

AIR CHARTER SERVICE GROUP PLC

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 JANUARY 2010

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2010

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AIR CHARTER SERVICE GROUP PLC

OFFICERS AND ADVISERS

THE BOARD OF DIRECTORS

CDS Leach
Mrs CJ Leach
J Bowman
R Courtney
AE Bauckham
S Pitt
DV Malempre
WRMC Foyle

COMPANY SECRETARY

Mrs CJ Leach

REGISTERED OFFICE

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

REGISTERED NUMBER

04028491

AUDITOR

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

AIR CHARTER SERVICE GROUP PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31 JANUARY 2010

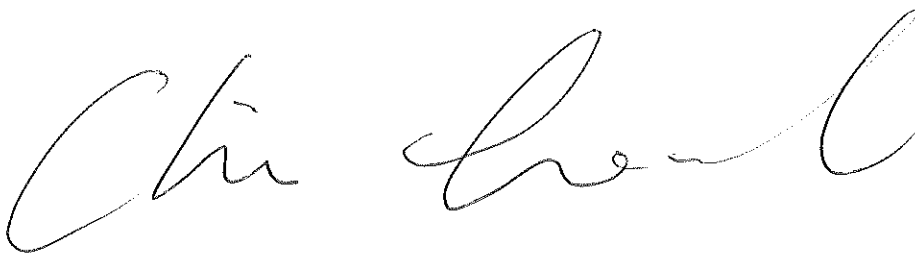
I am very pleased to report a strong set of results in a year characterised by difficult trading conditions within the aviation sector. Group sales increased by 27% to £167m and operating profit (excluding exceptional costs) increased to £2.7m (2009: £2.5m).

The continuing growth in sales and profit is once again testament to our diversification strategy in terms of geographic spread and business sector development. This strategy has provided considerable protection against challenging economic conditions. In terms of business segments, our Cargo and Commercial Jet businesses showed very strong growth. Executive Jets delivered more modest but encouraging growth in sales, being the sector most affected by the downturn.

In February 2010 we moved our head office premises to larger office space resulting in £0.5m exceptional costs. This was a necessary step in our growth plan and will allow us to develop our head office infrastructure, which supports the business worldwide.

The group continues to work with a number of government departments, charities and relief organisations worldwide. Humanitarian aid is an important part of our business and we were heavily involved in the organisation of charter flights for the Haiti relief effort, which explains the short term impact on our year end cash position.

During this difficult year we continued to invest, albeit cautiously, in infrastructure, marketing and people. We opened two new sales offices in Johannesburg and Paris and we look forward to continuing our expansion in the future. As we move forward into 2010, our group remains well diversified, free of any long term debt and in a strong cash position. Management figures at the time of writing are once again up on prior year and our business is very well placed to continue delivering strong growth in the future.



Chris Leach
Chairman

Date: 25 May 2010

AIR CHARTER SERVICE GROUP PLC

DIRECTORS' REPORT

The directors present their report and the financial statements of the Group for the year ended 31 January 2010.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

Review of the business and future developments

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

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

Financial performance

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

Gross profit increased 15% from £12.0 million to £13.8 million, reflecting strong growth in all three of our business segments. EBITDA (excluding exceptional costs) increased from £3.0 million to £3.2 million.

Administrative expenses of £11.6 million (2009: £9.5 million) included £0.5m exceptional costs relating to the move of head office premises. The increase in underlying costs was mainly due to increased staff as the Group continues to expand in the UK and overseas, with the opening of two new offices in Johannesburg and Paris.

Risks and uncertainty

Given the ad-hoc nature of the air charter market, forward visibility is limited as our clients book charter flights on relatively short notice. Working capital requirements can fluctuate significantly due to variations in client and supplier payment terms from one period to the next.

RESULTS AND DIVIDENDS

Profit after taxation amounted to £1.5 million. The profit for the year after taxation, excluding exceptional costs, amounted to £2.0 million (2009: £1.7 million) and dividends paid during the year were £1.1 million (2009: £1.0 million).

