateness of accounting policies and judgements and inclusion of relevant disclosures
- Assessing the effectiveness of internal controls and risk management systems and the risk management process
- Reviewing the scope and effectiveness of internal audit processes
- Overseeing the relationship with the external auditor and the effectiveness of the external audit process

Read more on page 44

Nomination Committee

Peter Saunders, Chair
Richard Jackson
Shaun Smith
Amanda Wills

Responsibilities

- Considering the composition of the Board as a whole including the range of skills, knowledge and experience of the directors and carrying out succession planning in respect of the same
- Reviewing the re-appointment of non-executive directors at the expiration of the term set out in their appointment letters

Read more on page 43

Operating Board

Mark Briffa, Chair
Neil Morris[1]
Lee Pyle
Julia Timms
Rachel Thripp
Tony Whitty

Responsibilities

The Operating Board has collective responsibility for running the Group's business under the leadership of the Chief Executive Officer

- Implementing the Group's strategy approved by the Board
- Recommending capital expenditure and investment budgets for Board approval
- Monitoring financial, operational and service performance
- Allocating resources as agreed by the Board
- Planning and delivering major programmes
- Reviewing the senior talent base and succession plans

1. Neil Morris resigned as a director on 13 April 2018.

CORPORATE GOVERNANCE REPORT
EFFECTIVENESS

COMPOSITION OF THE BOARD

The composition of the Board is shown on pages 34 and 35.

BOARD CHANGES

As stated in the 2017 Annual Report, Richard Everitt resigned as a non-executive director of the Company at the conclusion of the AGM on 28 June 2017.

Following Richard's retirement from the Board, Peter Saunders was appointed as Chairman of the Board, Richard Jackson as Senior Independent Director, and Amanda Wills was appointed Chair of the Remuneration Committee. Peter Saunders was appointed as Chair of the Nomination Committee. Neil Morris resigned as Chief Financial Officer on 13 April 2018.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board considers all the non-executive directors to be independent. Given their relatively small shareholdings, the Board does not believe that these impact on the independence of Peter Saunders or Shaun Smith.

BOARD PERFORMANCE EVALUATION

The Company continues each year to evaluate the performance of the Board and its committees. This year's evaluation took place in June 2017. During the meeting the structure of future Board meetings was discussed and a decision made to continue to locate Board meetings in different locations, including the Gatwick headquarters, Baines Simmons headquarters and our overseas offices. It was also agreed that:

- a detailed analysis of the business and financial reports will be undertaken at each Board meeting, with additional information being provided by the CEO and CFO as well as detailed strategic discussions;
- business updates from the Operating Board will be given twice a year;
- an Operating Board mentoring programme will be put in place; and
- the Risk Management culture will be further developed in line with Group strategy.

Finally, it was agreed that each Committee Chair will review the terms of references at their next meeting.

The next annual Board evaluation process is scheduled to take place in September 2018 and will be reported upon in next year's annual report.

The Board confirms its belief that all directors bring significant value to the business, are effective in Board decision making and show the appropriate level of commitment to their roles.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with best practice, all directors will resign at the 2018 AGM and stand for re-election.

UK CORPORATE GOVERNANCE CODE

B. Effectiveness

B.1 The composition of the Board

When making appointments to the Board, the Board and the Nomination Committee consider the wide range of skills, knowledge, experience and independence required to maintain an effective Board.

B.2 Appointment to the Board

The Board is responsible for the appointment of executive directors. Succession planning and the appointment of new non-executive directors to the Board is led by the Nomination Committee. The Nomination Committee report is on page 43.

B.3 Commitment

When appointed, directors are informed of the time commitment expected from them. A copy of the terms and conditions of the appointment of the non-executive directors is available for inspection at the Company's registered office during normal business hours and at the AGM.

B.4 Development

Newly appointed Board members receive a full and tailored induction. Following this induction, meetings are arranged with key executives and managers within the business to provide ongoing education and information about the business. All directors attend an annual Strategy Day with the Operating Board and other senior managers.

B.5 Information and support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information. The Board ensures that all directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors. All directors have access to the advice and services of the Company Secretary.

B.6 Evaluation

During the year, the Board and its committees undertook an evaluation of their performance. The non-executive directors are responsible for performance evaluation of the Chairman taking into account the views of the executive directors.

B.7 Re-election

All directors are subject to election by shareholders at the first AGM after their appointment and to annual re-election thereafter.

CORPORATE GOVERNANCE REPORT
ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board was responsible for the Group's system of risk management and internal control and for reviewing its effectiveness, though reports are provided in the first instance to the Audit and Risk Committee by the Chief Financial Officer. The Board has established an ongoing process for identifying, evaluating and managing significant risk. This process is reviewed regularly by the Board.

The key internal procedures in place for the year ended 31 January 2018 and up to the date of approval of the Annual Report are as follows:

- a detailed and comprehensive annual budget is produced and formally approved by the Board
- the Board maintains a schedule of matters reserved for its approval, which include financing and changes to banking arrangements, all significant capital expenditure and all acquisitions and disposals
- both the Board and the Operating Board receive monthly financial reports, showing the performance of each division and country, with relevant commentaries to highlight variance from budget or particular areas of concern
- business performance reports are circulated to the Operating Board on a weekly basis for sales, and monthly to monitor overall performance
- clearly defined authority limits and controls are in place over contract signing limits, purchasing commitments and the extension of credit to clients. Adherence to these limits and controls are tested on an ongoing basis as part of the internal audit process
- brokers operate within individual, pre-set limits of authority and only those staff who have successfully completed a six-month probationary period can sign charter commitments on behalf of the Group
- each of the Group's major offices is visited at least once a year by a senior member of the finance team
- the Group has a robust risk management process that follows a sequence of risk identification, assessment of probability and impact, and assigns an owner to manage mitigation activities. A risk register is maintained by the Operating Board and reported to the Audit and Risk Committee. The risk register and the methodology applied is the subject of continuous review by the Operating Board and updated to reflect new and developing areas which might impact business strategy. The Audit and Risk Committee actively reviews the risk register and assesses the actions being taken by the Operating Board to monitor and mitigate the risks. Those risks which are considered to be the principal risks of the Group are presented on pages 31 to 33.
- the Group does not trade speculatively in derivatives. Other than forward foreign exchange contracts, the Group does not use complex treasury instruments in the normal course of business and any specific projects that may involve such instruments require Board approval.

The Board confirms that it has complied with the Code with regard to its responsibilities relating to risk management and internal controls.

The Board reviewed the effectiveness of the Group's internal control and risk management systems during the year. In its review, which covered all material controls including financial, operational and compliance controls, the Board considered the nature of the Group's business, the risks to which that particular business is exposed, the likelihood of such risks occurring and the costs of protecting against them. 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.

WHISTLEBLOWING

A whistleblowing policy is in place across the Group to enable members of staff to bring to the attention of any director or the Company Secretary any concerns regarding serious matters of financial misconduct which could damage the performance or reputation of the Company.

UK CORPORATE GOVERNANCE CODE

C. Accountability

C.1 Financial and business reporting

The Board is responsible for preparing fair, balanced and understandable financial information. The strategic report is set out on pages 1 to 33 inclusive and provides information about the performance of the Group, the business model, strategy and the risks and uncertainties relating to the Group's business.

C.2 Risk management and internal control

The Board sets out the nature and extent of any significant risks to the business and maintains sound risk management and internal control systems. Further information on risk management and internal control systems is set out in the Audit and Risk Committee report on pages 44 to 46.

C.3 Audit Committee and auditors

The activities of the Audit and Risk Committee, which assists the Board with its responsibilities for monitoring and reviewing the effectiveness of internal control and risk management systems, internal audit procedures and the external auditor, are set out in the Audit and Risk Committee report on pages 44 to 46. The terms of reference of the Audit and Risk Committee are available online at www.airpartner.com. The Audit and Risk Committee as a whole has competence relevant to the sector in which the Company operates.

CORPORATE GOVERNANCE REPORT
RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of effective communication with shareholders, analysts and the financial press and is keen to gain an understanding of the views of both institutional and private individual shareholders. This is conducted primarily through meetings of the Chief Executive Officer and Chief Financial Officer with analysts and significant shareholders following both the interim and preliminary announcements of the results of the Group. The Chairman and/or Senior Independent Director also aim to meet with significant shareholders on a regular basis. Feedback of shareholder meetings is provided via the Group's corporate stockbroker.

The Board exercises care to ensure that all information, including that which is potentially price sensitive, is released to all shareholders at the same time, in accordance with applicable legal and regulatory requirements.

ANNUAL GENERAL MEETING

The Company welcomes the participation of shareholders at its Annual General Meeting. The Chairman of the Board and the Chair of each committee of the Board will be available at the AGM to answer questions that might arise. During the year under review, the AGM was held in June 2017 and each member of the Board attended and was available to take questions. All shareholders are entitled to vote on the resolutions put to the AGM and all votes cast are counted, whether in person or by proxy, by means of a poll on every resolution in the Notice of AGM. The results of the votes on the resolutions, including the number of votes for and against each resolution and the number of shares for which the vote was directed to be withheld, are given at the meeting. They are made public by means of an announcement through a Regulatory News Service and published on the Company's website.

The 2018 AGM will be held at 11am on Wednesday 11 July 2018 at 2 City Place, Beehive Ring Road, Gatwick, RH6 OPA. The Company confirms that it will send the Notice of AGM and related documentation to shareholders at least 21 clear days before the meeting, either by post, to those shareholders who prefer a paper copy, or by email to those shareholders who have agreed that the Company can communicate with them electronically. The Notice of AGM will be available to download from the Investors section on the Company's website.

WEBSITE INFORMATION

All shareholders and potential shareholders can access investor-related information on the share price, corporate governance, annual reports, presentations to investors, AGM documentation, regulatory news and other information about Air Partner in the Investors section of the Company's website, www.airpartner.com. This site also provides contact details for any investor related queries.

UK CORPORATE GOVERNANCE CODE

E. Relations with shareholders

E.1 Dialogue with shareholders

The Board values opportunities to meet with shareholders and is kept informed of shareholder views.

E.2 Constructive use of general meetings

The Board welcomes the opportunity to engage with shareholders at the Annual General Meeting. All directors attend the AGM and are available to answer questions before, during and after the meeting.

NOMINATION COMMITTEE REPORT

DEAR SHAREHOLDER

The principal purpose of the Nomination Committee (the Committee) is to lead the process for the appointment of new directors to the Board. The Nomination Committee also plays a key role in considering and planning for the future succession needs of the Company.

Membership will vary but the terms of reference for the Committee have been agreed by the Board and are available online at www.airpartner.com. The Committee is comprised of Air Partner's four non-executive directors:

Peter Saunders (Chair)
Richard Jackson
Shaun Smith
Amanda Wills

When proposing appointments of directors, the Committee considers the independence, skills, knowledge and experience that a candidate possesses compared to the skill sets and experience of the Board as it currently stands. Selection of candidates also takes into consideration the breadth of knowledge that the Board has and that it may require to provide a well-balanced environment which, amongst other things, encourages scrutiny and appropriate challenge of executive management.

CHAIRMAN SUCCESSION

Following the announcement that Richard Everitt would stand down as Chairman of the Board after the AGM in June 2017, the Nomination Committee appointed a sub-committee to conduct a process to select a new Chairman. It comprised our independent non-executive directors Shaun Smith and Amanda Wills, who appointed external search consultants, Ridgeway Partners, to support them. The sub-committee prepared a detailed specification for the role of Chairman, specifying the skills, knowledge, experience and attributes required. They then conducted a robust process involving discussions with existing directors and advisers, followed by interviews with the potential candidates. Ridgeway Partners also carried out detailed research into the candidates and made recommendations to the sub-committee. The decision-making process did not involve Richard Everitt, myself (as I was a candidate), or the Chief Executive Officer, Mark Briffa as he would report to the new Chairman.

Following this process, the Committee recommended to the Board that I be appointed as Chairman and the Board approved the recommendation on 26 April 2017. My appointment was subsequently ratified by shareholders at the AGM on 28 June 2017 and I duly undertook the role of Chairman from that date.

DIVERSITY

The Board is a team made up of people with a broad range of backgrounds. Our policy is to ensure that the best candidate is selected to join the Board; this policy will remain in place going forward and the Board does not intend to adopt a quota system with prescriptive, quantitative targets. Instructions to any external adviser conducting a search for appropriate candidates requires them to search for candidates from as many different backgrounds as possible.

Peter Saunders
Chairman

11 June 2018

Strategic report
Governance
Financial statements

AUDIT AND RISK COMMITTEE REPORT

DEAR SHAREHOLDER

The Audit and Risk Committee (the Committee) supports the Board in maintaining sound internal control and risk management procedures. It is responsible for ensuring that appropriate corporate reporting, risk management and internal control systems are applied throughout the Group and reports regularly to the Board.

The Committee's principal duties are to monitor the integrity of the Company's financial statements, to review the consistency of, and any changes to, accounting policies and standards, to review on behalf of the Board the effectiveness of internal audit procedures and the work of the external auditor and to monitor, on behalf of the Board, the systems for risk management and internal financial control. The Board as a whole is responsible for internal control and risk management. The Committee is required to report its findings to the Board, making any necessary recommendations for action or improvements.

The Committee reviewed and revised its terms of reference during the year under review. Its terms of reference can be found on the Company's website www.airpartner.com.

REVIEW OF RISK

The Committee acts on behalf of the Board to review the effectiveness of the internal control systems and risk management processes on a regular and ongoing basis.

The Committee undertook this review process throughout the year and subsequent to the balance sheet date to include the approval of this Annual Report.

At each meeting, the Committee receives an update from the CFO on any material matters together with a report of the Group's internal audit process. The external auditor, Deloitte LLP, presents its findings to the Committee twice a year, specifically after the half-year review and following the year end audit process. Issues reviewed by the Committee are detailed below.

MEMBERSHIP

The Committee is made up of the non-executive directors:

Shaun Smith (Chair)	Richard Jackson
Peter Saunders	Amanda Wills

The Board is satisfied that Committee members have the appropriate level of expertise to fulfil its obligations set out in its Terms of Reference. The Chair, Shaun Smith, a qualified Corporate Treasurer with an Honours degree in Economics, is considered to have recent and relevant financial experience. The Committee as a whole is considered to have competence relevant to the aviation and travel sector. Biographies of the non-executive directors are set out on pages 34 and 35.

Although not members, the external auditor, Deloitte LLP (Deloitte), the Chief Executive Officer and the Chief Financial Officer are notified of all meetings and may, and regularly do, attend by invitation. At each meeting, the Committee has the opportunity to talk to the external auditor without the CEO or the CFO being present. Deloitte attended all meetings during the year.

MEETINGS

The attendance of directors at the meetings of the Committee is set out on page 38. The Committee met five times during the year.

In addition to reviewing the interim and annual results announcements in advance of publication and planning for the annual statutory audit, the Committee has focused on the process for risk management and continues to review internal control procedures.

SIGNIFICANT ISSUES RELATED TO THE FINANCIAL STATEMENTS

The significant accounting and audit matters considered by the Committee and discussed with the external auditor during the year and in relation to the 31 January 2018 year end were:

Accounting Issue identified in April 2018

During April, the Board announced that it had identified an issue relating to its accounting for receivables and deferred income. This issue has now been fully investigated and quantified at £4.0m in line with previous announcements.

Background to the issue

During the year end close process, it was identified that the Company could not substantiate certain balance sheet entries which were present across a number of different line items, predominantly affecting deferred income, accounts receivable, purchase accruals and other creditors. The total cumulative impact on net assets, as at 31 January 2018, was £4.0m overstated net of corporation tax.

The Company's initial findings were that these had arisen over a number of years, dating back at least as far as the financial year ended 31 July 2011.

Scope of the review

The Board immediately appointed PricewaterhouseCoopers LLP ('PwC') and Rosenblatt Solicitors ('Rosenblatt') to provide accounting and legal support as part of a thorough and exhaustive review into the causes and impacts of this matter. The review undertaken by the Company was completed in close co-operation with this external support and all teams worked together on a clearly defined and scoped work plan, retaining the flexibility to extend investigations should additional work be warranted.

The work undertaken broadly comprised substantive interrogation and reconciliation of all balance sheet accounts as at 31 January 2018, an extensive review of individual journal postings from 2010/11, an investigation of bank payments from 2010/11, interviews with current employees, interviews with ex-employees and the mining and review of a considerable number of spreadsheets, emails and other accounting related documents of relevance.

Findings of the review

The key outcomes arising from the review are as follows:

- No evidence has been found of any cash or other assets being misappropriated from the Company nor of any customer or supplier being disadvantaged by this issue;
- The issue was isolated to the UK business of Air Partner Plc;
- The total cumulative impact on the net assets of the Group was £4.0m net of corporation tax;
- Certain inappropriate financial journals had been deliberately processed without effective review;
- These journals had been used to conceal accounting issues including unreconciled balance sheet accounts and recoverability issues on a major account;
- In certain cases, supporting accounting records were inappropriately created and manipulated in order to avoid detection of the accounting issues and it has not been possible to reproduce all original supporting documents at given points in time;
- No employee within the Group as at 1 February 2018, the start of the current financial year, has been identified as having exerted influence over this matter and when the Air Partner finance team identified the issue as part of the year end close process they followed the correct procedure in escalating it to the Executive Team who notified the Board.

Accounting impact

The basis of preparation of these accounts is fully set out in Note 2 to the financial statements. In summary,

- The resultant £4.0m correction to decrease net assets is effected as follows:
  - £4.3m decrease of net assets as at 31 January 2018, being a pre-tax gross impact of £4.4m less related corporation tax relief arising in the year of £0.1m
  - £0.3m increase of net assets as at 31 January 2019, being the retrospective corporation tax relief to be reclaimed on the gross correction attributable to prior periods
- There was no impact to cash or debt during any period;
- The directors were able to determine that £0.9m of the pre-tax correction related to the year ended 31 July 2011 but for the remaining £3.5m were unable to determine exactly which of the periods and account balances between the year ended 31 July 2011 and 31 January 2018 were impacted;
- These financial statements have therefore been prepared by pro-rating £3.5m accordingly over this period;
- As a result, the income statements, comparative balance sheet and supporting notes may not be accurate or reliable presentations of historical performance or position;
- The full balance sheet as at 31 January 2018 and cash and debt balances presented as at 31 January 2017 have been fully substantiated and audited.

Mitigating Actions

In light of the issues identified, the Board immediately moved to appoint a new Interim CFO on 27 April 2018. The Board has also approved a controls framework review, the most significant findings of which will be implemented during the June 2018 close process. In respect of financial journals, the Company has enhanced its system driven controls over the approval process and enhanced balance sheet reconciliation controls are already being conducted.

The Chief Executive has communicated with all UK staff to remind them of the Company's independent whistleblowing procedures.

Revenue recognition

One of the key judgements in relation to revenue recognition is the judgement of whether the Group is acting as principal or agent in transactions with customers. The Committee sought to understand the process of determining whether the Group were acting as principal or agent in revenue transactions and the controls in place regarding this assessment.

