

AIR CHARTER SERVICE GROUP PLC

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 JANUARY 2014

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2014

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AIR CHARTER SERVICE GROUP PLC

OFFICERS AND ADVISERS

THE BOARD OF DIRECTORS

Christopher Leach
Christine Leach
Justin Bowman
Ruan Courtney
Anthony Bauckham
Stewart Pitt
Justin Lancaster
Tamsin Simmons
Charles Prescott (Non-Executive)

REGISTERED OFFICE

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

REGISTERED NUMBER

04028491

AUDITOR

Menzies LLP
Chartered Accountants & Registered Auditors
Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

AIR CHARTER SERVICE GROUP PLC

CHAIRMAN'S STATEMENT

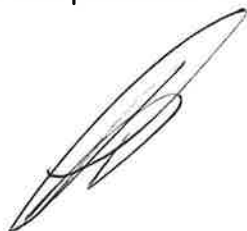
YEAR ENDED 31 JANUARY 2014

This was another challenging year for the industry as a whole, particularly in the global demand for international freight charters.

Group turnover at £250m was broadly in line with last year, despite the cessation of a major contract at the end of the previous year which accounted for £11m in turnover. The revenue from this contract was replaced through growth on the underlying business as the number of charter flights brokered by Air Charter Service increased 14% on prior year. Our Executive Jet sector performed particularly well, continuing to show double digit growth despite the global economic environment. Revenues from our offices in Europe and the US showed strong growth and the group remains well diversified, with two thirds of our sales now generated by the overseas office network.

Despite the tough trading conditions, we continued to focus on long term growth over short term profits. We maintained our investment in key areas such as marketing and training, whilst delivering efficiencies across a number of overheads which ensured that the group traded profitably.

The group remains in a good cash position and free of any long term debt. We believe that keeping the infrastructure of Air Charter Service strong through this difficult period ensures that we are well positioned for future growth as the global economic environment improves.



Christopher Leach
Chairman

Date: 6 May 2014

AIR CHARTER SERVICE GROUP PLC

DIRECTORS' REPORT

YEAR ENDED 31 JANUARY 2014

The directors present their report and the financial statements of the Group for the year ended 31 January 2014.

RESULTS AND DIVIDENDS

Profit after taxation for the period was £0.5 million (2013: £1.6 million) and profit after tax excluding exceptional items was £0.7 million (2013: £1.6 million). Dividends paid during the year were £1.9 million (2013: £0.8 million).

DIRECTORS

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

CDS Leach
Mrs CJ Leach
J Bowman
R Courtney
AE Bauckham
S Pitt
J Lancaster
T Simmons (appointed 1 September 2013)
DV Malempre (resigned 1 November 2013)
C Prescott

GOING CONCERN

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

DIRECTORS' RESPONSIBILITIES

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

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

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

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

AIR CHARTER SERVICE GROUP PLC

DIRECTORS' REPORT

YEAR ENDED 31 JANUARY 2014

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

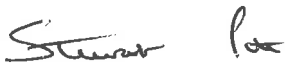
In so far as the directors are aware:

- 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 6 May 2014.



Stewart Pitt
Director

AIR CHARTER SERVICE GROUP PLC

STRATEGIC REPORT

YEAR ENDED 31 JANUARY 2014

BUSINESS REVIEW

The principal activities of the company during the year were that of a holding company, holding investments in UK and overseas subsidiaries and providing funding for the same. The principal activities of the trading companies of the Group are those of an aircraft charter broker.

The results for the year are set out in the consolidated income statement on page 8 of these financial statements and a review can be found in the Chairman's statement.

The Group's financial and non-financial KPIs were as follows:

	2014	2013
Gross profit	£26.5m	£26.8m
EBITDA (excluding exceptional items)	£2.2m	£3.5m
Charter flights	7,417	6,520

RISKS AND UNCERTAINTIES

The process of risk management is addressed through a framework of group policies and procedures which are subject to board approval and ongoing review by management. Risks are monitored and mitigated through regular review of financial performance at Board level and the use of professional advisors where appropriate. Further details of the Group's financial risk management objectives and policies are included in note 14 to the accounts.

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

Approved by the Board of Directors on 6 May 2014.