FINANCIAL INSTRUMENTS

Details of the Group's financial risk management objectives and policies are included in note 14 to the accounts.

DIRECTORS

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

CDS Leach
Mrs CJ Leach
J Bowman
R Courtney
AE Bauckham
S Pitt
DV Malempre
WRMC Foyle

POLICY ON THE PAYMENT OF CREDITORS

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

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors

AIR CHARTER SERVICE GROUP PLC

DIRECTORS' REPORT

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the directors are aware:

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

AUDITOR

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

Approved by the Board of Directors on 25 May 2010.



Stewart Pitt
Director

AIR CHARTER SERVICE PLC

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

YEAR ENDED 31 JANUARY 2010

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Air Charter Service Group PLC for the year ended 31 January 2010 on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

AIR CHARTER SERVICE PLC

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

YEAR ENDED 31 JANUARY 2010

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



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

1 June 2010

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 JANUARY 2010

GROUP	Note	2010 £'000	2009 £'000
Revenue	2	166,866	130,897
Cost of sales		(153,041)	(118,941)
Gross profit		13,825	11,956
Administrative expenses		(11,593)	(9,485)
Operating profit	3	2,232	2,471
<i>Analysed as:</i>			
Operating profit before exceptional items		2,740	2,471
Exceptional items	4	(508)	-
Operating profit	3	2,232	2,471
Finance income		4	50
Finance costs		(15)	-
Profit before tax		2,221	2,521
Tax	7	(719)	(791)
Profit for the period		<u>1,502</u>	<u>1,730</u>
Other comprehensive income			
Exchange differences on translating foreign operations		(38)	107
Other comprehensive income for the period		<u>(38)</u>	<u>107</u>
Total comprehensive income for the period		<u>1,464</u>	<u>1,837</u>
Profit for the period attributable to:			
Equity holders of the parent		1,479	1,714
Minority Interests		23	16
		<u>1,502</u>	<u>1,730</u>
Total comprehensive income for the period attributable to:			
Equity holders of the parent		1,441	1,821
Minority Interests		23	16
		<u>1,464</u>	<u>1,837</u>

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

AIR CHARTER SERVICE GROUP PLC

CONSOLIDATED BALANCE SHEET

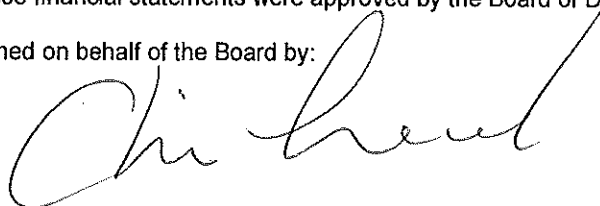
YEAR ENDED 31 JANUARY 2010

GROUP

	Note	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,060	892
Deferred tax	8	177	116
		<u>1,237</u>	<u>1,008</u>
Current assets			
Trade and other receivables	12	10,769	5,833
Cash and cash equivalents		2,084	2,644
		<u>12,853</u>	<u>8,477</u>
Total assets		<u>14,090</u>	<u>9,485</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	(10,039)	(6,300)
Financial liabilities		(661)	-
Current tax liabilities		(308)	(535)
		<u>(11,008)</u>	<u>(6,835)</u>
Total liabilities		<u>(11,008)</u>	<u>(6,835)</u>
Net assets		<u>3,082</u>	<u>2,650</u>
EQUITY			
Called up share capital	16	229	229
Share premium account		32	32
Translation reserve		71	110
Share based payment reserve		139	65
Retained earnings		2,579	2,200
		<u>3,050</u>	<u>2,636</u>
Attributable to equity holders of the parent		3,050	2,636
Minority interest		32	14
Total equity		<u>3,082</u>	<u>2,650</u>

These financial statements were approved by the Board of Directors and authorised for issue on 25 May 2010.