The completeness of provisions against operator prepayments

It is Air Partner's policy to negotiate contract terms with aircraft operators which minimise deposit payments and align the final flight payment with the flight date as closely as possible. In addition, Air Partner's internal quality control function assesses aircraft operators prior to selection to ensure that only operators of the highest quality are used. Further to ensuring the completeness of the provisions against pre-payments, the Committee sought to ensure that the control procedures pertaining to the authorisation of payments to operators were complied with via the internal audit process.

The impairment of goodwill and intangible assets relating to the Baines Simmons consulting and training cash generating unit

During the year there was a potential indicator of impairment in the consulting and training cash generating unit (CGU) of Baines Simmons Limited. Having performed a full impairment review exercise, it was the view of management that there was no impairment of the goodwill or other intangibles related to this CGU. There were no issues arising from any other impairment review performed in respect of other goodwill or intangible assets.

EXTERNAL AUDIT

Deloitte was appointed as the Group's external auditor in 2011. The Group's current audit engagement partner was appointed during the period ended 31 January 2014, with the next partner rotation being due after 31 January 2018.

Prior to the audit being conducted, the Committee considered the content and scope of audit work and the audit fees proposed by Deloitte and discussed changes in accounting policies and new developments within the business which might affect financial reporting going forward. A formal report received from Deloitte in respect of the audit and matters arising from the report, was discussed prior to the Board's approval of the financial statements.

The Committee is aware of the need to safeguard the auditor's objectivity and independence and the issue is discussed annually by the Committee and periodically with the audit engagement partner from Deloitte. In addition to this, policies on the award of non-audit work to the external auditor exist. During the year ended 31 January 2018, fees of £23,450 were paid to Deloitte in respect of non-audit services. Of this amount, £4,700 was for Air Travel Organisers Licence (ATOL) returns and £18,750 was for an interim review.

In assessing the effectiveness of the external audit process by the Committee, the auditors were asked to articulate the steps that they had taken to ensure objectivity and independence. This year, the Committee reviewed and challenged the external audit plan to ensure that having identified potential areas of risks, Deloitte would employ effective audit procedures to examine them. The Committee monitors the auditors' performance, behaviour and effectiveness during the exercise of its duties, which informs the Committee's decision to recommend reappointment on an annual basis. The auditor's report can be found on pages 61 to 68.

EXTERNAL AUDITOR EFFECTIVENESS

The Committee reviews the effectiveness of the external auditor with the CFO at the end of each audit period. The Committee has begun the process of formally assessing Deloitte's effectiveness by asking members of the Committee, the interim CFO and individuals who have worked with Deloitte during the year under review to provide their feedback.

As this is the final year audit for the current audit partner, before his rotation, the Company has decided to run a competitive tender process for the 31 January 2019 year end audit. Depending on the time scale of the tender process, Deloitte has indicated its willingness to continue in office to perform the review work for the half year, should this be requested.

In order to allow Deloitte to continue through to the audit tender, a resolution to reappoint Deloitte will be proposed at the 2018 AGM.

INTERNAL AUDIT

Once again, during the year ended 31 January 2018, the internal audit responsibilities performed included audits relating to the Group's ISO certification.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

COMPLIANCE STATEMENTS

Viability statement

In accordance with provision C.2.2 of the Code, the Board addressed the prospects of the Company over a period longer than the 12 months required by the going concern provision. The Board conducted this review for a period of three years, which was selected for the following reasons:

- the Group's strategic plan covers a three-year period
- the variability of earnings means that forecasting beyond three years is more subjective, hence the Board believes a three-year period is the most appropriate.

The three-year strategic plan considers the Group's forecasted underlying profit, associated cash flows, covenant compliance and investments in technology. These metrics are subject to sensitivity analysis which involves consideration of downside scenarios. Where possible, this analysis is carried out to evaluate the potential impact of the Group's principal risks.

The three-year plan is underpinned by regular Board briefings provided by the business unit heads and the discussion of any new strategic initiatives undertaken by the Board in its normal course of business.

Based on the results of this analysis, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment.

Going concern

Having considered the Group's current financial position, the factors affecting its cost base, the state of the air charter and aviation consultancy market as a whole and forecasts for a period of not less than 12 months from the date of approval of these financial statements, the directors are satisfied that the Group and Company have adequate resources to continue in business for the foreseeable future and that the Company is a going concern. Therefore, the directors have continued to adopt the going concern basis in the preparation of the financial statements as fully described in Note 2 to the financial statements.

The findings of the internal audit work programme are presented regularly to the Committee for review. The Company's internal audit function is not fully independent of management as it is currently staffed by senior members of the Group finance function. Although not independent, the senior members of the Group finance function who undertake the work are considered appropriately qualified to undertake this work.

INTERNAL AUDIT EFFECTIVENESS

The Code and the Committee's terms of reference require the Committee to monitor and review the effectiveness of the Company's internal audit processes. The Committee is satisfied that the internal audit function fulfilled its objectives for the year however will continue to monitor this closely given the recent changes to the Group as it grows through acquisitions and in light of the accounting issue identified.

WHISTLEBLOWING

The Committee reviewed the Group's whistleblowing policy, known as the Concern at Work Policy, which is in place to enable members of staff to raise concerns about possible improprieties in matters of financial reporting or other matters which they believe would damage the performance or reputation of the Company.

FAIR, BALANCED AND UNDERSTANDABLE

The Board sought assurance from the Committee that the information presented in this Annual Report, when taken as a whole, is fair, balanced and understandable and contains the information necessary for shareholders to assess the Group's performance, business model and strategy.

The steps taken by the Committee, or on its behalf, to provide this advice to the Board included setting up a committee of senior individuals within the Group to draft the Annual Report, with each of these individuals having responsibility for the production of certain sections of the document.

The Board requested that the Committee advise on whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee has advised the Board accordingly.

DISCHARGE OF RESPONSIBILITIES

During the year, the Committee has continued its scrutiny of the appropriateness of the Group's system of risk management and internal controls, and the robustness and integrity of the Group's financial reporting, along with both the internal and external audit processes.

The Committee has devoted significant time to reviewing these areas, which are integral to the Group's core management and financial processes, as well as engaging regularly with management.

The Committee has, where necessary, taken initiative in requesting information in order to provide the appropriate constructive challenge for its role. During the course of the year, the information that the Committee has received has been timely and clear and has enabled the Committee to discharge its duties effectively.

APPROVAL

On behalf of the Audit and Risk Committee.

Shaun Smith

Shaun Smith
Chair of the Audit and Risk Committee

11 June 2018

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

"Deciding how we reward performance in our evolving Group structure is critical to maintaining our focus on growth."

DEAR SHAREHOLDER

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' remuneration report for the year ended 31 January 2018. During the year, I was appointed as Chair of the Remuneration Committee and I commit that, going forward, we will support, on behalf of shareholders, the ongoing development and effective governance of a remuneration framework appropriate for our Group.

I have set out in my statement the following information:

- the Committee's philosophy for remuneration
- how the Committee reflects employee remuneration arrangements in considering executive remuneration
- the key activities undertaken by the Committee during the year
- the key areas of focus for the Committee during 2018/19 and beyond.

OUR REMUNERATION PHILOSOPHY

The Group's total remuneration packages are designed to be competitive to attract, retain and motivate high-quality individuals throughout the business. Our packages aim to recruit talented executives and senior managers capable of effectively delivering on the Group's strategy and driving business outcomes through their teams, thereby enhancing long term shareholder value.

The principles of our remuneration policy are to:

- ensure overall remuneration is market competitive to attract and retain the leadership and talent required to drive the business for the benefit of all stakeholders
- adopt a simple, transparent and cost-effective approach to remuneration which is clear and understandable for business leaders, shareholders and the wider team
- align compensation to performance and incorporate a balance of fixed and variable remuneration
- design incentive plans which reinforce both short and long term behaviours, promote long term development and support the strategic plans of the business
- ensure remuneration packages motivate and incentivise executive directors, management and the broader team to deliver on stretching performance targets.

The Group employ people in specialised high capability roles, from brokers to consultants and avian experts to air traffic controllers, including senior management and directors across a range of geographies. The reward structure for our people is built around a set of common reward principles on a framework altered to suit the needs of each business area. Reward packages differ, taking into account a number of factors including seniority, role, impact on the business, local practice, custom and legislation.

When determining remuneration policy and arrangements for executive directors, the Remuneration Committee considers the wider pay and employment conditions elsewhere in the Group to ensure pay structures from director to senior management are aligned and appropriate.

When considering salary increases for the executive directors, the Committee considers the general level of salary increase across the Group. Typically, salary increases will be aligned with those received elsewhere in the Group unless the Remuneration Committee considers that specific circumstances require a different level of increase for executive directors.

KEY REMUNERATION ACTIVITIES DURING THE YEAR

Our business is evolving quickly and it is essential that we maintain both competitive and motivational remuneration. The aims of our remuneration policy remain valid for our business however we recognise that as we are growing we are changing the context in which we are operating. We are on the front foot in addressing these issues before they become problems and considering how we want respond. Key activities undertaken by the Committee during the year were:

- setting bonus targets following the approval of the financial budget
- determining the extent to which the performance measures in respect of the incentive plan have been achieved
- approving the objectives and Key Remuneration Activities (KRAs) for the CEO and CFO for 2018/19.
- beginning a strategic review of our remuneration practice, with a view to ensuring that it is fit for purpose when on-boarding acquisitions, motivating our people in attaining excellence in their work and competitive within our commercial position.

FOCUS FOR 2018/19 AND BEYOND

During the current year, the Committee will continue to review executive and Group-wide remuneration to ensure it remains appropriate to promote the long term success of the Company. The Committee also remains committed to developing an all employee share plan as it supports both shareholder and our people’s interests. The Committee aims to seek approval in principle to proceed at the AGM in 2019.

COMPLIANCE STATEMENT

This report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code.

RECOMMENDATION

Positive votes of 99.67% in favour of the Directors’ remuneration report and the Directors’ remuneration policy report were received from shareholders at the 2017 AGM, providing a strong endorsement for our remuneration strategy. I will be available, together with my fellow Committee members, at our AGM in July 2018 to answer any questions or receive your feedback with regard to our policy and how we have implemented it.

On behalf of the Committee, I look forward to receiving your support at the AGM.

Amanda Wills
Chair of the Remuneration Committee

11 June 2018

UK CORPORATE GOVERNANCE CODE

D.1 The level and components of remuneration

The Remuneration Committee sets levels of remuneration to promote the long term success of the Company and structures executive remuneration so as to link rewards to corporate and individual performance.

D.2 Procedure

The composition of the Remuneration Committee and its activities and approach to setting the remuneration policy for the executive directors and recommendations and monitoring of the level and structure of remuneration for senior management can be found in the Annual Statement of the Chair of the Remuneration Committee set out on pages 47 to 48. The Board determines the remuneration of the non-executive directors within the limits set in the Company’s Articles of Association.

The information contained in the following part of this report has been audited: the table containing the single total figure of remuneration for directors and accompanying notes, pension entitlements and incentive awards made during the year on page 54 and directors’ beneficial interests in shares on pages 55 to 56.

The information set out on pages 53 to 57 of this report includes, as indicated, the auditable disclosures referred to in the Auditors’ report on pages 61 to 68 as specified by the UK Listing Authority and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations).

As required by the Regulations, the rest of this report is divided into two sections:

- the directors’ remuneration policy table which sets out the elements of the Company’s policy on director remuneration
- the annual report on remuneration which sets out payments made to the directors which will be put to shareholder vote at the 2018 AGM.

REMUNERATION POLICY REPORT

Extracts from the remuneration policy that was approved by shareholders at the 2016 AGM are set out below to enable the reported remuneration to be assessed in the context of the relevant aspects of the policy. The current intention is that this policy will operate until the 2019 AGM. The original remuneration policy report for the year ended 31 January 2016 is published in its entirety in the Company's Annual Report for the year which is available at www.airpartner.com.

REMUNERATION POLICY TABLE – EXECUTIVE DIRECTORS

Remuneration element	Purpose and link to remuneration policy	Key features and operation	Maximum potential value	Performance metrics	Provision for claw back or withholding of payment
Base salary	Supports the recruitment and retention of executive directors of the calibre required to fulfil the role without paying more than is necessary. Rewards executives for the performance of their role. Reflects the individual's skills, experience and role within the Group.	Paid in cash. Normally reviewed annually to take effect on 1 August but exceptionally may take place at other times of the year. In determining base salaries, the Committee considers: • pay levels at companies of a similar size and complexity • external market conditions • pay and conditions elsewhere in the Group • personal performance.	The Committee's policy is to set base salary at an appropriate level taking into account the factors outlined in this table; there is no maximum value. The Committee considers individual salaries at the appropriate Committee meeting each year.	N/A	None
Pension	Provides funds to allow executives to save for retirement. Provides a market competitive retirement benefit. Incentivises and encourages retention.	In determining pension arrangements, the Committee takes into account relevant market practice. The scheme is defined contribution. A salary sacrifice scheme is in operation for executive directors. Executive directors may elect with the Committee's consent to receive some or all of the Company's pension contribution as a cash alternative. Bonuses are non-pensionable.	Both the CEO and CFO receive a company contribution of 12.0% of basic salary.	N/A	None
Benefits in kind	Provides a market competitive level of benefits to executive directors.	Executive directors can receive life assurance, health insurance, car allowance, income protection, critical illness cover and sports club or gym membership.	There is no maximum value.	N/A	None

REMUNERATION POLICY REPORT CONTINUED

Remuneration element	Purpose and link to remuneration policy	Key features and operation	Maximum potential value	Performance metrics	Provision for claw back or withholding of payment
Relocation/ expatriate assistance	Provides assistance to executive directors who are required to work away from their home location to enable the Company to recruit the best person for the role.	Assistance will include (but is not limited to) facilitating or meeting the costs of obtaining visas or work permits for executive directors and their immediate family, removal and other relocation costs, house purchase or rental costs, limited amount of travel costs, tax equalisation arrangements.	There are a number of variables affecting the amount that may be payable, but the Remuneration Committee would pay no more than it judged reasonably necessary. The maximum amount payable shall not exceed £50,000 per individual in any financial year.	N/A	None
Annual bonus	Rewards and incentivises the achievement of annual financial objectives which are aligned with key strategic goals and supports the enhancement of shareholder value.	Paid in cash following announcement of financial year results. Bonuses are non-pensionable. May be paid in shares at the Committee's discretion.	Maximum opportunity to achieve: • CEO: 150% of base salary • CFO: 100% of base salary Bonus accrues from threshold levels of performance.	Both CEO and CFO bonus payment based on: • personal objectives: 30% based on performance towards Key Results Areas (KRA) defined at the beginning of each financial year • Company performance: 70% based on financial metrics.	Bonus is usually not paid to a good leaver should they leave before the payment date of said bonus. From 2016, arrangements in place under which amounts paid out in bonus can be clawed back from executive directors in defined circumstances.
Long Term Incentive Plan (LTIP)	Incentivises executives to achieve the Company's long term strategy and create sustainable shareholder value. Enhances shareholder value by motivating growth in earnings and maintenance of an efficient and sustainable level of return on capital. Aligns with shareholder interests through the delivery of shares.	Awards vest after three years based on Group financial targets. Awards are in the form of nil-cost options and must be exercised within four years of vesting. 25% of awards vest at threshold levels of performance. For performance above threshold, awards vest on a straight-line basis up to a maximum of 100%.	Maximum plan award of 150% of base salary to be used in exceptional circumstances. Usual award levels will be: • CEO: 100%-150% of base salary • CFO: 75%-100% of base salary.	The Committee will review the appropriateness of performance measures on an annual basis and set challenging targets consistent with the business strategy. The Committee has the ability to select appropriate performance condition criteria, mix and targets each year. In the past, these have been EPS and TSR based targets and the Committee expects this to continue. Further detail of the specific measures that the Remuneration Committee intends to apply to awards made in the year ending 31 January 2018 are set out in the annual report section of this report.	As per the rules of the scheme, awards will lapse if the executive leaves before the end of the performance period. The Remuneration Committee has discretion in certain circumstances (for example death, serious illness, redundancy) to permit an award to vest before the end of the performance period. Contains provisions under which amounts paid out can be clawed back from executive directors in defined circumstances. Contains a 'malus' provision.
Shareholding guideline	Incentivises executives to achieve the Company's long term strategy and create sustainable shareholder value. Aligns with shareholder interests.	Target value to be achieved over five years: • CEO – 100% of salary • CFO – 50% of salary. Until the guideline has been achieved, executives must retain at least half vested LTIP awards beyond those needing to be sold to pay tax.	N/A	N/A	N/A

REMUNERATION POLICY TABLE – NON-EXECUTIVE DIRECTORS

The Company intends to have at least two independent non-executive directors on the Board at any time, in addition to the Chairman. The Board considers each of the non-executive directors to be independent.

The non-executive directors' remuneration (including that of the Chairman) reflects the anticipated time commitment to fulfil their duties. Non-executive directors do not receive benefits, bonuses, long term incentive awards, a pension or compensation on termination of their appointments.

The following table sets out a summary of the Company's remuneration policy for non-executive directors:

Remuneration element	Purpose and link to remuneration policy	Key features and operation (including maximum levels)
Fees	Fees for non-executive directors are set at an appropriate level to recruit and retain directors of a sufficient calibre without paying more than is necessary to do so. Fees are set taking into account the following factors: the time commitment required to fulfil the role, typical practice at other companies of a similar size, and salary levels of employees throughout the Group.	The non-executive director fees policy is: • to pay a basic fee for membership of the Board • to pay additional fees for fulfilling the role of chair of the Board and/or chair of a committee and for the role of senior independent director, taking into account the additional responsibilities and time commitment of these roles. Fees are reviewed at appropriate levels at appropriate intervals (normally once every year) by the Board with reference to individual experience, the external market and the expected time commitment required of the director. The Company's current maximum fees are as follows: • basic fee – £30,000 • additional fee for Board Chairman – £30,000 • additional fee for Committee Chairman – £5,000 • additional fee for Senior Independent Director – £5,000.

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY*

Three scenarios of executive directors' remuneration are illustrated below:

	Chief Executive Officer	Chief Financial Officer
Stretch target performance Fixed remuneration (salary, benefits in kind and pension) plus full pay out of annual performance related pay. Assume personal performance (against KRAs) achievement is 100%.	Fixed remuneration Performance bonus pay out equivalent to 100% of base salary.	Fixed remuneration Performance bonus pay out equivalent to 70% of base salary.
On target performance Fixed remuneration plus annual performance related pay, paying out at target levels. Assume personal performance (against KRAs) achievement is 75%.	Fixed remuneration Annual performance bonus pay out equivalent to 71.5% of base salary.	Fixed remuneration Performance bonus pay out equivalent to 52.5% of base salary.
At threshold performance Fixed remuneration is payable and only KRA element of performance bonus. Assume personal performance (against KRAs) achievement is 60%	Fixed remuneration Annual performance bonus pay out equivalent to 18% of base salary.	Fixed remuneration Annual performance bonus pay out equivalent to 12.5% of base salary.
Below threshold performance Fixed remuneration only is payable.	Fixed remuneration only.	Fixed remuneration only.