Stewart Pitt
Director

AIR CHARTER SERVICE GROUP PLC

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

YEAR ENDED 31 JANUARY 2014

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Air Charter Service Group PLC for the year ended 31 January 2014 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

AIR CHARTER SERVICE GROUP PLC

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

YEAR ENDED 31 JANUARY 2014

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

Menzies LLP

Andrew Cook FCA (Senior Statutory Auditor)
For and on behalf of MENZIES LLP
Chartered Accountants & Statutory Auditors
Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

18 June 2014

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 JANUARY 2014

GROUP	Note	2014 £'000	2013 £'000
Revenue		250,031	252,626
Cost of sales		(223,501)	(225,861)
Gross profit		26,530	26,765
Administrative expenses		(25,501)	(24,286)
Operating profit	2	1,029	2,479
Analysed as:			
Operating profit before exceptional items		1,191	2,479
Exceptional items	21	(162)	-
Operating profit		1,029	2,479
Finance income		12	17
Finance costs		(39)	(40)
Profit before tax		1,002	2,456
Tax	5	(485)	(852)
Profit for the period		517	1,604
Other comprehensive income			
Exchange differences on translating foreign operations		(275)	(133)
Total comprehensive income for the period		242	1,471
Profit for the period attributable to:			
Equity holders of the parent		510	1,531
Minority Interests		7	73
		517	1,604
Total comprehensive income for the period attributable to:			
Equity holders of the parent		235	1,398
Minority Interests		7	73
		242	1,471

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 2014

GROUP

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,776	2,292
Deferred tax asset	6	359	410
		<u>2,135</u>	<u>2,702</u>
Current assets			
Trade and other receivables	11	19,398	13,930
Current tax asset		248	94
Cash and cash equivalents		5,924	8,043
		<u>25,570</u>	<u>22,067</u>
Total assets		<u>27,705</u>	<u>24,769</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability	7	(18)	(36)
Provisions	13	(182)	(182)
		<u>(200)</u>	<u>(218)</u>
Current liabilities			
Trade and other payables	12	(21,774)	(16,704)
Current tax liabilities		(57)	(380)
Financial liabilities		(49)	(59)
		<u>(21,880)</u>	<u>(17,143)</u>
Total liabilities		<u>(22,080)</u>	<u>(17,361)</u>
NET ASSETS		<u>5,625</u>	<u>7,408</u>
EQUITY			
Called up share capital	16	235	235
Share premium account		257	248
Share option reserve		234	220
Translation reserve		(374)	(99)
Own shares	17	(258)	(164)
Retained earnings		5,459	6,796
		<u>5,553</u>	<u>7,236</u>
Attributable to equity holders of the parent			
Minority interest		72	172
TOTAL EQUITY		<u>5,625</u>	<u>7,408</u>

These financial statements were approved by the Board of Directors and authorised for issue on 6 May 2014.

Signed on behalf of the Board by:


Christopher Leach
Company registration number: 04028491


Stewart Pitt

AIR CHARTER SERVICE GROUP PLC

COMPANY BALANCE SHEET

YEAR ENDED 31 JANUARY 2014

COMPANY

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	1,879	1,529
Current assets			
Trade and other receivables	11	-	17
Cash and cash equivalents		5	5
Total assets		1,884	1,551
LIABILITIES			
Current liabilities			
Trade and other payables	12	(690)	-
Total liabilities		(690)	-
NET ASSETS		1,194	1,551
EQUITY			
Called up share capital	16	235	235
Share premium account		257	248
Share option reserve		234	220
Own shares	17	(258)	(164)
Retained earnings		726	1,012
TOTAL EQUITY		1,194	1,551

In accordance with the exemptions permitted by Section 408 of the Companies Act 2006 the income statement of the company has not been presented. In the accounts of the company the profit for the financial year amounted to £1.6m (2013: £1.1m profit) and the net loss recognised directly in equity (net of dividends) amounted to £0.3m (2013: profit of £0.3m).

These financial statements were approved by the Board of Directors and authorised for issue on 6 May 2014.