Signed on behalf of the Board by:



C D S Leach



Stewart Pitt

AIR CHARTER SERVICE GROUP PLC

COMPANY BALANCE SHEET

YEAR ENDED 31 JANUARY 2010

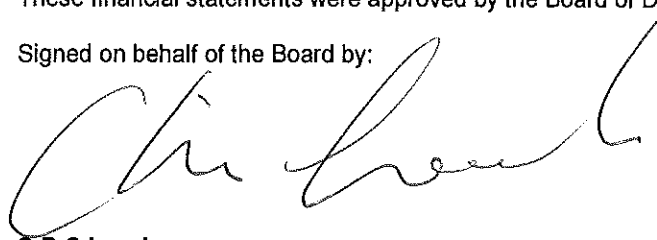
COMPANY

	Note	2010 £'000	2009 £'000
Non-current assets			
Investments in subsidiaries	11	<u>339</u>	<u>264</u>
Current assets			
Trade and other receivables	12	102	102
Cash and cash equivalents		2	2
		<u>104</u>	<u>104</u>
Net assets		<u>443</u>	<u>368</u>
EQUITY			
Called up share capital	16	229	229
Share premium account		32	32
Share based payment reserve		140	65
Retained earnings		<u>42</u>	<u>42</u>
Total equity		<u>443</u>	<u>368</u>

In accordance with the exemptions permitted by Section 408 of the Companies Act 2006 the income statement of the company has not been presented. In the accounts of the company the profit for the financial year amounted to £1.1m (2009: £1.0m) and net loss recognised directly in equity amounted to £170 (2009: profit of £815).

These financial statements were approved by the Board of Directors and authorised for issue on 25 May 2010.

Signed on behalf of the Board by:



C D S Leach



Stewart Pitt

AIR CHARTER SERVICE GROUP PLC

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2010

GROUP

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

Prior Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 February 2008	229	32	14	1	1,486	1,762	-	1,762
Exchange difference on translation of foreign operations	-	-	-	109	-	109	(2)	107
Fair value cost of options	-	-	51	-	-	51	-	51
Dividends paid	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Comprehensive income in the year	-	-	-	-	1,714	1,714	16	1,730
At 31 January 2009	229	32	65	110	2,200	2,636	14	2,650

COMPANY

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
At 1 February 2009	229	32	65	42	368
Fair value cost of options	-	-	74	-	74
Dividends paid	-	-	-	(1,100)	(1,100)
Dividends received	-	-	-	1,100	1,100
Comprehensive income in the year	-	-	-	-	-
At 31 January 2010	229	32	139	42	442

Prior Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
At 1 February 2008	229	32	14	41	316
Fair value cost of options	-	-	51	-	51
Dividends paid	-	-	-	(1,000)	(1,000)
Dividends received	-	-	-	1,000	1,000
Comprehensive income in the year	-	-	-	1	1
At 31 January 2009	229	32	65	42	368

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 JANUARY 2010

GROUP	2010 £'000	2009 £'000
Reconciliation of operating profit to operating cash flows		
Operating profit	2,232	2,471
Depreciation	475	483
Loss / (Profit) on disposal of property, plant & equipment	198	(34)
Translation differences on flows	(32)	134
Share based payment expense	75	51
Operating cash flows before movements in working capital	2,948	3,105
Increase in receivables	(4,936)	(1,165)
Increase / (decrease) in payables	3,740	(8)
Cash generated from operations	1,752	1,932
Tax paid	(1,007)	(728)
Net cash from operating activities	745	1,204
Investing activities		
Interest received	4	50
Proceeds on disposal of plant, property and equipment	26	57
Purchases of plant, property and equipment	(875)	(542)
Net cash used in investing activities	(845)	(435)
Financing activities		
Net proceeds from short term loan	661	-
Interest paid	(15)	-
Dividends paid	(1,100)	(1,000)
Dividends paid – minority interest	(6)	-
Net cash used in financing activities	(460)	(1,000)
Net decrease in cash and cash equivalents	(560)	(231)
Cash and cash equivalents at the beginning of the period	2,644	2,875
Cash and cash equivalents at the end of the period	2,084	2,644