* Links to schemes currently in place and within the guidance of the remuneration policy.

DIRECTORS' REMUNERATION REPORT CONTINUED

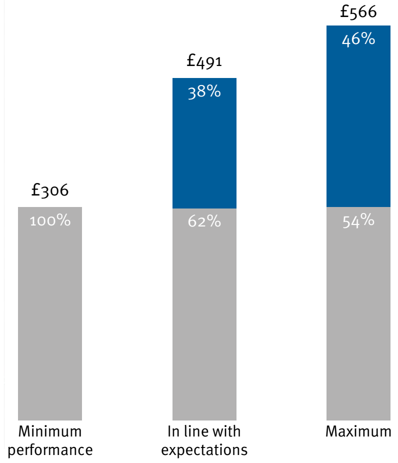
REMUNERATION POLICY REPORT CONTINUED

The chart below sets out an illustration of the potential value of the current components of the executive directors' remuneration for the year ended 31 January 2018, showing the proportion of total remuneration made up of each component and the value of each component.

Chief Executive Officer £'000

(Blue) Annual bonus

(Grey) Fixed pay

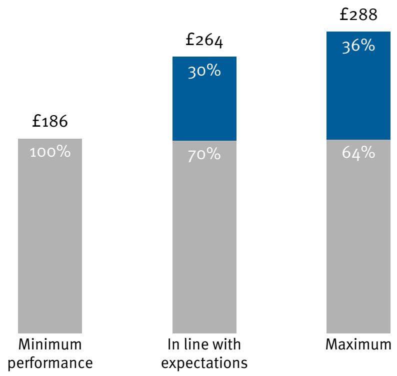


- Salary, benefits in kind and pension (as per the remuneration policy) are shown as estimated cash cost or taxable value to the individual.
- The Company's bonus schemes operate so that amounts in respect of the current financial period are only paid in the following financial year, after the completion of the audit and Board approval of the accounts. The chart reflects the bonus amount earned in the period but not necessarily paid at year end.

Chief Financial Officer £'000

(Blue) Annual bonus

(Grey) Fixed pay



- Bonus at below threshold performance reflects a position where none of the personal or corporate metrics was achieved at threshold level; expectation reflects metrics achieved at target level and maximum reflects the position where every metric is achieved at stretch up to the amount of bonus cap.

ANNUAL REPORT ON REMUNERATION

This section of the report sets out the annual report on remuneration for the year ended 31 January 2018.

REMUNERATION COMMITTEE STRUCTURE

The Committee is constituted as a formal sub-committee of the Board with its own terms of reference. Its primary role is to review and set the remuneration policy for the executive directors, within the context of salaries and benefits paid across the Group as a whole, and making discretionary performance-related awards to the executive directors. The full Board agrees the remuneration of the Chairman and non-executive directors on the principle that no individual should be able to determine their own remuneration.

REMUNERATION COMMITTEE MEMBERSHIP

The members of the Committee during the year until the date of this report were:

Amanda Wills (Chair)
Peter Saunders
Richard Jackson
Shaun Smith
Richard Everitt (resigned 28 June 2017)

In addition, the Chief Executive Officer, Chief Financial Officer and Group HR Director are invited from time to time to attend meetings of the Committee. No individuals are involved in decisions relating to their own remuneration. The Committee met formally five times during the year. The terms of reference for the Committee can be viewed on the Company's website.

ADVISERS TO THE COMMITTEE

The Committee can and did obtain information and advice during the period under review from the Group HR Director, Rachel Thripp and the Interim Group HR Director, Kathy Poole, the Company Secretary, Sally Chandler (until 21 August 2017) and the Group Legal Counsel and Company Secretary, Tracy Beicken (from 22 August 2017), and the executive directors, Neil Morris and Mark Briffa, and may seek advice from any other employees as required.

It may also obtain, at the expense of the Company, any necessary legal or professional advice.

In connection with the information below, please refer to the table at the top of the page 54.

Taxable benefits – executive directors receive a benefits package including a car allowance, health insurance, life assurance, critical illness cover, subsidised sports club or gym membership and home telephone and internet facility. The car allowance payable to the CEO and CFO included in the above amount was £15,000 and £10,000 respectively (2017: £15,000 and £10,000).

Bonus* – the maximum bonus for the period for the CEO and CFO was capped at 150% of the financial element of the bonus, which equates to a maximum of 100% of salary and 70% of salary respectively.

LTIP* – awards under the revised Air Partner Share Incentive Plan 2012 following approval at the 2017 AGM were made to both executive directors in the period under review and are subject to performance and continued service conditions.

Pension-related benefit – both executive directors are members of the Air Partner Pension Scheme (a defined contribution scheme) and receive a pension contribution of 12% of base salary. Executive directors may elect with the Committee's consent to receive some or all of the Company's pension contribution as a cash alternative.

* The CFO will not receive a Bonus or LTIP award due to his resignation from the Company on 13 April 2018.

ANNUAL BONUS (AUDITED)

The bonus payment for the CEO* is based on the following weighting: 70% relating to the Group's underlying profit before tax result above threshold and 30% attributable to achievement against personal objectives. For reference, the underlying profit before tax threshold for the financial year ended 31 January 2018 was £5.3m and for the financial year ended 31 January 2017 was £5m. The target and stretch measures for 2018 were £5.9 and £6.49 respectively.

In respect of the personal objective element, the executive directors receive four to five objectives each year against which they will receive a score of 0 (unacceptable performance) to 5 (excellent performance). Although every effort is made to ensure that personal objectives are SMART, there is likely to be a degree of subjectivity to the scores attributed against each objective.

Based on the Group underlying profit before tax performance for the current financial year, 58% of the Group element of the bonus is payable. In addition, the CEO achieved 75% of the personal objective element. A bonus comprised of these combined elements shall therefore be payable to the CEO for the period ending 31 January 2018.

* The CFO will not receive a bonus award due to his resignation from the Company on 13 April 2018.

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 JANUARY 2018 (AUDITED)

The following table provides details of the directors' remuneration for the year ended 31 January 2018, together with their remuneration for the year ended 31 January 2017:

	Salary		Taxable benefits		Bonus		Gain on vesting of share option		Pension		Total	
(Audited)	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Executive directors												
Mark Briffa[1]	**255**	250	**21**	20	**164**	188	**221**	178	**30**	16	**691**	652
Neil Morris	**156**	155	**14**	13	**–**	59	**–**	–	**16**	36	**186**	263
Non-executive directors												
Richard Everitt[2]	**25**	60	**–**	–	**–**	–	**–**	–	**–**	–	**25**	60
Andrew Wood	**–**	15	**–**	–	**–**	–	**–**	–	**–**	–	**–**	15
Peter Saunders[3]	**50**	35	**–**	–	**–**	–	**–**	–	**–**	–	**50**	35
Richard Jackson	**33**	12	**–**	–	**–**	–	**–**	–	**–**	–	**33**	12
Shaun Smith	**35**	25	**–**	–	**–**	–	**–**	–	**–**	–	**35**	25
Amanda Wills	**33**	23	**–**	–	**–**	–	**–**	–	**–**	–	**33**	23
Total	**587**	575	**35**	33	**164**	247	**221**	178	**46**	52	**1,053**	1,085

1. 50% to be payable in cash and the remaining 50% to be applied to the purchase of shares to be held for a minimum of two years.
2. Richard Everitt resigned from the Board on 28 June 2017.
3. Expenses reimbursed to Peter Saunders, including air fares to Board meetings, amount to £32,000 in the year to 31 January 2018.

	Mark Briffa			Neil Morris*		
	Weighting as % of bonus	% achieved in 2018	Total bonus earned £	Weighting as % of bonus	% achieved in 2018	Total bonus earned £
Personal objectives	30%	75%	58,500	30%	–	–
Financial Target	70%	58%	105,560	70%	–	–
Total bonus achieved	**100%**		**164,060**	**100%**		**–**

The specific performance targets for the annual bonus for the current and previous year are considered to be commercially sensitive and accordingly are not disclosed.

* The CFO will not receive a bonus award due to his resignation from the Company on 13 April 2018.

PAYMENT TABLE OF EMPLOYEE WAGES AND OTHER COMPANY METRICS

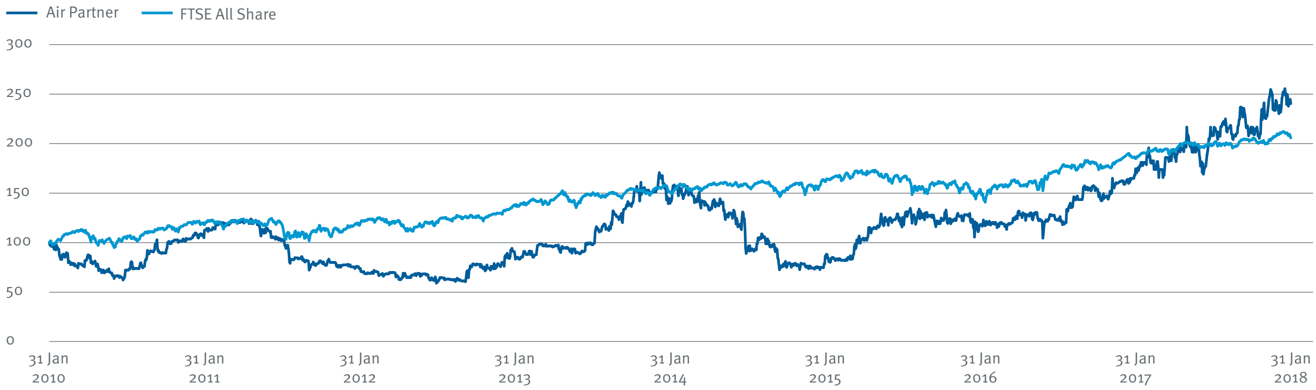
	2018	2017 (as restated)	% variance
Total employee pay compared to prior period (£m)	**19,241**	18,453	4.27
Profit before tax (£m)	**4,752**	3,948	20.0
Total dividends paid (pence)	**5.3**	**5.0**	**6.0**

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

To help investors to measure the Company's comparative performance, the graph below shows the change in the total shareholder return of the Company for each of the past eight financial years compared with the FTSE All Share Index.

Air Partner and FTSE All Share Index total return (rebased)

£'000



The Company is not currently a constituent member of the FTSE All Share Index, but the Index has been selected as an appropriate comparator because it is easily accessible by investors and covers the performance of a broad range of companies, including aviation, transport and luxury retail businesses.

The table below sets out the details for the director undertaking the role of Chief Executive Officer:

Year	CEO single figure of total remuneration £'000	Annual bonus pay-out against maximum %	Long-term incentive vesting rates against maximum opportunity %
2018	691	64.31	–
2017	652	50.1	65.5
2016	570	73.9	–
2015	271	–	–
2014 – 18 months	656	92.8	66.7
2012	249	16.8	–
2011	369	100.0	–
2010	215	15.0	–

The table below shows the percentage change in remuneration of the director undertaking the role of Chief Executive Officer and the Group's UK employees as a whole between the year ended 31 January 2018, on an annualised basis, and 31 January 2017.

All UK employees employed by the Group in both January 2017 and January 2018 were chosen as the most appropriate comparator group as this includes senior management and excludes international employees who are on different pay structures.

%	Salary	Benefits	Annual bonus
CEO	2.0	5.0	(15.0)
Average pay based on all of the Group's UK employees	5.69	4.71	(34.52)

DIRECTORS' BENEFICIAL INTERESTS IN SHARES (AUDITED)

The directors who held office during the year had the following beneficial interests in ordinary shares of 1p each in the Company, fully paid up, at the beginning of the year and end of the year:

	31 Jan 18	31 Jan 17
M A Briffa	**307,295**	262,230
N Morris (resigned 13 April 2018)	**10,000**	–
R L Everitt (resigned at 2017 AGM)	**25,000**	25,000
P Saunders	**25,000**	25,000
S Smith	**11,635**	11,635

There were no changes in the directors' beneficial interests in shares between 31 January 2017 and 30 May 2018 (being the latest practicable date prior to the publication of this report). No director has a non-beneficial interest in the shares of the Company.

SHARE OPTIONS

Non-executive directors are not eligible to participate in the Company's share option scheme. Details of the options held by executive directors at the beginning and end of the year are as follows:

Share options (audited)	Number of options								
Name	31 January 2017	Granted	Exercised	Expired	Lapsed	**31 January 2018**	Exercise price	Earliest date of exercise	Expiry date
M A Briffa				–					
	50,000	–	–	–	50,000	**–**	176.8p[1]	24 Jan 2011	24 Jan 2018
	200,000	–	200,000	–	–	**–**	109.0p	27 Nov 2011	27 Nov 2018
	25,000	–	25,000	–	–	**–**	78.5p	26 Oct 2013	26 Oct 2020
	275,000	–	225,000	–	50,000	**–**			

1. Option vested but not exercised.

LONG-TERM INCENTIVE PLAN (LTIP) (AUDITED)

Share options (audited)		Number of options								
Name	Date of Grant	31 January 2017	Granted	Exercised	Expired	Lapsed	**31 January 2018**	Exercise price	Earliest date of exercise	Expiry date
M A Briffa	3 Jun 2015	435,485	–	–	–	–	**435,485**	0.0p	04 Jun 2018	04 Jun 2025
	29 June 2016	552,080	–	–	–	–	**552,080**	0.0p	29 Jun 2019	29 Jun 2026
	10 July 2017	–	173,611	–	–	–	**173,611**	0.0p	10 July 2020	10 July 2027
Total		987,565	173,611	–	–	–	**725,691**			
N J Morris	3 Jun 2015	193,550	–	–	–	–	**193,550**	0.0p	04 Jun 2018	04 Jun 2025
	29 June 2016	113,730	57,222	–	–	–	**113,730**	0.0p	29 Jun 2019	29 Jun 2026
	10 July 2017	–					**57,222**	0.0p	10 July 2020	10 July 2027
Total		307,280	57,222	–	–	–	**364,502**			

The number of share options awarded under the LTIP was determined by using the closing price of an Air Partner plc share on the day preceding the date of grant as ascertained by the Official List which was 502.5p on 21 October 2013, 387.5p on 2 June 2015 and 339.6p on 28 June 2016.

The face value of awards made to Mark Briffa and Neil Morris on 3 June 2015 are £340,000 and £151,000. This is calculated based on a closing share price of 389.0p on 3 June 2015. Prices quoted are pre-share split.

The awards granted are subject to the achievement of performance and employment conditions as specified by the Remuneration Committee.

Vesting of the grants is subject to a combination of 50% earnings per share (EPS) and 50% total shareholder return (TSR) related targets:

EPS:

- 100% vest if performance greater than RPI +20% per annum
- 25% vest if performance equal to RPI +15% per annum.

TSR:

- 100% vest if performance greater than 75th percentile
- 25% if performance equal to 50th percentile.

Between these target levels, share options will vest on a straight-line basis and shares will vest, subject to achievement of these performance conditions, on 3 June 2018.

The adjusted underlying EPS for the base year ending 31 January 2015 has been calculated as 19.5p excluding the impact of one-off tax credits.

The face value of awards made to Mark Briffa and Neil Morris on 29 June 2016 are £408,539 and £84,157. This is calculated based on a closing share price of 370.0p on 29 June 2016. The number of LTIPs awarded was determined from the closing share price the day prior to grant (339.6p per share) and the executive directors' salaries at the date of grant.

The face value of awards made to Mark Briffa and Neil Morris on 10 July 2017 are £177,083 and £58,366. This is calculated based on a closing share price of 102p on 10 July 2017. The number of LTIPs awarded was determined from the closing share price the day prior to grant (108p per share) and the executive director's salaries at the date of grant.

The awards granted are subject to the achievement of performance and employment conditions as specified by the Remuneration Committee.

The face value of awards made to Mark Briffa and Neil Morris on 10 July 2017 are £175,347 and £57,794. This is calculated based on a share price of 101.5p on 10 July 2017. The number of LTIPs awarded was determined from the closing share price prior to grant (108.0p per share) and the directors' executive salaries at the date of grant. The awards are subject to the achievement of performance and employment conditions as specified by the Remuneration Committee.

EPS

Two-thirds of the award (66.67% of the award) will be subject to an earnings per share (EPS) compound annual growth target which will be in addition to any increase in the Consumer Prices Index (CPI), as follows:

EPS growth	% of award vesting
Below CPI +5% pa	Nil
CPI +5% pa	25%
CPI +10% pa or above	100%

For intermediate performance between CPI +5% pa and CPI +10% pa vesting will occur on a straight-line basis.

TSR

The remaining one-third of the award (33.33% of the award) will be subject to an absolute total shareholder return (TSR) performance condition as follows:

EPS growth	% of award vesting
Below 9% pa returns	Nil
9% pa returns	25%
16% pa returns or above	100%

For intermediate performance between 9% pa returns and 16% pa returns, vesting will occur on a straight-line basis.

The underlying EPS for the base year ending 31 January 2018 has been calculated as 8.4p.

The market price per share at 31 January 2018 was 142.5p (31 January 2017: 108.0p) and ranged between 102.0p and 151.5p during the year. The average price during the year ended 31 January 2018 was 124.3p (31 January 2017: 86.0p).

SHAREHOLDER VOTING

At the 2017 AGM, the results of the votes on the Directors' remuneration report were:

	Directors' remuneration report	
	Number of votes	% of votes cast
For (including discretionary)	19,296,835	99.67
Against	64,050	0.33
Votes withheld	52,105	–

APPLICATION OF THE POLICY FOR 2017/18

FIXED PAY

Details of the fixed pay of the executive directors for the current year are set out in the table below:

	Basic salary £'000	Car allowance £'000	Total £'000
CEO	260	15	275
CFO	156	10	166

PENSION

The Company pension contribution for the executive directors remained the same in the current financial year. Executive directors may elect with the Committee's consent to receive some or all of the Company's pension contribution as a cash alternative.

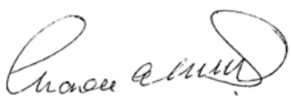
ANNUAL BONUS

The Remuneration Committee has set stretching targets for both Group financial performance and personal objectives under the annual bonus plan. Detail on the targets is considered commercially sensitive and for this reason is not disclosed during the current financial year.

The performance measures and weightings for the financial year ending 31 January 2018 are as follows:

	As percentage of maximum bonus opportunity	
Measures	CEO	CFO
Underlying profit before tax	70%	70%
Personal objectives	30%	30%

The Directors' remuneration report was approved by the Board on 11 June 2018 and is signed on its behalf by:



Amanda Wills
Chair of the Remuneration Committee

DIRECTORS' REPORT

The directors present their reports and the audited financial statements for the year ended 31 January 2018.

STATUTORY INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT

Information required to be part of the Directors' report can be found elsewhere in this document, as indicated, and is incorporated into this report by reference:

- Results and dividend in the Chairman's statement on pages 4 and 5
- Corporate governance and the Group's financial risk management objectives and policies in the Corporate governance statement on pages 37 to 42
- Details of the salaries, bonuses, benefits and share interests of directors in the Directors' remuneration report on pages 47 to 57
- Directors' responsibility statement on page 60
- Employee relations and equal opportunities in Our People on pages 18 and 19.