Signed on behalf of the Board by:


Christopher Leach


Stewart Pitt

Company registration number: 04028491

AIR CHARTER SERVICE GROUP PLC

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2014

GROUP

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Translation Reserve £'000	Own Shares £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 February 2013	235	248	220	(99)	(164)	6,796	7,236	172	7,408
New shares issued	-	9	-	-	-	-	9	-	9
Exchange difference on translation of foreign operations	-	-	-	(275)	-	-	(275)	(19)	(294)
Fair value cost of options	-	-	17	-	-	-	17	-	17
Fair value of options exercised	-	-	(3)	-	-	3	-	-	-
Dividends paid	-	-	-	-	-	(1,850)	(1,850)	(88)	(1,938)
Comprehensive income	-	-	-	-	-	510	510	7	517
Movement in own shares	-	-	-	-	(94)	-	(94)	-	(94)
At 31 January 2014	235	257	234	(374)	(258)	5,459	5,553	72	5,625
Prior Year									
At 1 February 2012	234	233	196	34	(50)	6,010	6,657	162	6,819
New shares issued	1	15	-	-	-	-	16	-	16
Exchange difference on translation of foreign operations	-	-	-	(133)	-	-	(133)	-	(133)
Fair value cost of options	-	-	29	-	-	-	29	-	29
Fair value of options exercised	-	-	(5)	-	-	5	-	-	-
Dividends paid	-	-	-	-	-	(750)	(750)	(63)	(813)
Comprehensive income	-	-	-	-	-	1,531	1,531	73	1,604
Movement in own shares	-	-	-	-	(114)	-	(114)	-	(114)
At 31 January 2013	235	248	220	(99)	(164)	6,796	7,236	172	7,408

COMPANY

Current Year	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Own Shares £'000	Retained Earnings £'000	Total £'000
At 1 February 2013	235	248	220	(164)	1,012	1,551
New shares issued	-	9	-	-	-	9
Fair value cost of options	-	-	17	-	-	17
Fair value of options exercised	-	-	(3)	-	3	-
Dividends paid	-	-	-	-	(1,850)	(1,850)
Operating loss for the year	-	-	-	-	(1,131)	(1,131)
Dividends received	-	-	-	-	2,692	2,692
Movement in own shares	-	-	-	(94)	-	(94)
At 31 January 2014	235	257	234	(258)	726	1,194
Prior Year						
At 1 February 2012	234	233	196	(50)	681	1,294
New shares issued	1	15	-	-	-	16
Fair value cost of options	-	-	29	-	-	29
Fair value of options exercised	-	-	(5)	-	5	-
Dividends paid	-	-	-	-	(750)	(750)
Operating loss for the year	-	-	-	-	(197)	(197)
Dividends received	-	-	-	-	1,273	1,273
Movement in own shares	-	-	-	(114)	-	(114)
At 31 January 2013	235	248	220	(164)	1,012	1,551

AIR CHARTER SERVICE GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 JANUARY 2014

GROUP	2014 £'000	2013 £'000
Reconciliation of operating profit to operating cash flows		
Operating profit	1,029	2,479
Depreciation	1,021	1,030
Profit on disposal of property, plant & equipment	60	(5)
Translation differences on flows	(294)	(129)
Share based payment expense	17	29
	<u>1,833</u>	<u>3,404</u>
Operating cash flows before movements in working capital		
Increase in receivables	(5,469)	(887)
(Decrease) / Increase in payables	5,070	(236)
	<u>1,434</u>	<u>2,281</u>
Cash generated from operations		
Tax paid	(929)	(993)
	<u>505</u>	<u>1,288</u>
Net cash generated from operating activities		
Investing activities		
Interest received	12	17
Proceeds on disposal of plant, property and equipment	15	5
Purchases of plant, property and equipment	(590)	(646)
	<u>(563)</u>	<u>(624)</u>
Net cash used in investing activities		
Financing activities		
Purchase of own shares	(94)	(114)
Net proceeds from short term loan	-	59
Interest paid	(39)	(40)
Net proceeds from shares issued	10	14
Dividends paid	(1,850)	(750)
Dividends paid – minority interest	(88)	(63)
	<u>(2,061)</u>	<u>(894)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	<u>(2,119)</u>	<u>(230)</u>
Cash and cash equivalents at the beginning of the period	8,043	8,273
	<u>5,924</u>	<u>8,043</u>
Cash and cash equivalents at the end of the period		