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

AIR CHARTER SERVICE GROUP PLC

CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2010

COMPANY	2010 £'000	2009 £'000
Operating profit	-	-
Increase in receivables	-	(40)
Tax paid	-	-
Net cash used in operating activities	-	(40)
Investing activities		
Interest received	-	1
Dividends received	1,100	1,000
Net cash from investing activities	1,000	1,001
Financing activities		
Dividends paid	(1,100)	(1,000)
Net cash used in financing activities	(1,100)	(1,000)
Net decrease in cash and cash equivalents	-	(39)
Cash and cash equivalents at the beginning of the period	2	41
Cash and cash equivalents at the end of the period	2	2

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

1. ACCOUNTING POLICIES

Basis of accounting

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

The financial statements have been prepared on the historical cost basis.

Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings up to 31 January 2010. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

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

Key accounting judgements and sources of estimation uncertainty

The Group makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities. As at 31 January 2010 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements, or a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Segment reporting

The Group's continuing operations are divided into three business segments, Cargo, Executive Jets and Commercial Jets. The Group's primary reporting format is geographical segments and its secondary format is business segments. A geographical segment is a component of the Group that operates within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments. A business segment is a component of the Group that is engaged in providing a Group of related products and is subject to risks and returns that are different from those of other business segments.

Revenue recognition

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

Property, plant and equipment

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

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

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

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

1. *Accounting policies (continued)*

Operating lease agreements

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

Pension costs

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

Taxation

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

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

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

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

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

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

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

Impairment of tangible assets

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

1. *Accounting policies (continued)*

determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

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

Trade payables

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

Equity instruments

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

1. Accounting policies (continued)

Functional and presentation currency

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

Share-based payments

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

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

Exceptional items

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

New standards and interpretations not yet adopted

The following new standards have been adopted during the period.

IAS 1 'Presentation of Financial Statements' has been adopted during the period. Under IAS 1 certain presentational changes have been made to the accounts, including changes to the layout of the Income Statement.

IFRS 8 'Operating Segments' has been adopted during the period. Under IFRS 8, operating and reportable segments are determined and reviewed by the Chairman. On the adoption of IFRS 8, changes were required to the reporting segments of those previously presented in accordance with IAS 14 'Segment Reporting'. This was a result of the requirement to present information in line with management information used to assess performance and allocate resources.

A number of new standards, amendments to standards and interpretations are not effective for 2009 and therefore have not been applied in preparing these accounts:

IFRS 1 First-time adoption of International Financial Reporting Standards (revised) (effective 1 July 2009)
IFRS 3 Business Combinations (revised) (effective 1 July 2009)
IAS 27 Consolidated and Separate Financial Statements (revised) (effective 1 July 2009)
Amendment to IAS 39 Eligible Hedged Items (effective 1 July 2009)
IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
IFRIC 18 Transfers of Assets from Customers (effective 1 July 2009)
Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (effective 1 January 2010)
Amendments to IAS 32 Classification of Rights Issues (effective 1 February 2010)
IAS 24 Related Party Transactions (revised) (effective 1 January 2011)
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011)

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

2. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical and business markets. The primary format, geographical segments, is based on the Group's management and internal reporting structure in areas as detailed below. The following tables provide analysis between geographical markets:

	Europe	Middle East	USA	Rest of World	Total
2010	£'000	£'000	£'000	£'000	£'000
Revenue – internal	302	323	161	479	1,265
Revenue – external	106,744	22,113	16,307	21,702	166,866
Operating profit / (loss) before exceptional items	2,054	431	78	177	2,740
Operating profit / (loss) after exceptional items	1,546	431	78	177	2,232
Finance income					4
Finance costs					(15)
Profit before tax					2,221
Taxation					(719)
Profit for the period					1,502
Segment assets	9,732	1,777	1,199	1,382	14,090
Segment liabilities	7,594	1,332	969	1,113	11,008
Depreciation	397	13	38	27	475
Capital expenditure	798	9	53	15	875