Likely future events and all post-balance sheet events are disclosed within the Strategic report on pages 1 to 33.

MANAGEMENT REPORT

The Strategic report on pages 1 to 27 and this Directors' report, with its inclusions as indicated above, form the Management report as required by DTR 4.1.5R.

DIRECTORS AND DIRECTORS' INTERESTS

The names of the directors of the Company including biographical details of the directors are shown on pages 34 and 35 and changes to directorships during the reporting period are shown on page 37. Details of directors' interests in the shares of the Company are shown on page 55. This information is incorporated into this report by reference.

DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying third-party indemnity provisions for the benefit of its directors that remain in force at the date of this report. In certain circumstances, the Company can indemnify directors, in accordance with its Articles of Association, against costs incurred in the defence of legal proceedings brought against them by virtue of their office. Directors' and officers' liability insurance cover remains in place to protect all directors and senior managers.

DIRECTORS' CONFLICT OF INTEREST

No director had, during the year, any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Company, they are required to notify the Board in writing or at the next Board meeting.

ARTICLES OF ASSOCIATION

Any amendment to the Company's articles of association may only be made by passing a special resolution of the shareholders of the Company.

SUBSTANTIAL SHAREHOLDINGS

As at 8 June 2018, the Company was aware of substantial interests in the Company's shares or had been notified of interests in voting rights under Chapter 5 of the Disclosure and Transparency Rules, as follows:

Shareholder	Number of shares	% held	Nature of holding
Schroder Investment Management	8,730,000	16.72	Indirect
Sanford Deland Asset Management	7,500,000	14.36	Indirect
Aberforth Partners	4,509,630	8.64	Indirect
Hargreaves Lansdown Asset Management	3,627,883	6.95	Indirect

The interests shown may include shares held under discretionary management agreements for which the manager may not exercise voting rights.

SHARE CAPITAL STRUCTURE, BUYING BACK AND SHAREHOLDER RIGHTS

The authorised share capital of the Company is £750,000 divided into 75,000,000 ordinary shares of 1 pence each. The Company has one class of ordinary shares which have equal rights to dividends and capital and to vote at general meetings of the Company, as set out in the Company's Articles of Association. The number of ordinary shares of 1 pence each issued and fully paid at 31 January 2018 was 52,217,565 . Other than in respect of the share split, no new shares have been issued during the year. No shares were bought back during the year.

Options outstanding under all employee share schemes amounted to 6.12% of the Company's issued share capital as at 31 January 2018. This includes options granted which have not yet vested. In addition, options representing 8.99% of the issued share capital have been exercised within the 10 years preceding 31 January 2018. No more than 10% of the issued share capital in any rolling 10-year period may currently be taken up by employee share schemes by way of dilution with any excess (up to a further 10% of the issued share capital) being acquired by purchase in the market via the Air Partner Employee Benefit Trust (the Trust). Under the Articles of Association, the Company has authority to issue 75,000,000 ordinary shares. Resolutions to renew the authorities given to directors to allot shares, to dis-apply certain pre-emption rights and to make market purchases of the Company's own shares, all subject to appropriate limits, will be put to the Annual General Meeting (AGM) to replace the authorities granted in 2017.

The Trust holds ordinary shares in the Company in order to satisfy options under the Group's share option schemes. At 31 January 2018, the number of ordinary shares held by the Trust was 402,690. Shares held by the Trust abstain from voting and are not entitled to receive dividends. A further 272,730 shares are held by the Trust in a nominee capacity for a beneficiary of the Trust.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

No individual or corporate entity has the right to appoint a director. The appointment and replacement of directors is governed by the Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation.

CHANGE OF CONTROL – SIGNIFICANT CONTRACTS

There are a number of commercial agreements that take effect, alter or terminate upon a change of control of the Company; none is considered to be significant in terms of its potential impact on the business of the Group as a whole.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

BRANCHES

The Company and its subsidiaries have an established branch in Austria.

GREENHOUSE GAS EMISSIONS

	2018 Global tonnes of CO_2e	2017 Global tonnes of CO_2e
Vehicles	**44**	18
Electricity	**387**	387
Total	**431**	405

We have reported on all of the emission sources required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. The reporting boundary used for collation of the above data is consistent with that used for consolidation purposes in the financial statements. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014 to calculate the above disclosures.

Given the Group's operations, CO2e emissions are restricted to office use and the operation of a relatively small number of vehicles. In the case of offices, occupation is within a multi-occupied building for all of the Group's subsidiaries without separate metering for individual usage by each tenant. Accordingly, an estimate has been used. There has been no change in the premises of the Group during the last financial year and therefore the electricity metrics shown above remain unaltered.

POLITICAL CONTRIBUTIONS

There were no political contributions during the year (2017: £nil).

DIRECTORS' STATEMENTS

As required under the Companies Act 2006, the UK Corporate Governance Code 2016 and the Disclosure and Transparency Rules (DTRs), various statements have been made by the Board as set out on pages 38 and 48 and are incorporated into this report by reference.

INDEPENDENT AUDITOR

As this is the final year audit for the current audit partner, before his rotation, the Company has decided to run a competitive tender process for the 31 January 2019 year end audit. Depending on the time scale of the tender process, Deloitte has indicated its willingness to continue in office to perform the review work for the half year, should this be requested.

In accordance with Section 489 of the Companies Act 2006 and in order to allow Deloitte to continue through to the audit tender, a resolution to reappoint Deloitte as the statutory auditor will be proposed at the 2018 AGM.

ANNUAL GENERAL MEETING

The 2018 AGM will be held at 11am on Wednesday 11 July 2018 at 2 City Place, Beehive Ring Road, Gatwick, RH6 0PA. The Company confirms that it will send the Notice of AGM and related documentation to shareholders at least 21 clear days before the meeting, either by post, to those shareholders who prefer a paper copy, or by email to those shareholders who have agreed that the Company can communicate with them electronically.

Both the Notice of AGM and the Proxy form are available to download from the Investors section on the Company's website.

The Directors' report was approved by the Board on 11 June 2018 and is signed on its behalf by:

T Beicken

Tracy Beicken
Group Legal Counsel and Company Secretary, Air Partner plc

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Strategic report incorporating the business review, the Directors' report, the Directors' remuneration report and the Group and Parent Company 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 Company in accordance with IFRS as adopted for use in the European Union. Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's and 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 IFRS.

Directors are also required to:

- select suitable accounting policies and apply them consistently
- make judgements 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
- 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records 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 2006.

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.

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

Each of the directors serving at the date of approval of the accounts confirms that, to the best of his/her knowledge and belief:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group and Company
- the Strategic report and the Directors' report give a fair review of the Group, together with a description of the principal risks and uncertainties that the Group faces.

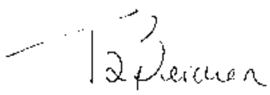
DIRECTORS' STATEMENT OF RESPONSIBILITY FOR DISCLOSURE OF INFORMATION TO AUDITOR

As required by section 418 of the Companies Act 2006, each director serving at the date of approval of the financial statements confirms that:

- to the best of his/her knowledge and belief, there is no information relevant to the preparation of their reports of which the Company's auditor is unaware
- 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 auditor is aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

The Directors' statements were approved by the Board on 11 June 2018 and are signed on its behalf by:



Tracy Beicken
Group Legal Counsel and Company Secretary, Air Partner plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR PARTNER PLC

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of our report:

- 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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Air Partner plc (the 'parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Cash Flow Statements;
- the Consolidated and Company Statements of Changes in Equity; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR QUALIFIED OPINION

The Company has provided disclosure of an accounting issue which arose in accounting periods dating back at least as far as the year ended 31 July 2011 in the Audit and Risk Committee Report and in note 2 to the financial statements. Specifically:

- Certain inappropriate financial journals had been deliberately processed without effective review
- These journals had been used to conceal accounting issues including unreconciled balance sheet accounts and recoverability issues on a major account
- In certain cases, supporting accounting records were inappropriately created and manipulated in order to avoid detection of the accounting issues, and it has not been possible to reproduce all original supporting documents at given points in time

Due to limitations in the Company's ability to recreate historical accounting records, in respect of £3.5m of the accumulated £4.4m gross overstatement of net assets, the directors of the Company have been unable to identify which accounting periods and line items this adjustment relates to. As a result, the directors have apportioned the income statement impact of the adjustment on a straight line basis beginning in the accounting period 31 July 2011. This has resulted in an exceptional expense of £0.3m (2017: £0.3m) net of tax for the year ended 31 January 2018 together with an adjustment of £3.7m to opening retained earnings as at 1 February 2017.

We were unable to obtain sufficient, appropriate audit evidence in respect of the £3.5m of the total adjustment described above. Consequently, we were unable to determine whether any adjustments to the above amounts were necessary.

The qualification relates solely to the allocation of this adjustment across the income statement in the current and prior years, and the consequential impact on the balance sheet as at 1 February 2017. The qualification does not affect the closing balance sheet as at 31 January 2018.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR PARTNER PLC CONTINUED

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matter that has resulted in a qualification relating to the correction of inappropriate accounting entries is discussed in the 'Basis for qualified opinion' section above. The other key audit matters that we identified in the current year were: 1. Revenue recognition: classification as either agent or principal 2. Completeness of provisions against operator prepayments 3. Impairment of goodwill and intangible assets relating to the Baines Simmons training and consulting cash-generating unit Within this report, any new risks are identified with ▲ and any risks which are the same as the prior year are identified with ▶.
Materiality	Our chosen materiality of £460,000 (2017: £410,000) represents 8.5% (2017: 8.7%) of underlying profit before tax, 1.4% (2017: 1.4%) of gross profit and 2.7% (2017: 2.6%) of net assets. Underlying profit before tax is defined by management in note 7.
Scoping	Our global testing approach is a combination of full scope, specified audit procedures and defined procedures. We have made changes to the scoping decisions made in the prior year for several entities to reflect their current significance.
Significant changes in our approach	The identification of historical accounting issues, as discussed in the 'Basis for qualified opinion' section above, resulted in a change to our audit approach. The following additional procedures were performed: • Understood the approach and reviewed the results of the Company's own investigations in to this matter, including the scope and results of work performed by external advisors; • Audited the accuracy and completeness of management's adjusting entries concerning the 2018 balance sheet position; • Performed focused audit analytics to identify journals exhibiting characteristics similar to those of identified mispostings, which were then substantively tested; • Performed increased focused sampling techniques in the following areas: a. Subsequent cash receipts for trade receivables; b. Unpaid receivables were traced to supporting communications and invoices for rights and obligations; c. Trade receivables as at 31 January 2018 which were cleared via a credit note; • Performed procedures to test the completeness of the deferred JetCard revenue balances on a sample basis, including: a. Obtained a source schedule for all JetCard customers, external from the finance team; b. Traced the customer details to contract to validate the starting date; c. Agreed all JetCard top up payments to bank receipt; d. Agreed all flight hours utilised to sales invoices; e. Recalculated the carried forward deferred income balance f. Performed audit procedures testing any manual adjustments between the company's operational flight database and the financial records; and g. Reconciled revenue recorded in the company's operational flight database and the financial records in order to ensure the completeness of revenue. In regard to other key audit matters included in the prior year's audit report, we have not reported on the purchase price allocation relating to the acquisition of Baines Simmons as this was finalised in the prior year. Additionally, the completeness of operator accruals has been considered as part of the key audit matter in the current year relating to the historical accounting issues.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

GOING CONCERN

We have reviewed the directors' statement in note 2d to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties as to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 30-33 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on page 46 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on page 46 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the 'Basis for qualified opinion' section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR PARTNER PLC CONTINUED

1. REVENUE RECOGNITION: CLASSIFICATION AS EITHER AGENT OR PRINCIPAL ▶

Key audit matter description	Air Partner plc provide air charter services to customers using operator aircraft to supply the flight. The recognition of revenue as either "agent" or "principal" is determined by the application of the criteria set out in IAS 18 "Revenue". Under this standard, an entity is acting as principal when it has exposure to the significant risks and rewards associated with the rendering of services. Management must apply their judgement to consider if the Company is acting as the principal or the agent in each contract with the end customer where Air Partner's standard terms and conditions are modified (or indeed not used as a basis for the contract). There is a risk that revenue is recognised incorrectly either as "gross" revenue when the business is not exposed to "principal" risk, or booked as "net" or "agency" revenue when the balance of risk points to the Company being the "principal" in the arrangement. Total gross transaction value (GTV) was £261.5m in the year ended 31 January 2018 (PY: £215.8m). GTV represents the total value of invoices raised to customers where revenue has also been earned. The Group's revenue recognition accounting policy is included on page 81 of the notes to the financial statements. This is discussed by the Audit and Risk Committee on pages 44-46. Further disclosure on the key sources of estimation uncertainty can be found on page 77.
How the scope of our audit responded to the key audit matter	In order to address this key audit matter: • We assessed the design and implementation of management's control over the classification of revenue; • We obtained and reviewed Air Partner's standard contract terms and those contracts where management concluded that they were principal against the IAS 18 criteria to assess whether the correct application of IAS 18 recognition was applied; • We selected a sample of recorded revenue amounts, obtained and reviewed the customer contract in order to assess whether the correct application of IAS 18 revenue classification had been applied; and • We performed focused testing on a further sample of contracts which management has classified as agent arrangements by selecting a sample of those which had similar characteristics (industry, size, margin) to customer contracts where Air Partner was classified as principal. For these we evaluated management's assessment on whether Air Partner is an agent using the criteria of IAS 18.
Key observations	From the work performed above, we are satisfied that revenue recognition has been appropriately applied in accordance with IAS 18.

2. COMPLETENESS OF PROVISIONS AGAINST OPERATOR PREPAYMENTS ▶

Key audit matter description	The Group enters into sales contracts with customers for aircraft charter and enters into purchase contracts 'back-to-back'. The Group is required to prepay operators for flights which occur in the future. At the year end, the value of Group prepayments was £4.7m (2017: £6.1m) which includes operator prepayments. Although the Group matches the purchase contract with the customer receipt, there is a credit risk in cases where suppliers default before the flight takes off and that monies prepaid to suppliers are not recoverable. In certain cases Air Partner may still fulfil the flight for the customer. There is a risk these prepayments may require a provision which is not recorded whether due to error or inappropriate management bias. This is discussed by the Audit and Risk Committee on page 45.
How the scope of our audit responded to the key audit matter	In order to address this risk: • We assessed the design and implementation of management's control over the prepayment provisioning; • We checked the accuracy of the listing of prepaid operator costs as at 31 January 2018 by agreeing a sample through to signed contracts; • We reviewed prepaid operator costs to identify those which had a higher chance of irrecoverability based on their operator risk rating; • We traced a sample of prepayments through to post year end flight records to check that the operator had supplied a flight; • For those flights in our sample that had not yet taken off at the date of our testing we reviewed their business history with the Group for evidence of dispute and slow payment as well as third party evidence of their financial position; and • We requested details from the Group's external legal advisers to identify legal disputes with operators.
Key observations	From the work performed above, we are satisfied that operator prepayments are valued appropriately.

3. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS RELATING TO THE BAINES SIMMONS TRAINING AND CONSULTING CASH-GENERATING UNIT (CGU)

Key audit matter description	Management are required to test Group goodwill balances annually for impairment. The assessment of the carrying value of goodwill and intangibles involves judgement in relation to forecasting future cash flows and is sensitive to growth rates and the discount rate applied to future cash flows. We have also considered the potential for fraud through management bias in the assumptions underlying the impairment assessment. Management have assessed the future cash flows of the cash generating unit and concluded that it is not impaired. We have considered the Company's forecast performance and pinpointed our risk specifically to the revenue and gross profit growth rates and discount rate applied within Baines Simmons training and consulting CGU. As at 31 January 2018, goodwill and intangible assets relating to this cash-generating unit ("CGU") total £1.5m (31 January 2017: £1.6m). The Group's goodwill and intangible assets accounting policies are included on page 88 of the notes to the financial statements. This is discussed by the Audit and Risk Committee on page 45. Further disclosure on the key sources of estimation uncertainty can be found on page 77.
How the scope of our audit responded to the key audit matter	In order to address this risk: • We assessed the design and implementation of management's control over the impairment review; • We checked the accuracy of the schedules supporting the cash flow model; • We challenged appropriateness of the key assumptions of cash flow growth, revenue and gross profit growth rates using historical performance, historical forecasting accuracy, knowledge of the business and sensitivity analysis; • We challenged the discount factor used, using our internal specialists, to assess the appropriateness for this business by comparison to external data and via sensitivity analysis; and • We also tested the completeness of direct and overhead costs via post year end payment testing and the occurrence of revenue for 2018.
Key observations	From the work performed above, we concluded that the inputs and assumptions applied in the valuation model by management were appropriate. We did not identify any additional need for impairment.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£460,000 (2017: £410,000)	£379,000 (2017: £328,000)
Basis for determining materiality	We considered a number of measures including underlying profit before tax (as defined by management in note 2), gross profit and net assets.	This has been determined with reference to underlying profit before tax, gross profit and net assets, and is capped at 82.5% of Group materiality.
Rationale for the benchmark applied	In determining our materiality benchmark we considered the performance indicators most applicable to the users of the financial statements, the nature of the business and comparative audit reports for listed entities. Gross profit and underlying profit before tax are the key measures used by analysts in presenting business performance to users of the financial statements. However, as profit-based measures do not fully represent the size of the balance sheet, we have also considered net assets in determining materiality. In making this determination, we considered the profit metrics of both the prior year and the current year because of the significant level of variation. Materiality represents 8.8% (2017: 8.7%) of underlying profit before tax, 1.4% (2017: 1.4%) of gross profit and 4.0% (2017: 2.6%) of net assets. The 2017 percentages were calculated based upon prior year profit and net asset measures before restatement.	Consistent with the determination of Group materiality we considered a range of performance indicators most applicable to the users of the financial statements.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £23,000 (2017: £20,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR PARTNER PLC CONTINUED

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, how the Group is organised, the consolidation process, the performance and financial position of each component as a proportion of the total for the Group and assessing the risks of material misstatement throughout the Group. Based on that assessment, we focused our Group audit scope primarily on the Group operations in the UK, France, the USA and Germany.

The principal UK (Air Partner plc) and French entities were subject to a full audit, whilst the USA and Germany were subject to specified audit procedures including full audit procedures on significant risk areas. Our testing in the USA and Germany was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations including an audit of account balances relating to the significant risks areas applicable to these locations.

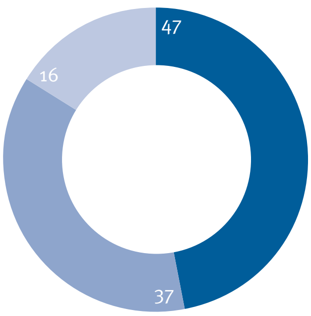
The Group audit engagement team visited all of these overseas component audit teams as part of our oversight of their work. We visited each of the overseas locations set out above in order for a senior member of the Group audit engagement team to update our understanding of the operations, risks and control environments of each component as well as complete a review of the component auditors' working papers and attend key meetings with component management. In addition, detailed audit procedures were performed over the revenue and costs of sales balances in Turkey. The Group audit engagement team performed the audit of the UK business and procedures on the USA and Turkey businesses without the involvement of a component team.