	Europe	Middle East	USA	Rest of World	Total
2009	£'000	£'000	£'000	£'000	£'000
Revenue – internal	171	120	166	648	1,105
Revenue – external	91,558	15,529	13,523	10,287	130,897
Operating profit / (loss)	1,839	459	292	(119)	2,471
Finance income					50
Finance costs					-
Profit before tax					2,521
Taxation					(791)
Profit for the period					1,730
Segment assets	7,608	1,007	438	432	9,485
Segment liabilities	5,636	720	218	261	6,835
Depreciation	409	16	36	22	483
Capital expenditure	429	6	22	85	542

Intra-segment revenue reflects the level of revenue between segments and is priced at arm's length. The segment revenue is the sum of external and intra-group revenue.

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

2. Segmental information (continued)

Business Segment	2010 £'000	2009 £'000
Revenue		
Cargo	113,734	91,125
Executive Jets	32,592	28,176
Commercial Jets	20,540	11,596
	<u>166,866</u>	<u>130,897</u>
Cost of sales		
Cargo	(105,378)	(84,136)
Executive Jets	(28,512)	(24,605)
Commercial Jets	(19,012)	(10,512)
Foreign exchange (losses) / gains	(139)	312
	<u>(153,041)</u>	<u>(118,941)</u>
Gross profit		
Cargo	8,356	6,989
Executive Jets	4,080	3,571
Commercial Jets	1,528	1,084
Foreign exchange (losses) / gains	(139)	312
	<u>13,825</u>	<u>11,956</u>
Administrative expenses	(11,085)	(9,485)
Exceptional items	(508)	-
Operating profit	<u>2,232</u>	<u>2,471</u>
Finance costs	(15)	-
Finance income	4	50
Profit before tax	<u>2,221</u>	<u>2,521</u>
Taxation	(719)	(791)
Profit for the period	<u>1,502</u>	<u>1,730</u>

The directors have not disclosed segment assets by business segment on the basis that all business segments are served from several different geographical locations and the same segment assets are utilised in serving all business segments. There are no customers upon which the group has any significant reliance.

3. OPERATING PROFIT

Operating profit is stated after charging:

	2010 £'000	2009 £'000
Staff costs (note 5)	6,772	5,628
(Profit) / Loss on disposal of property, plant & equipment	198	(35)
Depreciation of owned fixed assets	475	483
Auditors remuneration: Group		
- as auditor	66	56
- for other services	29	16
Operating lease costs:		
- plant and equipment	-	1,056
- other	438	293
Foreign exchange (gains)	139	(312)

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

3. Operating profit (continued)

Auditor's fees

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

	2010 £'000	2009 £'000
Audit	23	22
Accounting	-	-
Taxation compliance	16	9
Business consultancy	-	-
	<u>39</u>	<u>31</u>

The fees charged by the auditor's of the overseas entities can be further analysed under the following headings for services rendered:

	2010 £'000	2009 £'000
Audit of the financial statements	43	34
Taxation compliance	13	7
	<u>56</u>	<u>41</u>

4. EXCEPTIONAL ITEMS

Exceptional costs of £508,000 relate to the company moving its premises. All head office functions were moved from Charter House (Hampton Wick) to Millbank House (Surbiton) in February 2010. The move was driven by ongoing expansion of the business and resulted in an asset write down of £198,000, moving expenses of £200,000 (including dilapidations work) and a provision for further costs of £110,000 in relation to Charter House.

5. PARTICULARS OF EMPLOYEES

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

	2010 No	2009 No
Number of staff	<u>109</u>	<u>98</u>

The aggregate payroll costs of the above were:

	2010 £'000	2009 £'000
Wages and salaries	6,065	5,062
Share based payments	75	51
Social security costs	507	459
Other pension costs	125	56
	<u>6,772</u>	<u>5,628</u>

AIR CHARTER SERVICE GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2010

6. DIRECTORS' EMOLUMENTS

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

	2010	2009
	£'000	£'000
Emoluments receivable	999	888
Value of company pension contributions to money purchase schemes	52	24
Share based payments	15	8
	<u>1,066</u>	<u>920</u>
Emoluments of highest paid director:		
Total emoluments	257	228
Value of company pension contributions to money purchase schemes	20	6
	<u>277</u>	<u>234</u>
	No	No
Number of directors who accrued benefits under a money purchase pension scheme:	<u>6</u>	<u>6</u>

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

Share options

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

	<i>Issue date</i>	<i>Exercise price</i>	<i>Held at 31 January 2009</i>	<i>Granted during year</i>	<i>Exercised during year</i>	<i>Expired, lapsed or cancelled</i>	<i>Held at 31 January 2010</i>
		<i>(pence)</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
AE Bauckham	23 July 2007	43.2	229,410	-	-	-	229,410
S Pitt	23 July 2007	43.2	114,710	-	-	-	114,710

7. TAXATION ON ORDINARY ACTIVITIES

The tax charge comprises:

	2010	2009
	£'000	£'000
(a) Current tax:		
In respect of the year:		
UK Corporation tax	729	746
Adjustment in respect of prior years	-	11
Foreign tax	51	150
Total current tax	<u>780</u>	<u>907</u>
Deferred tax (Note 8)	(61)	(116)
Tax on profit on ordinary activities	<u>719</u>	<u>791</u>

AIR CHARTER SERVICE GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2010

7. Taxation on ordinary activities (continued)

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

	2010 £'000	2009 £'000
Profit before taxation	<u>2,221</u>	<u>2,521</u>
Taxation at UK corporation tax rate of 28%	622	719
Effects of:		
Expenses not deductible for tax	85	25
Depreciation in excess of capital allowances	56	47
UK and overseas taxes at differing rates	9	32
Adjustment in respect of prior years	-	11
Deferred tax	(53)	(43)
Total tax (note 7(a))	<u><u>719</u></u>	<u><u>791</u></u>

8. DEFERRED TAX ASSETS

	Share based payment	Other timing differences	Overseas tax losses	Accrued pensions	Total
	£'000	£'000	£'000	£'000	£'000
At 1 February 2009	18	25	73	-	116
Credit to the income statement	<u>19</u>	<u>21</u>	<u>8</u>	<u>13</u>	<u>61</u>
At 31 January 2010	<u><u>37</u></u>	<u><u>46</u></u>	<u><u>81</u></u>	<u><u>13</u></u>	<u><u>177</u></u>

9. DIVIDENDS

	2010 £'000	2009 £'000
Paid during the year:		
Equity dividends on ordinary shares	<u>1,100</u>	<u>1,000</u>

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

10. PROPERTY, PLANT AND EQUIPMENT

Current year:

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

Prior year:

Group	Leasehold improvement £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1 February 2008	328	296	259	582	1,465
Additions	35	20	132	355	542
Disposals	-	(4)	(134)	(39)	(177)
At 31 January 2009	363	312	257	898	1,830
Depreciation					
At 1 February 2008	92	135	168	214	609
Charge for the year	40	66	65	312	483
Disposals	-	(2)	(121)	(31)	(154)
At 31 January 2009	132	199	112	495	938
Net Book Value					
At 1 February 2008	236	161	91	368	856
At 31 January 2009	231	113	145	403	892

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

AIR CHARTER SERVICE GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2010

11. INVESTMENTS IN SUBSIDIARIES

Company

Current year:	Subsidiary undertakings £'000
Cost and Net book value	
At 1 February 2009	264
Capital contribution	75
At 31 January 2010	<u>339</u>
Prior year:	Subsidiary undertakings £'000
Cost and Net book value	
At 1 February 2009	200
Capital contribution	64
At 31 January 2010	<u>264</u>