For all other locations we have performed analytical review procedures at Group level. At the Group level we also tested the consolidation process. The changes in scope this year are that we performed:

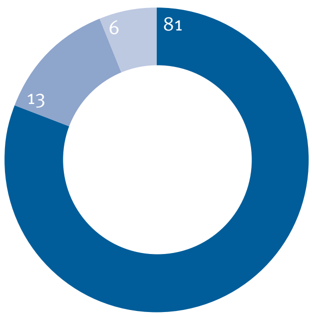
- specified audit procedures on revenue and cost of sales for Turkey; and
- analytical review procedures for the newly acquired subsidiary SafeSkys Limited.

The Group audit engagement team have obtained an understanding of the Group, including the consolidation process and Group-wide controls, to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. Our coverage of the Group results are split as follows:

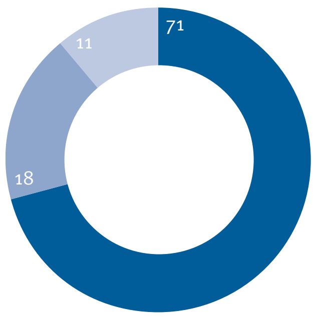
Gross profit



Statutory profit before tax



Net assets



Key:
- Full audit scope
- Specified audit procedures
- Analytical review procedures

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Except for the possible effects of the matter described in the 'Basis for qualified opinion' section of our report on the other information, we have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, except for the impact on the strategic report of the issues described in the basis for qualified opinion section above, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Except for the impact on the strategic report of the issues described in the basis for qualified opinion section above, in the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR PARTNER PLC CONTINUED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

In respect solely of the limitation on our work relating to the historical accounting issue with a cumulative net impact of £3.5m, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and we were unable to determine whether adequate accounting records had been kept.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Audit and Risk Committee on 10 February 2012 to audit the financial statements for the year ending 31 July 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 financial periods, covering the years ending 31 July 2012 to 31 January 2018.

Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

STATEMENT PURSUANT TO SECTION 837(4) OF THE COMPANIES ACT 2006

Respective responsibilities of directors and the auditor

In addition to their responsibilities described above, the directors are also responsible for considering whether the company, subsequent to the balance sheet date, has sufficient distributable profits to make a distribution at the time the distribution is made.

Our responsibility is to report whether, in our opinion, the subject matter of our qualification of our auditor's report on the parent company financial statements for the year ended 31 January 2018 is material for determining, by reference to those financial statements, whether the distribution proposed by the company is permitted under section 830 and section 831 of the Companies Act 2006. We are not required to form an opinion on whether the company has sufficient distributable reserves to make the distribution proposed at the time the distribution is made.

Opinion

In our opinion the subject matter of the above qualification is not material for determining by reference to these financial statements whether a distribution of 3.8 pence per share based on the number of shares in issue at 31 January 2018 is permitted under section 830 and section 831 of the Companies Act 2006.

Robert Knight FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom

11 June 2018

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 January

Continuing operations	Note	Year ended 31 January 2018 Underlying* £'000	Other items £'000	Total £'000	Restated Year ended 31 January 2017† Underlying* £'000	Other items £'000	Total £'000
Gross transaction value (GTV)	2	**261,317**	**–**	**261,317**	215,829	–	215,829
Revenue	3	**48,508**	**–**	**48,508**	42,538	–	42,538
Gross profit	4	**36,082**	**–**	**36,082**	31,707	–	31,707
Exceptional items	2	**(400)**	**–**	**(400)**	(400)	–	(400)
Administrative expenses		**(29,792)**	**(1,011)**	**(30,803)**	(26,593)	(709)	(27,302)
Operating profit		**5,890**	**(1,011)**	**4,879**	4,714	(709)	4,005
Finance income	9	**11**	**–**	**11**	39	–	39
Finance expense	9	**(138)**	**–**	**(138)**	(96)	–	(96)
Profit before tax		**5,763**	**(1,011)**	**4,752**	4,657	(709)	3,948
Taxation	10	**(1,390)**	**218**	**(1,172)**	(1,574)	153	(1,421)
Profit for the year		**4,373**	**(793)**	**3,580**	3,083	(556)	2,527
Attributable to:							
Owners of the parent company		**4,373**	**(793)**	**3,580**	3,083	(556)	2,527
Earnings/(loss) per share:							
Continuing operations							
Basic	12	**8.4p**	**(1.5)p**	**6.9p**	5.9p	(1.1)p	4.8p
Diluted	12	**8.1p**	**(1.5)p**	**6.6p**	5.8p	(1.1)p	4.7p

* Before other items (see note 7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 January

	Year ended 31 January 2018 £'000	Restated Year ended 31 January 2017† £'000
Profit for the year	**3,580**	2,527
Other comprehensive income – items that may subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(372)**	346
Total comprehensive income for the year	**3,208**	2,873
Attributable to:		
Owners of the Parent Company	**3,208**	2,873

† Results for year ended 31 January 2017 have been restated; please see note 2 on page 75 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares reserve £'000	Translation reserve £'000	Share option reserve £'000	Retained earnings as restated £'000	**Total equity as restated £'000**
Opening equity as at 1 February 2016 (as restated – note 2)	522	4,814	295	(1,199)	1,064	1,708	2,993	**10,197**
Profit for the year (as restated – note 2)	–	–	–	–	–	–	2,527	**2,527**
Exchange differences on translation of foreign operations	–	–	–	–	346	–	–	**346**
Total comprehensive income for the year (as restated – note 2)	–	–	–	–	346	–	2,527	**2,873**
Issue of shares	–	(59)	59	60	–	(60)	–	**–**
Share option movement in the year	–	–	–	–	–	369	–	**369**
Deferred tax on share-based payment transactions (note 25)	–	–	–	–	–	–	(66)	**(66)**
Share options exercised during the year	–	–	–	467	–	–	(286)	**181**
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	(23)	**(23)**
Dividends paid (note 11)	–	–	–	–	–	–	(2,574)	**(2,574)**
Closing equity as at 31 January 2017 (as restated – note 2)	522	4,755	354	(672)	1,410	2,017	2,571	**10,957**

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares reserve £'000	Translation reserve £'000	Share option reserve £'000	Retained earnings as restated £'000	**Total equity as restated £'000**
Opening equity as at 1 February 2017 (as restated – note 2)	522	4,755	354	(672)	1,410	2,017	2,571	**10,957**
Profit for the year	–	–	–	–	–	–	3,580	**3,580**
Exchange differences on translation of foreign operations	–	–	–	–	(372)	–	–	**(372)**
Total comprehensive income for the year	–	–	–	–	(372)	–	3,580	**3,208**
Share option movement for the year	–	–	–	(500)	–	401	–	**(99)**
Issue of shares	–	(59)	59	60	–	(60)	–	**–**
Share options exercised during the year	–	–	–	294	–	–	(85)	**209**
Dividends paid (note 11)	–	–	–	–	–	–	(2,752)	**(2,752)**
Closing equity as at 31 January 2018	522	4,696	413	(818)	1,038	2,358	3,314	**11,523**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares reserve £'000	Share option reserve £'000	Retained earnings as restated £'000	**Total equity as restated £'000**
Opening equity as at 1 February 2016 (as restated – note 2)	522	4,814	295	(1,199)	1,708	4,131	**10,271**
Profit for the year (as restated)	–	–	–	–	–	834	**834**
Total comprehensive income for the period (as restated – note 2)	–	–	–	–	–	834	**834**
Issue of shares	–	(59)	59	60	(60)	–	**–**
Share options movement for the year	–	–	–	–	369	–	**369**
Deferred tax on share-based payment transactions (note 25)	–	–	–	–	–	(37)	**(37)**
Share options exercised during the year	–	–	–	467	–	(320)	**147**
Dividends paid (note 11)	–	–	–	–	–	(2,574)	**(2,574)**
Closing equity as at 31 January 2017 (as restated – note 2)	522	4,755	354	(672)	2,017	2,034	**9,010**

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares reserve £'000	Share option reserve £'000	Retained earnings as restated £'000	**Total equity as restated £'000**
Opening equity as at 1 February 2017 (as restated – note 2)	522	4,755	354	(672)	2,017	2,034	**9,010**
Profit for the year	–	–	–	–	–	3,389	**3,389**
Total comprehensive income for the year	–	–	–	–	–	3,389	**3,389**
Issue of shares	–	(59)	59	60	(60)	–	**–**
Share options movement for the year	–	–	–	(500)	401	–	**(99)**
Share options exercised during the year	–	–	–	294	–	(85)	**209**
Dividends paid (note 11)	–	–	–	–	–	(2,752)	**(2,752)**
Closing equity as at 31 January 2018	522	4,696	413	(818)	2,358	2,586	**9,757**

Merger reserve

The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition partly made by the issue of shares.

Own shares

The own shares reserve represents the cost of shares in Air Partner plc purchased in the market and held by the Air Partner Employee Benefit Trust to satisfy options under the Group's share option schemes (see note 30).

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.

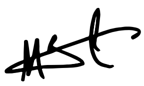
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 January

	Note	31 January 2018 £'000	Restated† 31 January 2017 £'000	Restated† 31 January 2016 £'000
Assets				
Non-current assets				
Goodwill	13	**5,876**	3,787	3,346
Other intangible assets	14	**5,202**	4,956	5,038
Property, plant and equipment	15	**1,191**	1,086	1,281
Deferred tax assets	25	**497**	533	143
Total non-current assets		**12,766**	10,362	9,808
Current assets				
Trade and other receivables	17	**26,612**	25,219	23,508
Current tax assets		**683**	586	438
Restricted bank balances		***5,203***	*1,965*	*2,840*
Other cash and cash equivalents		***17,990***	*17,830*	*16,951*
Total cash and cash equivalents		**23,193**	19,795	19,791
Derivative financial instruments		**–**	–	36
Total current assets		**50,488**	45,600	43,773
Total assets		**63,254**	55,962	53,581
Current liabilities				
Trade and other payables	19	**(7,269)**	(4,504)	(4,057)
Current tax liabilities		**(972)**	(1,072)	(133)
Other liabilities	20	**(4,755)**	(5,495)	(7,149)
Borrowings	18	**–**	(514)	(514)
Deferred income and JetCard deposits	2u	**(34,351)**	(30,043)	(27,602)
Derivative financial instruments	23	**(12)**	(9)	–
Provisions		**–**	–	(421)
Total current liabilities		**(47,359)**	(41,637)	(39,876)
Net current assets		**3,129**	3,963	3,897
Long-term liabilities				
Borrowings	18	**(2,500)**	(2,443)	(2,957)
Deferred consideration	21	**(977)**	(200)	–
Deferred tax liability	25	**(775)**	(725)	(551)
Provisions	22	**(120)**	–	–
Total long-term liabilities		**(4,372)**	(3,368)	(3,508)
Total liabilities		**(51,731)**	(45,005)	(43,384)
Net assets		**11,523**	10,957	10,197
Equity				
Share capital	27	**522**	522	522
Share premium account	28	**4,696**	4,755	4,814
Merger reserve	29	**413**	354	295
Own shares reserve	30	**(818)**	(672)	(1,199)
Translation reserve		**1,038**	1,410	1,064
Share option reserve		**2,358**	2,017	1,708
Retained earnings		**3,314**	2,571	2,993
Total equity		**11,523**	10,957	10,197

† Results for year ended 31 January 2017 and 2016 have been restated; please see note 2 on page 75 for further details.

These financial statements were approved and authorised for issue by the Board on 11 June 2018 and were signed on its behalf by:



M A Briffa

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 January

	Note	31 January 2018 £'000	Restated† 31 January 2017 £'000	Restated† 31 January 2016 £'000
Assets				
Non-current assets				
Intangible assets	14	**1,045**	1,039	993
Property, plant and equipment	15	**616**	726	897
Investments	16	**12,350**	9,350	8,587
Deferred tax assets	25	**178**	24	75
Total non-current assets		**14,189**	11,139	10,552
Current assets				
Trade and other receivables	17	**21,785**	13,353	15,283
Current tax assets		**566**	288	337
Restricted bank balances		***5,203***	*1,965*	*2,840*
Other cash and cash equivalents		***2,283***	*12,237*	*12,146*
Total cash and cash equivalents		**7,486**	14,202	14,986
Derivative financial instruments		**–**	–	36
Total current assets		**29,837**	27,843	30,642
Total assets		**44,026**	38,982	41,194
Current liabilities				
Trade and other payables	19	**(3,540)**	(1,823)	(1,608)
Current tax liabilities		**(976)**	(80)	–
Other liabilities	20	**(6,228)**	(6,201)	(6,976)
Borrowings	18	**–**	(514)	(514)
Deferred income and JetCard deposits		**(19,914)**	(18,702)	(18,702)
Derivative financial instruments	23	**(14)**	(9)	–
Provisions		**–**	–	(166)
Total current liabilities		**(30,672)**	(27,329)	(27,966)
Net current (liabilities)/assets		**(835)**	514	2,676
Long-term liabilities				
Borrowings	18	**(2,500)**	(2,443)	(2,957)
Deferred consideration	21	**(977)**	(200)	–
Provisions	22	**(120)**	–	–
Total long-term liabilities		**(3,597)**	(2,643)	(2,957)
Total liabilities		**(34,269)**	(29,972)	(30,923)
Net assets		**9,757**	9,010	10,271
Equity				
Share capital	27	**522**	522	522
Share premium account	28	**4,696**	4,755	4,814
Merger reserve	29	**413**	354	295
Own shares reserve	30	**(818)**	(672)	(1,199)
Share option reserve		**2,358**	2,017	1,708
Retained earnings		**2,586**	2,034	4,131
Total equity		**9,757**	9,010	10,271

† Results for year ended 31 January 2017 and 2016 have been restated; please see note 2 on page 75 for further details.

These financial statements were approved and authorised for issue by the Board on 11 June 2018 and were signed on its behalf by:

M A Briffa
Director

Air Partner plc Registered no. 00980675

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 January 2018

		Group		Company	
	Note	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 as restated £'000	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 as restated £'000
Net cash inflow from operating activities	33	**10,243**	1,874	**(668)**	1,926
Investing activities					
Continuing operations					
• Interest received		**11**	39	**4**	34
• Purchases of property, plant and equipment	15	**(708)**	(96)	**(170)**	(53)
• Purchases of intangible assets	14	**(204)**	(173)	**(185)**	(173)
• Acquisition of subsidiaries	31	**(1,974)**	(362)	**(2,200)**	(469)
Net cash used in investing activities		**(2,875)**	(592)	**(2,551)**	(661)
Financing activities					
Continuing operations					
• Dividends paid		**(2,752)**	(2,574)	**(2,752)**	(2,574)
• Proceeds on exercise of share options		**269**	181	**269**	147
• Purchase of own shares		**(500)**	–	**(500)**	–
• Repayments of borrowings		**(457)**	(514)	**(457)**	(514)
Net cash used in financing activities		**(3,440)**	(2,907)	**(3,440)**	(2,941)
Net increase/(decrease) in cash and cash equivalents		**3,928**	(1,625)	**(6,659)**	(1,676)
Opening cash and cash equivalents		**19,795**	19,791	**14,202**	14,986
Effect of changes in foreign exchange rates		**(530)**	1,629	**(57)**	892
Closing cash and cash equivalents		**23,193**	19,795	**7,486**	14,202

JetCard cash

The closing cash and cash equivalents balance can be further analysed into 'JetCard cash' (being restricted and unrestricted cash received by the Group and Company in respect of its JetCard product) and 'non-JetCard cash' as follows:

	Group		Company	
	2018 £'000	2017 as restated £'000	**2018 £'000**	2017 as restated £'000
JetCard cash restricted in its use	**5,203**	1,965	**5,203**	1,965
JetCard cash unrestricted in its use (as restated – note 2)	**10,688**	16,657	**2,283**	13,324
Total JetCard cash	**15,891**	18,622	**7,486**	15,289
Non-JetCard cash (as restated – note 2)	**7,302**	1,173	**–**	(1,087)
Cash and cash equivalents	**23,193**	19,795	**7,486**	14,202

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2018

1 GENERAL INFORMATION

Air Partner plc ('the Company') is a company incorporated and domiciled in England and Wales under registration number 00980675. The address of the registered office is 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 33.

2 ACCOUNTING POLICIES

a) Basis of preparation of financial statements and accounting restatement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union in accordance with EU law (IAS regulation EC1606/2002) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The company has been able to prepare its 31 January 2018 balance sheet fully in accordance with applicable accounting standards.

The financial statements are presented in sterling, being the currency of the primary economic environment in which the Group operates. Unless otherwise stated, figures are 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.

As a result of the accounting issue explained in the Financial Review and Audit and Risk Committee Report, the company has had to estimate in which historical accounting periods the £4.4m (£4.0m net of tax) accounting issue arose between years ended 31 July 2011 and 31 January 2018 as accurate prior period accounting records could not be recreated. Of the £4.4m identified, £0.9m is a known issue relating to the year ended 31 July 2011.

The directors have spread the accounting error of £4.4m as follows:

Accounting periods	Exceptional item recorded in period £'000	Cumulative financial effect £'000
Years ended 31 July 2011 to 31 January 2016	**3,600**	3,600
Year ended 31 January 2017	**400**	4,000
Year ended 31 January 2018	**400**	4,400

A straight-line approach was used as this was deemed the fairest and most appropriate way to account for the issue.

As the causes of this adjustment are believed have resulted from matters which the directors consider principally related to the underlying business, the directors have reported these amounts as exceptional items within the underlying operating profits.

Accordingly, the comparative balance sheet and income statement line items have been restated as follows:

Consolidated

Line item description	31 January 2017 as previously stated £'000	31 January 2017 as restated £'000	31 January 2016 as previously stated £'000	31 January 2016 as restated £'000
Trade and other receivables	**25,404**	**25,219**	23,708	23,508
Trade and other payables	**(4,359)**	**(4,504)**	(3,911)	(4,057)
Other liabilities	**(4,463)**	**(5,495)**	(5,633)	(7,149)
Current tax assets	**506**	**586**	438	438
Deferred income and JetCard deposits	**(27,350)**	**(30,043)**	(25,807)	(27,602)
Net current assets	**7,940**	**3,963**	7,554	3,897
Net assets	**14,934**	**10,957**	13,854	10,197
JetCard cash unrestricted in its use	**13,901**	**16,657**	13,936	15,731
Non-JetCard cash	**3,929**	**1,173**	2,840	1,045
Operating profit (underlying)	**5,114**	**4,714**	4,386	3,886
Operating profit	**4,405**	**4,005**	3,208	2,708
Tax	**(1,501)**	**(1,421)**	(1,230)	(1,230)
Net profit (underlying)	**3,403**	**3,083**	3,391	2,891
Net profit	**2,847**	**2,527**	2,294	1,794
Underlying earnings per share (basic)	**8.4p**	**5.9p**	6.7	5.7
Underlying earnings per share (diluted)	**8.1p**	**5.8p**	6.7	5.7
Earnings per share (basic)	**6.9p**	**4.8p**	4.5	3.5
Earnings per share (diluted)	**6.6p**	**4.7p**	4.5	3.5

2 ACCOUNTING POLICIES CONTINUED

Company

Line item description	31 January 2017 as previously stated £'000	31 January 2017 as restated £'000	31 January 2016 as previously stated £'000	31 January 2016 as restated £'000
Trade and other receivables	**13,539**	**13,353**	15,483	15,283
Trade and other payables	**(1,677)**	**(1,823)**	(1,462)	(1,608)
Other liabilities	**(5,170)**	**(6,201)**	(5,460)	(6,976)
Current tax assets	**208**	**288**	337	337
Deferred income and JetCard deposits	**(16,008)**	**(18,701)**	(16,906)	(18,702)
Net current assets	**4,491**	**514**	6,334	2,676
Net assets	**12,987**	**9,010**	13,928	10,271
Net profit	**1,154**	**834**	5,636	5,136

The accounting policies adopted are consistent with those of the previous financial year, except as described in the following sections.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year.

- IAS 12 Income taxes: clarify recognition of deferred tax assets for unrealised losses; effective for periods beginning on or after 1 January 2017
- Annual Improvements to IFRS standards 2014-2016 cycle; effective for periods beginning on or after 1 January 2017
- IAS 7 Statement of cash flows: clarify disclosure requirements; effective for periods beginning on or after 1 January 2017

Adoption of the above has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New standards, amendments and interpretations in issue but not yet effective

The following standards, amendments and interpretations to existing standards have been published. They are not mandatory for the current accounting period, and have not been early adopted by the Group.

- IFRS 9: Financial Instruments; effective for periods beginning on or after 1 January 2018:

  The Group will apply IFRS 9 from 1 February 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has during 2018/19 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 February 2018).

- IFRS 15: Revenue from Contracts with Customers; effective for periods beginning on or after 1 January 2018

  IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2016. The group is required to adopt IFRS 15 for the year ending 31 January 2019. Based on impact analysis performed by management this is not expected to have a material impact to the income statement on the group or parent company financial statements.

  Under IFRS 15, receivables and deferred income are not recognised until either there is a contractual right to receive cash or a service has been provided, whichever is earlier. The Group's balance sheet will be impacted by the change. Amounts have not yet been quantified.

- IFRIC 22: Foreign Currency Transactions and Advance Consideration; not yet EU endorsed
- Amendments to IFRS 2 (Jun 2016): Classification and Measurement of Share-based Payment Transactions; not yet EU endorsed
- Amendments to IFRS 4 (Sept 2016): Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; effective for periods beginning on or after 1 January 2018
- Amendments to IAS 40 (Dec 2016): Transfers of Investment Property; not yet EU endorsed
- Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016): Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 1 and IAS 28 Amendments; not yet EU endorsed
- IFRS 16: Leases; effective for periods beginning on or after 1 January 2019:

  IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The group currently expects to adopt IFRS 16 for the year ending 31 January 2020. No decision has been made about whether to use any of the transitional options in IFRS 16.

2 ACCOUNTING POLICIES CONTINUED

- IFRIC 23: Uncertainty over Income Tax Treatments; not yet EU endorsed
- Amendments to IFRS 9 (Oct 2017): Prepayment Features with Negative Compensation; not yet EU endorsed
- Amendments to IAS 28 (Oct 2017): Long-term Interests in Associates and Joint Ventures; not yet EU endorsed
- Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017): Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments; not yet EU endorsed
- IFRS 17: Insurance Contracts; not yet EU endorsed

There are no standards and interpretations in issue but not yet adopted which, in the opinion of the directors, will have a material effect on the reported income or net assets of the Group or Company.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

c) Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, 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.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

One of the key judgements in relation to revenue recognition is the judgement of whether the Group is acting as principal or agent in transactions with customers. In making its judgement, management considers the detailed terms of sales transactions with customers in order to determine whether the Group is performing as the principal obligor. This assessment determines how revenue is recognised as either principal or agent in accordance with IAS 18 Revenue.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may 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:

Impairment

The directors consider the recoverable amount of goodwill allocated to Baines Simmons Limited (Consulting & Training) of £1,072,000 to be sensitive to certain key assumptions in the Company's impairment model. This model is based upon forecasts of anticipated market conditions that have been considered and approved by the Board. These forecasts are then discounted back to net present value using a weighted average cost of capital. The key assumptions used in the forecasts have been described further in note 13.

Valuation of acquisition goodwill and intangibles

An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, and it is expected to generate future economic benefits and its fair value can be measured reliably. The identification of intangible assets acquired as part of business combinations requires judgement. For each business combination the balance of goodwill to other intangible assets is reviewed for appropriateness. Acquired intangible assets, comprising brands, customer relationships, other mandates and training materials, are amortised through the Consolidated income statement on a straight-line basis over their estimated economic lives of between one and 20 years. Significant judgement is required in determining the fair value and economic lives of acquired intangible assets. External valuations are obtained for significant acquisitions. Details of the intangible assets recognised on acquisition during the year are disclosed in note 31.

2 ACCOUNTING POLICIES CONTINUED

d) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 1 to 39. In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital risk; details of its financial instruments and hedging activities; and its exposures to interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Group has considerable cash resources and little debt. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

As a result of the fall in the Company's share price post year end, the company experienced a technical default on its revolving credit facility. Upon request, the bank immediately provided a formal waiver of this matter and have reiterated their ongoing support. The Company is not currently reliant on the available banking facilities as it is in a net cash position.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

e) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the entity 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 foreign operations are translated at exchange rates prevailing at the reporting 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.

f) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill denominated in currencies other than sterling is revalued at the rate of exchange ruling at balance sheet date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

g) Intangible assets

Internally generated assets

Internally generated intangible assets developed by the Group are recognised only if all of the following conditions are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits
- the development cost of the asset can be measured reliably.

Other research expenditure is written off in the period in which it is incurred.

Amortisation is charged to the income statement so as to write off the cost of assets less their residual values over their estimated useful lives, which in the case of software is 10%-20% per annum on a straight-line basis. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

2 ACCOUNTING POLICIES CONTINUED

g) Intangible assets continued

Other intangible assets

Intangible assets arising on acquisition are stated at fair value less accumulated amortisation and any impairment losses. Amortisation of the carrying value of intangible assets arising on acquisition is charged to the income statement over the estimated useful life, which is as follows:

Brands	10% per annum on a straight-line basis
Mandates / order book	100% per annum
Customer relationships	5%-16.7% per annum on a straight-line basis
Training materials	10% per annum on a straight-line basis
Software	5%-25% per annum on a straight line basis

The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

h) Property, plant and equipment

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

Depreciation is charged to the income statement so as to write off the cost of assets less their residual values over their estimated useful lives, as follows:

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

i) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 to determine the extent of the impairment loss (if any). 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. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where 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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Assets in disposal groups classified as held for sale

Non-current assets and disposal groups are classified as held for sale only if they are available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

k) Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs, except for financial assets held at fair value through profit or loss which are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 ACCOUNTING POLICIES CONTINUED

k) Financial instruments continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current. Financial assets at fair value through profit or loss are initially recognised at fair value at the date the contract is entered into, and subsequently gains or losses arising from changes in their fair value are presented in the income statement within administrative expenses in the period in which they arise. The Group's financial assets at fair value through profit or loss comprise derivative financial instruments.

Derivative financial instruments

The Group enters into derivative financial instruments, including foreign exchange forward contracts, to manage its exposure to foreign exchange rate risk. Derivatives not designated into an effective hedge relationship are classified as a financial asset or a financial liability. The Group has not designated any derivatives as hedging items and therefore does not apply hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months at the end of the reporting period. These are classified as non-current assets. Loans and receivables are subsequently carried at amortised cost using the effective interest method. The Group's loans and receivables comprise trade receivables, other receivables, accrued income and cash and cash equivalents in the balance sheet.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables

Other receivables are other amounts contractually due from third parties, for example deposits receivable for leased assets.

Accrued income

Accrued income is revenue that has been contracted and recognised in accordance with the Group's accounting policies, but not yet invoiced.

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.

Financial liabilities

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss, and at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instrument.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months; otherwise, they are classified as non-current. Financial liabilities at fair value through profit or loss are initially recognised at fair value at the date the contract is entered into, and subsequently gains or losses arising from changes in their fair value are presented in the income statement within administrative expenses in the period in which they arise. The Group's financial liabilities at fair value through profit or loss comprise derivative financial instruments.

Financial liabilities at amortised cost

The Group's financial liabilities at amortised cost comprise trade payables, other payables, accrued costs and borrowings. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other payables

Other payables that are financial liabilities at amortised cost are certain customer deposits which are contractually refundable to customers on demand.

2 ACCOUNTING POLICIES CONTINUED

k) Financial instruments continued

Accrued costs
Accrued costs are costs that have been contracted and recognised in accordance with the Group's accounting policies, but for which invoices have not yet been received or payments made, as applicable.

Borrowings
Borrowings consist of an interest bearing bank loan which is recorded at fair value.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Other items
The directors believe that the underlying profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The underlying profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The adjustments made to reported profit before tax are to exclude the following:

- restructuring costs
- significant and one-off impairment charges and provisions that distort underlying trading
- costs relating to strategy changes that are not considered normal operating costs of the underlying business
- acquisition costs
- amortisation of intangible assets recognised on acquisition
- acquisition consideration classified as an employee cost under IFRS 3 Business Combinations.

Equity instruments issued by the Group

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. The Group's equity instruments comprise share capital in the balance sheet.

l) 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 reporting date, and are discounted to present value.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

m) Revenue

Revenues are derived from aircraft chartering services, aircraft remarketing services, aircraft inspection services and the provision of training and safety consulting services. In line with IAS 18 Revenue, where a contract has been determined as principal, the full amount of the invoice is recognised as revenue. Where Air Partner is not acting as principal, revenue is recognised on an agency basis and only gross margin is reported as revenue. Revenue is measured as 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 and is only recognised where there is a contractual right to receive consideration for work undertaken, the amount can be measured reliably and it is probable that future economic benefits will flow.

Aircraft chartering services

Amounts receivable in respect of aircraft chartering services are recognised as revenue when the economic benefits are deemed to have passed to the customer, which is generally the flight date. In instances where the Group is acting as agent, the net amount receivable by the Group is recognised as revenue. In instances where the Group is acting as principal, the full amount of the contract is recognised as revenue.

Aircraft remarketing services

Air Partner Remarketing's (formerly Cabot Aviation) principal activity is that of an aircraft remarketing broker. Fees earned in respect of these services are recognised when they become payable in accordance with the terms of the contract with the customer.

Aircraft inspection services

Aircraft registered with the Isle of Man Aircraft Registry, which is managed by Baines Simmons Limited, require an annual inspection. Amounts receivable in respect of such inspections are recognised as revenue once the aircraft has been inspected.

2 ACCOUNTING POLICIES CONTINUED

m) Revenue continued

Provision of aviation-related training and safety consulting services

Baines Simmons Limited provides aviation related specialist training and consultancy services. Revenue is recognised by reference to the stage of completion of the contract determined by the value of the services provided at balance sheet date as a proportion of the total value of the assignment. Amounts in respect of unbilled services provided to clients are recognised as revenue at balance sheet date.

n) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for resource allocation and assessing performance of the operating segments, is considered to be the Board. The nature of the operating segments is set out in note 4.

o) Share-based payments

From time to time the Group will grant options to employees to subscribe for ordinary shares in 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 using the Monte Carlo method and spread over the period during which employees become unconditionally entitled to the options, based on management's estimate of the number of options which will ultimately vest, adjusting at each reporting date for the effect of non-market based vesting conditions.

p) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense in the period in which the employees render service. 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.

q) Taxation

The tax expense represents current and deferred tax. 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 substantively enacted at the reporting 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 arise 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 enacted or substantively enacted at the reporting date.

r) Gross transaction value

Gross transaction value (GTV) represents the total value invoiced to clients and is stated exclusive of value added tax.

s) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer all, or substantially all, of 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.

t) Dividends

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

u) Deferred income

Deferred income is comprised of amounts received or receivable from customers in respect of which services are yet to be provided or flights that are yet to occur.

For contracts where the company is the principal, the full amount of deferred revenue will be recognised within revenue upon performance of services. For contracts where the company is acting as agent, the amount of future revenue to be recognised will be purely the company's agency commission element of these amounts.

3 REVENUE

An analysis of the Group's revenue is as follows:

Continuing operations	2018 £'000	2017 £'000
Aircraft broking	**40,547**	35,992
Aircraft remarketing	**1,049**	760
Aircraft inspection	**1,142**	1,469
Safety Consulting and Training	**5,770**	4,317
	48,508	42,538

Included in revenue is approximately £17,164,000 (2017: £8,375,000) which arose from sales to the Group's largest two customers (2017: largest customer). No other customers contributed more than 10% to the Group's revenue in 2018 or 2017.

4 SEGMENTAL ANALYSIS

The services provided by the Group consist of chartering different types of aircraft and related aviation services.

The Group has four segments: Commercial Jets, Private Jets, Freight and Consulting & Training. Air Partner Remarketing's (formerly Cabot Aviation) results are aggregated into Commercial Jets. Overheads with the exception of corporate costs are allocated to the Group's segments in relation to operating activities.

Sales transactions between operating segments are carried out on an arm's length basis. All results, assets and liabilities reviewed by the Board (which is the chief operating decision maker) are prepared on a basis consistent with those that are reported in the financial statements.

The Board does not review revenue, assets and liabilities at segmental level, therefore these items are not disclosed.

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

Year ended 31 January 2018 Continuing operations	Commercial Jets £'000	Private Jets £'000	Freight £'000	Consulting & Training £'000	Corporate costs £'000	Total £'000
Segmental gross profit	17,336	10,586	3,366	4,794	–	**36,082**
Depreciation and amortisation	(325)	(211)	–	(593)	–	**(1,129)**
Underlying operating profit	3,821	1,081	1,761	561	(1,334)	**5,890**
Other items (see note 7)	(747)	–	–	(264)	–	**(1,011)**
Segment result	3,074	1,081	1,761	297	(1,334)	**4,879**
Finance income						**11**
Finance expense						**(138)**
Profit before tax						**4,752**
Tax						**(1,172)**
Profit for the year						**3,580**

Year ended 31 January 2017 (as restated –note 2) Continuing operations	Commercial Jets as restated £'000	Private Jets £'000	Freight £'000	Consulting & Training £'000	Corporate costs £'000	Total as restated £'000
Segmental gross profit	14,124	10,236	1,113	6,234	–	**31,707**
Depreciation and amortisation	(411)	(267)	–	(102)	–	**(780)**
Underlying operating profit	3,360	2,491	233	615	(1,985)	**4,714**
Other items (see note 7)	(182)	–	–	(399)	(128)	**(709)**
Segment result	3,178	2,491	233	216	(2,113)	**4,005**
Finance income						**39**
Finance expense						**(96)**
Profit before tax						**3,948**
Tax						**(1,421)**
Profit for the year						**2,527**

4 SEGMENTAL ANALYSIS CONTINUED

The company is domiciled in the UK but due to the nature of the Group's operations, a significant amount of gross profit is derived from overseas countries. The Group reviews gross profit based upon location of the assets used to generate that gross profit. Apart from the UK, no single country is deemed to have material non-current asset levels other than goodwill in relation to the French operation of £977,000.

The Board also reviews information on a geographical basis based on parts of the world which are considered to be key to operational activities. As a result the following additional information is provided showing a geographical split of the UK, Europe, the USA and the Rest of the World:

Continuing operations	UK £'000	Europe £'000	USA £'000	Rest of the World £'000	**Total £'000**
Year ended 31 January 2018					
Gross profit	19,030	9,795	6,198	1,059	**36,082**
Non-current assets (excluding deferred tax assets)	11,875	351	40	3	**12,269**
Year ended 31 January 2017 (as restated – note 2)					
Gross profit	18,812	8,930	3,771	194	**31,707**
Non-current assets (excluding deferred tax assets)	8,696	1,090	39	4	**9,829**

Europe can be further analysed as:

Continuing operations	France £'000	Germany £'000	Italy £'000	Other £'000	**Total £'000**
Year ended 31 January 2018					
Gross profit	3,506	2,847	2,227	1,215	**9,795**
Year ended 31 January 2017 (as restated – note 2)					
Gross profit	3,047	2,547	1,854	1,482	**8,930**

5 OPERATING PROFIT

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

Continuing operations	**2018 £'000**	2017 £'000
Net foreign exchange loss	**121**	20
Change in the fair value of derivative financial instruments	**3**	45
Depreciation of property, plant and equipment	**670**	347
Amortisation of intangible fixed assets – acquired	**280**	305
Amortisation of intangible fixed assets – other	**179**	128
Impairment of trade receivables	**52**	34
Operating lease rentals – land and buildings	**227**	283
Operating lease rentals – other	**22**	66
Staff costs (see note 8)	**19,525**	18,453

6 AUDITOR'S REMUNERATION

Fees payable to the principal auditor and its network firms for audit and other services are disclosed below:

	2018 £'000	2017 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**143**	143
Fees payable to the Company's auditor and its associates for the audit of subsidiaries pursuant to legislation (including that of countries and territories outside the UK)	**85**	65
Total audit fees	**228**	208

	2018 £'000	2017 £'000
Fees payable to the Company's auditor and its associates for other services to the Group:		
Audit related assurance services	**37**	22
Other non-audit services	**–**	4
Total non-audit fees	**37**	26

7 OTHER ITEMS

Continuing operations	2018 £'000	2017 £'000
Restructuring costs	**(279)**	(183)
Amortisation of purchased intangibles	**(277)**	(304)
Acquisition costs	**(368)**	(128)
Non-cash acquisition related costs	**(87)**	(94)
	(1,011)	(709)
Tax effect of other items	**218**	153
Other items after taxation	**(793)**	(556)

Restructuring costs relate to changes to the management and finance structure made during the year.

8 STAFF COSTS

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

Continuing operations	2018 Number	2017 Number
Operations	**186**	179
Administration	**81**	78
	267	257

The aggregate payroll costs comprised:

Continuing operations	2018 £'000	2017 £'000
Wages and salaries	**15,922**	15,537
Social security costs	**2,865**	2,219
Pension costs	**445**	506
Share-based payments	**293**	191
	19,525	18,453

The Group contributes to personal pension plans of certain employees and this cost is charged to the income statement in the period 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' remuneration report.

9 FINANCE INCOME AND EXPENSE

Continuing operations	2018 £'000	2017 £'000
Finance income		
Interest on bank deposits	**11**	39

Continuing operations	2018 £'000	2017 £'000
Finance expense		
Interest on loans and bank overdrafts	**138**	96

10 TAXATION

	Continuing operations	
	2018 £'000	2017 as restated £'000
Current tax:		
UK corporation tax (as restated –note 2)	**1,086**	448
Foreign tax	**163**	822
Current tax adjustments in respect of prior years (UK)	**(60)**	376
Current tax adjustments in respect of prior years (Overseas)	**–**	66
	1,189	1,712
Deferred tax (see note 25)	**(17)**	(291)
Total tax	**1,172**	1,421
Of which:		
Tax on underlying profit	**1,390**	1,574
Tax on other items (see note 7)	**(218)**	(153)
	1,172	1,421

Corporation tax in the UK was calculated at 19.16% (2017: 20%) of the estimated assessable profit for the period. Taxation for other jurisdictions was calculated at the rates prevailing in the respective jurisdictions.