Subsidiaries

	Country of registration	Holding	%	Principal activity
Air Charter Service plc	England	Ordinary shares	100%	Leasing and chartering aircraft
ACS Air Charter Service (Canada) Corp.	Canada	Ordinary shares	100%	Leasing and chartering aircraft
<i>Held by Air Charter Service plc:</i>				
Air Charter Service Company Limited	Russia	Ordinary shares	75%	Leasing and chartering aircraft
Air Charter Service Inc	USA	Ordinary shares	100%	Leasing and chartering aircraft
Air Charter Service FZCO	Dubai	Ordinary shares	100%	Leasing and chartering aircraft
Air Charter Service (HK) Ltd	Hong Kong	Ordinary shares	100%	Leasing and chartering aircraft
ACS España Servicios de Charter Aéreo	Spain	Ordinary shares	100%	Leasing and chartering aircraft
Aircraft Chartering Services SAS	France	Ordinary shares	100%	Leasing and chartering aircraft
ACS Air Charter (Pty) Limited	South Africa	Ordinary shares	100%	Leasing and chartering aircraft
Air Courier Service Limited	England	Ordinary shares	100%	On board courier service

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade receivables	8,973	3,646	-	-
Amounts owed by Group undertakings	-	-	102	102
Other debtors	105	78	-	-
Prepayments and accrued income	1,691	2,109	-	-
	<u>10,769</u>	<u>5,833</u>	<u>102</u>	<u>102</u>

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	2,873	2,103	-	-
Other taxation and social security	182	150	-	-
Accruals and deferred income	6,965	4,047	-	-
Other creditors	19	-	-	-
	<u>10,039</u>	<u>6,300</u>	<u>-</u>	<u>-</u>

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

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

Credit risk predominantly arises from trade receivables, cash and deposits with banks. Amounts shown in the trade receivables balance are net of allowances for doubtful debts (2010: £73,000, 2009: £34,000). The level of credit provided to customers is reviewed on a regular basis at Board level. Internal procedures for providing credit terms take account of external credit agency information, the customer's reputation in the industry and past trading experience. Given that the majority of sales are settled in advance of operation, the Group has no significant concentrations of credit risk and the group's exposure to bad debt has not been significant historically.

The trade receivables balance set out in note 12 above includes £4.2 million relating to sales invoiced in advance of carriage, with a corresponding balance included within deferred income. The remaining balance of £4.8 million represents trade receivables in relation to charters operated in the period, no significant amounts being past due at the balance sheet date.

Credit risk on liquid funds is limited because such funds are deposited with banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The finance function produces regular forecasts of expected cash inflows and outflows, which are reviewed at Board level. The Group aims to manage liquidity by ensuring that cash is collected efficiently, also by placing excess cash on low risk, short term interest bearing deposits. The Group has an overdraft facility available, although this was not in use at the balance sheet date.

Foreign currency risk

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

14. Financial risk management objectives and policies (continued)

Currency	2010 Local (£'000)	2010 Closing rate	2010 GBP (£'000)	2009 Local (£'000)	2009 Closing rate	2009 GBP (£'000)
US Dollars	2,265	1.60	1,416	2,283	1.44	1,585
Euros	335	1.15	291	656	1.12	586
GB Pounds Sterling	60	1.00	60	359	1.00	359
Other various			317			114
			<u>2,084</u>			<u>2,644</u>

Foreign currency risk sensitivity analysis

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

	2010 Closing rate	2010 Adjusted rate	2010 Effect (£'000)	2009 Closing rate	2009 Adjusted rate	2009 Effect (£'000)
<i>Sterling strengthens by 10%</i>						
US Dollar	1.60	1.76	(129)	1.44	1.58	(144)
Euro	1.15	1.27	(26)	1.12	1.24	(53)
<i>Sterling weakens by 10%</i>						
US Dollar	1.60	1.44	157	1.44	1.30	176
Euro	1.15	1.04	32	1.12	1.01	65