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

	2018 £'000	2017 as restated £'000
Profit from continuing operations before tax	**4,752**	3,948
Accounting profit before tax	**4,752**	3,948
Tax at the UK corporation tax rate of 19.16% (2017: 20%; as restated –note 2)	**910**	790
Differences in tax rates	**15**	–
Effect of changes in tax rates	**89**	(41)
Tax effect of items that are not recognised in determining taxable profit	**212**	64
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**7**	212
Current tax adjustments in respect of prior years	**(7)**	442
Deferred tax not recognised	**78**	22
Options deductions	**(132)**	(68)
Total tax charge	**1,172**	1,421

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017. The impact on the tax charge is shown above.

Further reductions to the UK corporation tax rate have been announced. A reduction to 19% effective from 1 April 2017 and to 17% on 1 April 2020 was substantively enacted on 16 October 2016 and the deferred tax balance has been adjusted to reflect this change (see note 25).

11 DIVIDENDS

	2018 £'000	2017 £'000
Amounts recognised as distributions to owners of the parent company		
Final dividend for the year ended 31 January 2017 of 3.6 pence per share	**1,869**	1,741
(Final dividend the year ended 31 January 2016 of 3.4 pence)		
Interim dividend for the year ended 31 January 2018 of 1.7 pence per share	**883**	833
(Interim dividend for the year ended 31 January 2017 of 1.6 pence)		
	2,752	2,574

The directors propose a final dividend for the year ended 31 January 2018 of 3.8 pence per share, subject to shareholder approval at the Annual General Meeting to be held on 11 July 2018.

The Air Partner Employee Benefit Trust, which held 402,690 ordinary shares of 1p each at 31 January 2018 (2017: 341,820 ordinary shares of 1p each) representing 0.70% (2017: 0.65%) of the Company's issued share capital is not entitled to receive dividends. A further 272,731 ordinary shares of 1p each (2017: 413,640 ordinary shares of 1p each) shares are held by the Trust in a nominee capacity for one (2017: two) beneficiaries of the Trust.

12 EARNINGS PER SHARE

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

Number of shares	2018 Number	2017 Number
Weighted average number of ordinary shares for the calculation of basic earnings per share	**52,217,565**	52,361,659
Effect of dilutive potential ordinary shares: share options	**2,076,265**	1,133,083
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**54,293,830**	53,494,742

From continuing operations	2018 £'000	2017 as restated £'000
Earnings		
Profit attributable to owners of the Parent Company (as restated –note 2)	**3,580**	2,527
Adjustment to exclude other items	**793**	556
Underlying earnings for the calculation of basic and diluted earnings per share	**4,373**	3,083

On 25 January 2017, the Company's shareholders approved a 5 to 1 split of the Company's shares, which reduced the nominal value of the ordinary shares to 1 pence each. The share split became effective on 31 January 2017.

The calculation of underlying earnings per share (before other items) is included as the directors believe it provides a better understanding of the underlying performance of the Group. Other items are disclosed in note 7.

13 GOODWILL

Group	£'000
Cost	
At 1 February 2016	**3,346**
Recognised on acquisition of subsidiaries	**333**
Foreign currency adjustments	**108**
At 31 January 2017	**3,787**
Recognised on acquisition of subsidiaries (note 31)	**2,005**
Revised allocation of prior acquisition	**63**
Foreign currency adjustments	**21**
At 31 January 2018	**5,876**
Provision for impairment	
At 31 January 2016,31 January 2017 and 31 January 2018	**–**
Net book value	
At 31 January 2018	**5,876**
At 31 January 2017	**3,787**
At 1 February 2016	**3,346**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

	2018 £'000	2017 £'000
Air Partner International S.A.S.	**977**	956
Baines Simmons Limited (Consulting &Training)	**1,072**	1,072
Baines Simmons Limited (Managed Services)	**639**	639
Cabot Aviation Services Limited	**787**	787
Clockwork Research Limited	**396**	333
SafeSkys Limited	**2,005**	–
	5,876	3,787

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, the recoverable amount of the cash generating unit was measured on the basis of its value in use, by applying cash flow projections based on financial forecasts covering a three-year period. The key assumptions for the value in use calculation were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecast period. The estimated growth rates were based on past performance and expectation of future changes in the market. The growth rate used to extrapolate cash flow projections beyond the period covered by the financial forecasts was 2% (2017: 2%). The pre-tax rate used to discount the forecast cash flows ranged from 10.76% - 13% (2017: 10.76% - 13%).

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

14 OTHER INTANGIBLE ASSETS

Group	Brands £'000	Other mandates £'000	Customer relationships £'000	Training materials £'000	Software £'000	Total £'000
Cost						
At 1 February 2016	158	171	3,540	414	2,074	**6,357**
Additions	–	–	–	–	173	**173**
Acquired on acquisition of subsidiaries	–	–	174	–	–	**174**
Foreign currency adjustments	–	–	–	–	4	**4**
At 31 January 2017	158	171	3,714	414	2,251	**6,708**
Additions	–	–	–	–	204	**204**
Acquired on acquisition of subsidiaries (note 31)	14	–	487	–	–	**501**
At 31 January 2018	172	171	4,201	414	2,455	**7,413**
Amortisation and impairment						
At 1 February 2016	7	123	91	19	1,079	**1,319**
Charge for the year	16	47	200	42	128	**433**
At 31 January 2017	23	170	291	61	1,207	**1,752**
Charge for the year	17	1	219	42	180	**459**
At 31 January 2018	40	171	510	103	1,387	**2,211**
Net book value						
At 31 January 2018	132	–	3,691	311	1,068	**5,202**
At 31 January 2017	135	1	3,423	353	1,044	**4,956**
At 1 February 2016	151	48	3,449	395	995	**5,038**

Customer relationships have a remaining amortisation period of between 2.9 years and 18.5 years.

Company	Software £'000
Cost	
At 1 February 2016	**2,059**
Additions	**172**
At 31 January 2017	**2,231**
Additions	**185**
At 31 January 2018	**2,416**
Amortisation and impairment	
At 1 February 2016	**1,066**
Charge for the year	**126**
At 31 January 2017	**1,192**
Charge for the year	**179**
At 31 January 2018	**1,371**
Net book value	
At 31 January 2018	**1,045**
At 31 January 2017	**1,039**
At 1 February 2016	**993**

Other intangible assets comprise software and assets acquired on acquisitions including training materials, customer relationships, mandates to remarket aircraft and brands.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold property and leasehold improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	**Total £'000**
Cost				
At 1 February 2016	858	2,615	37	**3,510**
Additions	–	77	19	**96**
Acquired on acquisition of subsidiaries	–	5	30	**35**
Foreign currency adjustments	12	45	–	**57**
At 31 January 2017	870	2,742	86	**3,698**
Additions	222	261	225	**708**
Acquired on acquisition of subsidiaries (note 31)	–	8	82	**90**
Foreign currency adjustments	–	(8)	–	**(8)**
At 31 January 2018	1,092	3,003	393	**4,488**
Depreciation and impairment				
At 1 February 2016	335	1,892	2	**2,229**
Charge for the year	94	242	11	**347**
Foreign currency adjustments	4	32	–	**36**
At 31 January 2017	433	2,166	13	**2,612**
Charge for the year	146	305	219	**670**
Foreign currency adjustments	–	15	–	**15**
At 31 January 2018	579	2,486	232	**3,297**
Net book value				
At 31 January 2018	513	517	161	**1,191**
At 31 January 2017	437	576	73	**1,086**
At 1 February 2016	523	723	35	**1,281**

Company	Short leasehold property and leasehold improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	**Total £'000**
Cost				
At 1 February 2016	734	1,536	37	**2,307**
Additions	–	34	19	**53**
At 31 January 2017	734	1,570	56	**2,360**
Additions	120	50	–	**170**
At 31 January 2018	854	1,620	56	**2,530**
Depreciation				
At 1 February 2016	303	1,105	2	**1,410**
Charge for the year	72	141	11	**224**
At 31 January 2017	375	1,246	13	**1,634**
Charge for the year	112	158	10	**280**
At 31 January 2018	487	1,404	23	**1,914**
Net book value				
At 31 January 2018	367	216	33	**616**
At 31 January 2017	359	324	43	**726**
At 1 February 2016	431	431	35	**897**

16 INVESTMENTS

Company	Investments in shares of subsidiaries £'000	Capital contributions to subsidiaries £'000	Total £'000
Cost			
At 1 February 2016	1,993	7,330	**9,323**
Additions	669	–	**669**
Additions – group share-based payments	–	94	**94**
At 31 January 2017	2,662	7,424	**10,086**
Additions	–	3,000	**3,000**
At 31 January 2018	2,662	10,424	**13,086**
Amounts provided			
At 31 January 2016 and 31 January 2017 and 31 January 2018	101	635	**736**
Net book value			
At 31 January 2018	2,561	9,789	**12,350**
At 31 January 2017	2,561	6,789	**9,350**
At 1 February 2016	1,892	6,695	**8,587**

In the year ended 31 January 2018, Air Partner plc purchased SafeSkys Limited to the amount of £3,000,000.

The Company tests its investments for impairment if there are indications that the investments may be impaired. The recoverable amount of each investment was measured on the basis of its value in use, by applying cash flow projections based on the financial forecasts covering a three-year period. The key assumptions for the value in use calculation for each subsidiary were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The estimated growth rates were based on past performance and expectation of future changes in the market. The growth rate used to extrapolate cash flow projections beyond the period covered by the financial forecasts was 2% (2017: 2%). The pre-tax rate used to discount the forecast cash flows was 13% (2017: 13%). The directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a further impairment of the Company's investments.

16 INVESTMENTS CONTINUED

The following is a list of the subsidiaries of which Air Partner plc, incorporated in England and Wales, is the beneficial owner:

Name	Principal activity	Country of incorporation	Company number	Company Address
Air Partner International S.A.S.	Air charter broking	France	B398335489	A
Air Partner International GmbH	Air charter broking	Germany	HRB 28279	B
Air Partner, Inc.	Air charter broking	US	65-0770487	C
Air Partner (Switzerland) AG	Air charter broking	Switzerland	CH-020.3.022.925.4	D
Air Partner Travel Management Company Limited	Travel agency	England and Wales	03767092	E
Air Partner Srl	Air charter broking	Italy	MI-1811083	F
Air Partner Havacilik ve Tasimacilik Limited Sirketi	Air charter broking	Turkey	720099	G
Cabot Aviation Services Limited	Aircraft remarketing	England and Wales	03874833	E
Air Partner Consulting Limited	Holding company	England and Wales	02070950	E
Baines Simmons Limited	Aviation safety consultants	England and Wales	04295495	E
Aviation Compliance Limited	Aviation safety consultants	England and Wales	06545827	E
Clockwork Research Limited	Aviation safety consultants	England and Wales	05477740	E
SafeSkys Limited	Aviation safety consultants	England and Wales	02833067	E
Air Partner Jet Charter and Sales Private Limited	Dormant	India	U63000DL2012FTC234664	H
Business Jets Limited	Dormant	England and Wales	04146214	E
Air Partner Group Limited	Dormant	England and Wales	03685545	E
Air Partner Investments Limited	Dormant	England and Wales	06727735	E
Air Partner Enclave Limited	Dormant	England and Wales	06671502	E
Air Partner Nordic	Air Charter Broking	Sweden	556724-5369	I

All of the above are 100% owned by Air Partner plc, except for Air Partner Havacilik ve Tasimacilik Limited Sirketi where 40% is held by a subsidiary undertaking and Air Partner Jet Charter and Sales Private Limited which is 99.99% held by one subsidiary company and 0.01% held by another subsidiary company. Air Partner plc's holdings are in the ordinary share capital of all the subsidiaries and there are no other classes of shares.

Registered company addresses are as follows:

A	89 Rue du Faubourg Saint-Honoré, 75008 Paris, France
B	Technologiepark, HS 56, Friedrich-Ebert-Str. 75, 51429 Bergisch Gladbach, Germany
C	1100 Lee Wagener Blvd, Suite 328, Fort Lauderdale, FL 33315, US
D	Postfach 8722, 8036 Zurich, Switzerland
E	2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA, UK
F	Via Valtellina 67, 20159 Milano, Italy
G	Yenibosna Merkez mah. Degirmenbahce cad. Istwest Konutları No:17 A1B Blok D:23 Istanbul, Turkey
H	Maulseri House, 7, Kapashera Estate, New Delhi-110037, India
I	Cerid Redovisningsbyra AB, Svanegatan 10, 22224 Lund, Skane, Malmö, Sweden

In the opinion of the directors the recoverable amount of the Company's subsidiary undertakings is considered to be in excess of the carrying value.

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 as restated £'000	**2018 £'000**	2017 as restated £'000
Gross trade receivables	**19,414**	19,189	**7,265**	7,263
Allowance for bad and doubtful debts	**(159)**	(322)	**–**	–
Trade receivables	**19,255**	18,867	**7,265**	7,263
Amounts owed by Group undertakings	**–**	–	**10,409**	3,498
Social security and other taxes	**460**	1,045	**741**	499
Other receivables	**349**	278	**–**	69
Prepayments and accrued income	**6,548**	5,029	**3,370**	2,024
	26,612	25,219	**21,785**	13,353

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. The movement in impaired receivables in the year is shown below:

	Group £'000	**Company £'000**
At 31 January 2016	**809**	**135**
Charge for the year	**34**	**(2)**
Receivables written off during the year	**(580)**	**(133)**
Foreign currency adjustments	**59**	**–**
At 31 January 2017	**322**	**–**
Charge for the year	**52**	**–**
Receivables written off during the year	**(194)**	**–**
At 31 January 2018	**181**	**–**

Of the amounts impaired during the period, £60,000 (2017: £34,000) was for an amount past due by less than 1 year with the remainder being all overdue by more than one year.

In addition, some of the unimpaired trade receivables were past due at the reporting date. The ageing of financial assets was as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Neither past due nor impaired	**14,113**	11,361	**5,333**	4,773
Ageing of past due but not impaired:				
• By not more than 3 months	**3,438**	6,598	**1,474**	2,087
• By more than 3 months but not more than 6 months	**542**	701	**198**	229
• By more than 6 months but not more than 1 year	**519**	83	**68**	6
• By more than 1 year	**643**	124	**192**	168
	19,255	18,867	**7,265**	7,263

18 BORROWINGS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Secured bank loans	**2,500**	2,957	**2,500**	2,957

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amount due for settlement within 12 months	**–**	514	**–**	514
Amount due for settlement after 12 months	**2,500**	2,443	**2,500**	2,443
	2,500	2,957	**2,500**	2,957

All borrowings are in sterling.

The Group's borrowings consists of a bank loan of £2.5m (2017: £2.96m) from the Company bankers. The loan was taken out on 12 August 2016 and refinanced using a new revolving credit facility provided by the Group's main banker. The facility is for £7.5m, expiring in February 2020, and carries an interest rate of 2.5% above LIBOR.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 as restated £'000	**2018 £'000**	2017 as restated £'000
Trade payables (as restated –note 2)	**4,528**	3,746	**2,595**	1,619
Other taxation and social security payable	**2,741**	758	**945**	204
	7,269	4,504	**3,540**	1,823

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

20 OTHER LIABILITIES

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Accruals	**4,437**	4,694	**2,173**	2,579
Other liabilities (as restated – note 2)	**318**	801	**62**	51
Amounts owed to Group undertakings	**–**	–	**3,993**	3,571
	4,755	5,495	**6,228**	6,201

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

21 DEFERRED CONSIDERATION

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Deferred consideration in respect of Clockwork Research Limited	**177**	200	**177**	200
Deferred consideration in respect of SafeSkys Limited (note 31)	**800**	–	**800**	–
	977	200	**977**	200

22 PROVISIONS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Dilapidation costs	**120**	–	**120**	–

A provision of £120,000 has been raised in relation to the potential costs of making good any dilapidations or other damage which may occur during the course of the lease of property.

23 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 the ongoing business.

The Group has various financial instruments such as cash, trade receivables, trade payables and borrowings 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 related 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		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Cash held at year end on fixed interest rates	**6,630**	4,415	**16**	3,317
Cash held at year end on variable interest rates	**16,563**	15,380	**7,470**	10,885
	23,193	19,795	**7,486**	14,202

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 additional impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions. The rate range on which interest was receivable during the year was 0.0% to 1.0% (2017: 0.0% to 1.0%).

	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
Group	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Cash held at year end on variable interest rates	**166**	154	**(166)**	(154)

	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
Company	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Cash held at year end on variable interest rates	**75**	109	**(75)**	(109)

The Group is further exposed to interest rate risk due to variable interest owed on its borrowings, £2,500,000, linked to LIBOR.

The following table illustrates the sensitivity of borrowings 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 additional impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions. The rate at which interest was payable during the year was 3.09% (2017: 3.09%).

	Effect on profit before tax			
	100 basis points increase		100 basis points decrease	
Group and company	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Borrowings on variable interest rates	**25**	30	**(25)**	(30)

23 FINANCIAL INSTRUMENTS CONTINUED

b) Credit risk

The carrying amount of financial assets recognised at the reporting date, as summarised below, represents the Group's maximum exposure to credit risk:

	Group		Company	
	2018 £'000	2017 as restated £'000	2018 £'000	2017 as restated £'000
Cash and cash equivalents	**23,193**	19,795	**7,486**	14,202
Trade and other receivables (as restated – note 2)	**19,604**	19,145	**17,674**	10,830
	42,797	38,940	**25,160**	25,032

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 to commercial customers, as credit risk is predominantly government based.

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

Refer to note 18 for details of impairment losses for financial instruments.

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 Group retains enough working capital in the business to ensure that the business operations can run smoothly.

As at 31 January 2018, the Group and Company's financial liabilities had contractual maturities which are summarised below:

	Current				Non-current			
	Within 6 months		6 to 12 months		1 to 5 years		More than 5 years	
Group	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Trade and other payables	**25,221**	23,386	**–**	257	**2,500**	2,443	**–**	–
Derivative financial instruments	**12**	9	**–**	–	**–**	–	**–**	–
	25,233	23,395	**–**	257	**2,500**	2,443	**–**	–

	Current				Non-current			
	Within 6 months		6 to 12 months		1 to 5 years		More than 5 years	
Company	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Trade and other payables	**17,302**	19,382	**–**	257	**2,500**	2,443	**–**	–
Derivative financial instruments	**14**	9	**–**	–	**–**	–	**–**	–
	17,316	19,391	**–**	257	**2,500**	2,443	**–**	–

23 FINANCIAL INSTRUMENTS CONTINUED

d) Foreign currency risk

The Group has invested in foreign operations outside the UK 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 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:

	2018 £'000				2017 as restated £'000			
Group	**Eur €**	**US $**	**GBP £**	**Other**	Eur €	US $	GBP £	Other
Financial assets (as restated – note 2)	**26,722**	**7,846**	**9,189**	**901**	19,231	5,213	14,593	793
Financial liabilities (as restated –note 2)	**(16,378)**	**(3,624)**	**(4,708)**	**(120)**	(15,549)	(3,349)	(4,180)	(39)
Short-term exposure	**10,344**	**4,222**	**4,481**	**781**	3,682	1,864	10,413	754
Financial assets	**–**	**–**	**–**	**–**	–	–	–	–
Financial liabilities	**–**	**–**	**–**	**–**	–	–	(2,443)	–
Long-term exposure	**–**	**–**	**–**	**–**	–	–	(2,443)	–
	10,344	**4,222**	**4,481**	**781**	3,682	1,864	7,970	754

	2018 £'000				2017 as restated £'000			
Company	**Eur €**	**US $**	**GBP £**	**Other**	Eur €	US $	GBP £	Other
Financial assets	**10,091**	**834**	**15,085**	**788**	8,468	2,404	19,185	801
Financial liabilities	**(8,644)**	**(1,665)**	**(8,684)**	**(107)**	(11,873)	(2,520)	(3,484)	(144)
Short-term exposure	**1,447**	**(832)**	**6,402**	**681**	(3,405)	(116)	15,701	657
Financial assets	**–**	**–**	**–**	**–**	–	–	–	–
Financial liabilities	**–**	**–**	**–**	**–**	–	–	(2,443)	–
Long-term exposure	**–**	**–**	**–**	**–**	–	–	(2,443)	–
	(2,382)	**(832)**	**10,874**	**681**	(3,405)	(116)	13,258	657

23 FINANCIAL INSTRUMENTS CONTINUED

d) Foreign currency risk continued

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 January 2018 (2017: 10%). A 10% change is also assumed for the sterling/US dollar exchange rate (2017: 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 reporting 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% (2017: 10%) and 10% (2017: 10%) respectively the impact would have been as follows:

	2018 £'000			2017 as restated £'000		
Group	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**(2,672)**	**(785)**	**(3,457)**	(1,923)	(521)	(2,444)
Financial liabilities	**1,638**	**362**	**2,000**	1,555	335	1,890
Effect on profit before tax/Equity	**(1,034)**	**(423)**	**(1,457)**	(368)	(186)	(554)

	2018			2017		
Company	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**(1,009)**	**(83)**	**(1,092)**	(847)	(240)	(1,087)
Financial liabilities	**864**	**167**	**1,031**	1,187	252	1,439
Effect on profit before tax/Equity	**(145)**	**84**	**(61)**	340	12	352

If sterling had weakened against the euro and US dollar by 10% (2017: 10%) and 10% (2017: 10%) respectively the impact would have been as follows:

	2018			2017 as restated		
Group	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**2,672**	**785**	**3,457**	1,923	521	2,444
Financial liabilities	**(1,638)**	**(362)**	**(2,000)**	(1,555)	(335)	(1,890)
Effect on profit before tax/Equity	**1,034**	**423**	**1,457**	368	186	554

	2018			2017		
Company	**Eur €**	**US $**	**Total**	Eur €	US $	Total
Financial assets	**1,009**	**83**	**1,092**	847	240	1,087
Financial liabilities	**(864)**	**(167)**	**(1,031)**	(1,187)	(252)	(1,439)
Effect on profit before tax/Equity	**145**	**(84)**	**61**	(340)	(12)	(352)

23 FINANCIAL INSTRUMENTS CONTINUED

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.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and any change in their fair value determined as the mark-to-market value at balance sheet date is recognised in the income statement. No derivatives qualified for hedge accounting during the year (2017: none).

At the reporting date, the total notional amount of outstanding forward foreign exchange contracts that the Group had committed are as below and their related fair value was as follows (terms not exceeding three months from 31 January 2017):

Group and Company	2018 £'000	2017 £'000
Forward foreign exchange contracts – notional amount	**439**	682
Financial liability	**(12)**	(9)

Changes in the fair value of derivative financial instruments amounting to £3,000 have been charged to the income statement in the period (2017: Charge of £45,000).

These derivative financial instruments are not traded in active markets. Their fair value has been determined by using valuation techniques which maximise the use of observable market data, namely the contract exchange rate and the bank's forward rate. The derivatives are therefore categorised as level 2 using the fair value hierarchy.

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's primary tool in managing risk is cash flow analysis. In addition to strategic cash flow management the Group performs detailed weekly cash flow modelling.

The schedule of matters reserved for Board decision includes approval of any financial instruments or bank borrowings in excess of £2,000,000.

The capital structure of the Group consists of net debt (borrowings and other long term liabilities disclosed in note 19 after deducting non-JetCard cash and bank balances) and equity of the group (comprising issued capital, reserves, and retained earnings disclosed in notes 28 to 31)

The Group is not subject to any externally imposed capital requirements. The Group's gearing ratio at year end is as follows:

	2018 £'000	2017 as restated £'000
Debt	**(2,500)**	(2,957)
Cash and cash equivalents (as restated – note 2)	**7,302**	1,173
Net cash/(debt)	**4,802**	(1,784)
Equity	**11,523**	10,957
Net cash/(debt) to equity ratio	**41.67%**	(16.29%)

Debt is defined as long- and short-term borrowings and other long term liabilities as detailed in note 18.

Equity includes all share capital and reserves of the Group that are managed as capital.

23 FINANCIAL INSTRUMENTS CONTINUED

g) Financial assets by category

Group	2018 £'000	2017 as restated £'000
Cash and bank balances	**23,193**	19,795
Financial assets held at fair value through profit or loss	**–**	–
Loans and receivables	**22,607**	20,879
Current assets which are not financial assets	**4,688**	4,926
Total current assets	**50,488**	45,600

Company	2018 £'000	2017 as restated £'000
Cash and bank balances	**7,486**	12,237
Financial assets held at fair value through profit or loss	**–**	–
Loans and receivables	**19,457**	9,347
Current assets which are not financial assets	**2,888**	6,259
Total current assets	**29,831**	27,843

h) Financial liabilities by category

Group	2018 £'000	2017 as restated £'000
Financial liabilities held at fair value through profit or loss	**(14)**	(9)
Financial liabilities measured at amortised cost	**(2,500)**	(7,577)
Current liabilities which are not financial liabilities	**(44,845)**	(34,051)
Total current liabilities	**(47,359)**	(41,637)

Company	2018 £'000	2017 as restated £'000
Financial liabilities held at fair value through profit or loss	**(14)**	(9)
Financial liabilities measured at amortised cost	**(2,500)**	(6,906)
Current liabilities which are not financial liabilities	**(28,158)**	(20,414)
Total current liabilities	**(30,672)**	(27,329)

Group and Company	2018 £'000	2017 £'000
Financial liabilities measured at amortised cost	**(2,500)**	(2,643)
Total long term liabilities	**(2,500)**	(2,643)

The directors consider that the carrying amount of the financial assets and liabilities approximates their fair value.

24 SHARE-BASED PAYMENTS

The Company operates a share option scheme under which options may be granted to certain staff of the Group to subscribe for ordinary shares in the Company. The scheme rules cover grants under an approved and an unapproved section of the scheme. The vesting period is three years. With certain exceptions, options are forfeited if an employee leaves the Group and outstanding options expire if they remain unexercised after a period of 6.8 to 10 years from the date of grant.

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

	2018		2017	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding as at start of year	**2,991,584**	**32.2**	3,925,300	60.3
Granted during the year	**339,263**	**–**	918,290	–
Forfeited/lapsed during the year	**(576,455)**	**37.2**	(1,168,980)	74.9
Exercised during the year	**(279,200)**	**93.0**	(683,026)	30.4
Outstanding at year end	**2,475,192**	**18.2**	2,991,584	32.2
Exercisable at year end	**441,041**	**74.4**	1,187,044	105.4

The weighted average remaining contractual life of share options outstanding at the year end was 5.12 years (2017: 4.83 years).

The exercise prices of share options outstanding at year end ranged from nil pence to 1,090 pence (2017: nil pence to 1,077 pence).

The total charge for the year relating to employee share-based payment plans was £348,011.

In the current year, options were granted on 30 April 2017. The estimated fair values of the options granted on those dates is £247,622. Inputs in to the Monte Carlo model were as follows:

	2017 Options
Weighted average share price	1.02p
Weighted average exercise price	0.00p
Expected volatility	40.57%
Expected life	3 years
Risk-free rate	0.36%
Expected dividend yields	4.95%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

25 DEFERRED TAX

Deferred tax has been calculated at 17% (2017: 17%) in respect of UK companies and at the prevailing tax rates for the overseas subsidiaries. The following are the major deferred tax liabilities and assets recognised by the Group and the Company with movements thereon during the current and prior reporting periods.

Group	IFRS 3 intangibles £'000	Net accelerated tax depreciation £'000	Tax losses £'000	Share-based payment £'000	Other temporary differences £'000	**Total £'000**
At 1 February 2016	(725)	(54)	2	156	213	**(408)**
Arising on acquisition of subsidiaries	(35)	–	–	–	–	**(35)**
Exchange differences	–	–	–	–	(40)	**(40)**
Credit/(charge) to the income statement	94	(23)	(2)	–	288	**357**
Credit direct to equity	–	–	–	(66)	–	**(66)**
At 31 January 2017	(666)	(77)	–	90	461	**(192)**
Arising on acquisition of subsidiaries	(95)	–	–	–	–	**(95)**
Exchange differences	–	–	–	–	(26)	**(26)**
Credit/(charge) to the income statement	57	(12)	–	145	(173)	**17**
Credit direct to equity	–	–	–	–	–	**–**
At 31 January 2018	(704)	(89)	–	235	262	**(296)**

Company	Net accelerated tax depreciation £'000	Share-based payment £'000	**Total £'000**
At 1 February 2016	(81)	156	**75**
Charge to the income statement	20	–	**20**
Credit direct to equity	–	(71)	**(71)**
At 31 January 2017	(61)	85	**24**
Charge to the income statement	(25)	179	**154**
Charge direct to equity	–	–	**–**
At 31 January 2018	(86)	264	**178**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Deferred tax liabilities	**(775)**	(725)	**–**	–
Deferred tax assets	**497**	533	**178**	24
	(278)	(192)	**178**	24

At the balance sheet date the Group had undistributed earnings in respect of overseas subsidiaries that would be subject to overseas withholding taxes on remission to the UK. No liability has been recognised in respect of these earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the balance sheet date the Group had no unused tax losses (2017:£167,000 losses).

26 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 social contribution levels. The amount of expense related to such pension contributions is disclosed in note 8.

In other subsidiaries, the employees are members of state-managed retirement funds operated by respective governments, with contributions payable being a specified percentage of payroll costs. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total cost charged of £445,000 (2017: £506,000) represents contributions payable to these various schemes by the Group. As at the balance sheet date £69,280 (2017: £67,000) was accrued in respect of such schemes.

27 SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised		
75,000,000 ordinary shares of 1 pence each	**750**	750
Issued and fully paid		
52,217,565 ordinary shares of 1 pence each	**522**	522

On 25 January 2017, the Company's shareholders approved a 5 to 1 split of the Company's shares, which reduced the nominal value of the ordinary shares to 1 pence each. The share split became effective on 31 January 2017.

The Company has one class of ordinary shares which carries no right to fixed income and entitles holders to one vote per share at general meetings of the Company.

28 SHARE PREMIUM

	Group and Company £'000
Balance at 1 February 2017	**4,755**
Issue of shares	**(59)**
Balance at 31 January 2018	**4,696**

29 MERGER RESERVE

	Group and Company £'000
Balance at 1 February 2017	**354**
Issue of shares	**59**
Balance at 31 January 2018	**413**

The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued as part of the acquisition consideration for Cabot Aviation Services Limited.

30 OWN SHARES RESERVE

	Group and Company £'000
Balance at 1 February 2017	**(672)**
Issue of shares	**(500)**
Disposed on exercise of options	**354**
Balance at 31 January 2018	**(818)**

The own shares reserve represents the cost of shares in Air Partner plc purchased in the market and held by the Air Partner Employee Benefit Trust, which was established to satisfy the future exercise of options under the Group's share options schemes (see note 24). The number of ordinary shares held by the Air Partner Employee Benefit Trust at 31 January 2018 was 402,690 ordinary shares of 1 pence each (2017: 341,820 ordinary shares of 1 pence each). A further 272,731 ordinary shares of 1 pence each (2017: 413,640 ordinary shares of 1 pence each) are held by the Trust in a nominee capacity for one beneficiary (2017: two) of the Trust.

31 ACQUISITION OF SUBSIDIARIES

On 1 September 2017, Air Partner plc acquired 100% of the issued share capital of SafeSkys Limited, obtaining control of the company on that date. SafeSkys Limited is a leading supplier of turnkey ATC services and wildlife management services. The acquisition of SafeSkys Limited adds significant specialist consulting expertise and knowledge to the Group.

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	SafeSkys Limited £'000
Fair values of assets acquired	
Financial assets	**632**
Property, plant and equipment	**90**
Intangible assets – customer relationships	**487**
Intangible assets – SafeSkys trade name	**14**
Deferred tax liability on intangible assets	**(113)**
Financial liabilities	**(115)**
Goodwill	**2,005**
Total consideration	**3,000**
Satisfied by	
Cash	**2,200**
Deferred consideration	**800**
Total consideration	**3,000**

Net cash outflow arising on acquisition	
Cash consideration	**2,200**
Less cash and cash equivalents acquired	**(226)**
Net cash outflow	**1,974**

Deferred consideration of up to £800,000 is payable depending on earnings performance in the 1st and 2nd years post acquisition. The directors consider it likely that the performance conditions will be met and have therefore recognised the maximum amounts payable.

No goodwill is deductible for tax purposes.

The goodwill of £2,005,000 arising from the acquisition is attributable to the value of the assembled workforce and the ability of the senior staff to generate future business.

Acquisition related costs (included in Other items) amounted to £61,000.

SafeSkys Limited contributed revenue of £743,000 and profits after tax of £70,000 being the results for the period between the date of acquisition and 31 January 2017.

If the acquisition of SafeSkys Limited had been completed on the first day of the financial year, Group revenues for the period would have been £49,653,320 and Group profit after tax would have been £3,735,000.

32 PRIOR YEAR ACQUISITIONS

Clockwork Research Limited

On 12 December 2016, Air Partner plc acquired 100% of the issued share capital of Clockwork Research Limited, obtaining control of the company on that date. Clockwork Research Limited is a leading fatigue risk management consultant. The acquisition of Clockwork Research Limited adds significant specialist consulting expertise and knowledge to the Group.

The goodwill of £333,000 arising from the acquisition is attributable to the value of the assembled workforce and the ability of the senior staff to generate future business.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed on the acquisition of Clockwork Research Limited are set out in the table below.

	Clockwork Research Limited £'000
Fair values of assets acquired	
Financial assets	**325**
Property, plant and equipment	**35**
Intangible assets – customer relationships	**174**
Deferred tax liability on intangible assets	**(35)**
Financial liabilities	**(163)**
	336
Goodwill	**333**
Total consideration	**669**
Satisfied by	
Cash	**469**
Deferred consideration	**200**
	669
Net cash outflow arising on acquisition	
Cash consideration	**469**
Less cash and cash equivalents acquired	**(107)**
Net cash outflow	**362**

33 NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2018 £'000	2017 as restated £'000	**2018 £'000**	2017 as restated £'000
Profit for the year				
Continuing operations	**3,580**	2,527	**3,389**	834
Adjustments for:				
Finance income	**(11)**	(39)	**(4)**	(34)
Finance expense	**138**	96	**139**	–
Income tax	**1,172**	1,421	**888**	711
Depreciation and amortisation	**1,129**	780	**459**	350
Fair value movement on derivative financial instruments	**3**	45	**5**	45
Share option cost for period	**341**	369	**341**	369
Decrease/(increase) in provisions	**120**	(421)	**120**	(166)
Foreign exchange differences	**(31)**	(938)	**57**	(892)
Operating cash flows before movements in working capital	**6,441**	3,840	**5,394**	1,217
Change in receivables	**(987)**	(481)	**(8,432)**	1,944
Change in payables	**6,333**	(467)	**2,962**	(653)
Cash generated from operations	**11,787**	2,892	**(76)**	2,508
Income taxes paid	**(1,406)**	(922)	**(453)**	(582)
Interest paid	**(138)**	(96)	**(139)**	–
Net cash inflow from operating activities	**10,243**	1,874	**(668)**	1,926

34 OPERATING LEASE ARRANGEMENTS

The Group as lessee	**2018 Land and buildings £'000**	2017 Land and buildings £'000	**2018 Other £'000**	2017 Other £'000	**2018 Total £'000**	2017 Total £'000
Minimum lease payments under operating leases recognised as costs for the period	**227**	454	**22**	68	**250**	522

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

The Group as lessee	**2018 Land and buildings £'000**	2017 Land and buildings £'000	**2018 Other £'000**	2017 Other £'000	**2018 Total £'000**	2017 Total £'000
Within one year	**227**	428	**21**	65	**248**	493
In the second to fifth year inclusive	**493**	1,565	**24**	135	**517**	1,700
After five years	**–**	–	**–**	–	**–**	–
	720	1,993	**45**	200	**765**	2,193

Operating lease payments represent rentals payable by the Group for certain office properties, motor vehicles and office equipment it uses. Leases are negotiated in isolation, dependent on the trading conditions in the country/region concerned.

35 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 408 of the Companies Act 2006. The Parent Company profit after tax for the financial year was £3,389,000 (2017: £834,000) including dividends from subsidiary companies of £nil (2017: £nil). The Parent Company has no other items of comprehensive income.

36 RELATED PARTY TRANSACTIONS

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

Trading transactions	2018 £'000	2017 £'000
Subsidiaries		
Sales to subsidiaries	**–**	–
Purchases from subsidiaries	**–**	(23)
Amounts owed by subsidiaries at period end	**10,409**	3,498
Amounts owed to subsidiaries at period end	**(3,993)**	(3,571)

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

Compensation of key management personnel (being the Executive directors)	2018 £'000	2017 £'000
Short term employee benefits	**831**	863
Post-employment benefits	**38**	52
	869	915

In addition to the above amounts, key management personnel who were also shareholders received £14,454 of dividends in respect of their shareholdings in the year ended 31 January 2018 (2017: £10,000).

Board of directors' remuneration in accordance with Schedule 5 of the Accounting Regulations was as follows:

Aggregate directors' remuneration	2018 £'000	2017 £'000
Emoluments	**1,004**	985
Company contributions to money purchase pension contributions	**38**	52
	1,042	1,037

One director (2017: two directors) is member of money purchase pension schemes.

Further information about the remuneration of individual directors is provided in the audited part of the Directors' remuneration report on pages 53 to 56.

37 CONTINGENT LIABILITIES

The Company's bankers hold a free and floating charge over the Company's assets.

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