15. OPERATING LEASE ARRANGEMENTS

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

	2010 £'000	2009 £'000
Land & buildings		
Within 1 year	340	266
Within 2 to 5 years	934	704
Over 5 years	4	141
	<u>1,278</u>	<u>1,111</u>

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

16. CALLED UP SHARE CAPITAL

Authorised share capital:

	2010 £'000	2009 £'000
100,000,000 Ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

Allotted, called up and fully paid:

	No	2010 £'000	No	2009 £'000
Ordinary shares of £0.01 each	22,941,150	<u>229</u>	22,941,150	<u>229</u>

17. SHARE-BASED PAYMENTS

Equity based share options

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

Grant date	Exercise price (pence)	Held at 31 January 2009 No.	Granted during year No.	Exercised during year No	Expired, lapsed or cancelled No	Held at 31 January 2010 No	Remaining Life Years
23 July 2007	43.2	832,990	-	-	40,760	792,230	0.5
18 February 2008	34.0	1,043,825	-	-	-	1,043,825	1.0

The closing weighted average exercise price of the options was 38.0p (31 January 2009: 38.1p).

The cost of services received in respect of the share options in the scheme above is measured as the fair value of the options granted and the cost is spread over the expected life of the options. The total charge for the year relating to the employee share based plan was £75,000 (2009: £51,000). The fair values were calculated using the Black-Scholes valuation method and the inputs to the model were as follows:

Options granted on 23 July 2007

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

Options granted on 18 February 2008

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

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

18. RELATED PARTY TRANSACTIONS

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

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	<u>102</u>	<u>102</u>

During the year D Malempre, a director of the company, charged Air Charter Service plc £56,726 (2009: £57,349) in respect of the provision of legal services. The remuneration of the directors who are the key management personnel of the Group is set out in note 6. The Company received dividends of £1.1 million during the year from its subsidiary company, Air Charter Service plc (2009: £1.0 million).

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2010

19. CONTINGENT LIABILITIES

The Group operates in various overseas jurisdictions including Russia, the United Arab Emirates, the United States of America, Asia and Africa. In emerging economies, the Group faces possible exposures to business and fiscal environment risk over and above those the Group encounters in more developed countries, as emerging economies have been developing and evolving their legal and fiscal framework.

The directors have structured the Group's activities to manage its exposure to such evolving legal and fiscal frameworks. However it is possible that the Group could be subject to challenge by relevant authorities and if such a challenge were successful, the Group may become subject to taxation and/or other fiscal liabilities which could have a material effect on financial results and financial position.

The likelihood or outcome of any such challenge cannot be established with any degree of certainty. The directors have and continue to seek legal assistance to ensure the Group continues to monitor, and where possible mitigate any potential liabilities. Whilst the directors consider that challenges by relevant authorities are possible, they believe they have taken appropriate steps available to minimise the effect of any such challenge.

During the year, ACS Hong Kong received a claim from a customer for an amount of £0.4m for alleged breach of contract in relation to a charter flight. The Claim is resisted and no court proceedings have been issued in relation to the claim. The directors are of the opinion that no liability will arise and if the claim did continue, counter proceedings would be issued to mitigate such liability.

20. CONTROLLING PARTY

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

21. POST BALANCE SHEET EVENTS

Effective 1 February 2010, the holding company Air Charter Service Group PLC acquired the share capital of Air Charter Service Inc, Air Charter Service FZCO, Air Charter Service (HK) Ltd, ACS España Servicios de Charter Aéreo, Aircraft Chartering Services SAS and ACS Air Charter (Pty) Limited, from Air Charter Service plc at book value. Effective 20 April 2010, the holding company Air Charter Service Group PLC acquired the share capital of Air Charter Service Company Limited at book value.