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

AIR CHARTER SERVICE GROUP PLC
COMPANY CASH FLOW STATEMENT
YEAR ENDED 31 JANUARY 2014

COMPANY	2014	2013
	£'000	£'000
Operating profit	(692)	-
Share based payment expense	17	-
(Increase) in receivables	17	(17)
(Decrease) in payables	690	(333)
Cash used from operations	32	(350)
Tax paid	-	-
Net cash used operating activities	32	(350)
Investing activities		
Investment in subsidiaries	(790)	(75)
Dividends received	2,692	1,274
Net cash from investing activities	1,902	1,199
Financing activities		
Purchase of own shares	(94)	(114)
Net proceeds from shares issued	10	14
Interest received	-	1
Dividends paid	(1,850)	(750)
Net cash used in financing activities	(1,934)	(849)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	5	5
Cash and cash equivalents at the end of the period	5	5

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 2014

1. ACCOUNTING POLICIES

Basis of accounting

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings up to 31 January 2014. 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 2014 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements, or a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Revenue recognition

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

Property, plant and equipment

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

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

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

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

Impairment of tangible assets

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

1. Accounting policies (continued)

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

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

Investments

Investments are stated at cost less any provision for impairment in value.

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.

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

1. Accounting policies (continued)

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. During the year the Group acted on behalf of clients subscribing to its Lindbergh Card product, holding advance payments made in anticipation of future bookings within separately designated bank accounts established for this purpose. At the year end, the Group held cash for members of the Scheme amounting to £310,334. In accordance with the terms of the Lindbergh Card agreement, these funds are held separately on behalf of the client and do not form part of the Group's assets. Accordingly they have not been recognised within the financial statements.

Financial liabilities and equity

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

Bank borrowings

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

Trade payables

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

Equity instruments

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

1. Accounting policies (continued)

therefore excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Functional and presentation currency

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

Share-based payments

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

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

Exceptional items

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

New standards and interpretations not yet adopted

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

IFRS 2 Share-based payment : 1 July 2014
IFRS 3 (Revised) Business combinations (January 2008) : 1 July 2014
IFRS 7 Financial instruments: Disclosure : 1 January 2015
IFRS 8 Operating segments : 1 July 2014
IFRS 9 Financial Instruments (issued October 2010) : 1 January 2015
IFRS 10 Consolidated Financial Statements : 1 January 2014
IFRS 12 Disclosure of Interests in Other Entities : 1 January 2014
IFRS 13 Fair Value Measurement : 1 July 2014
IFRS 14 Regulatory Deferral Accounts : 1 January 2016
IAS 16 Property plant and equipment : 1 July 2014
IAS 19 Employee benefits : 1 July 2014
IAS 24 Related Party Disclosures : 1 July 2014
IAS 27 Separate Financial Statements : 1 January 2014
IAS 32 Financial instruments: Presentation : 1 January 2014
IAS 36 Impairment of assets : 1 January 2014
IAS 38 Intangible assets : 1 July 2014
IAS 39 Financial instruments: Recognition and measurement : 1 January 2014
IAS 40 Investment property : 1 July 2014
IFRIC 21 Levies : : 1 January 2014

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 2014

2. OPERATING PROFIT

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Staff costs (note 3)	15,284	14,449
(Profit) / Loss on disposal of property, plant & equipment	60	(5)
Depreciation of owned fixed assets	1,021	1,030
Auditors remuneration: Group		
- as auditor	90	88
- for other services	134	154
Operating lease costs:		
- plant and equipment	780	49
- other	1,642	1,328
Foreign exchange losses	110	17

Auditor's fees

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

	2014 £'000	2013 £'000
Audit	34	33
Taxation compliance	16	21
	<u>50</u>	<u>54</u>

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

	2014 £'000	2013 £'000
Audit of the financial statements	56	55
Taxation compliance	118	133
	<u>174</u>	<u>188</u>

3. PARTICULARS OF EMPLOYEES

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

	2014 No	2013 No
Sales	189	166
Non sales	81	78
Total	<u>270</u>	<u>244</u>

The aggregate payroll costs of the above were:

	2014 £'000	2013 £'000
Wages and salaries	13,448	12,710
Share based payments	17	29
Social security costs	1,555	1,471
Other pension costs	264	239
	<u>15,284</u>	<u>14,449</u>

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

4. DIRECTORS' EMOLUMENTS

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

	2014 £'000	2013 £'000
Emoluments receivable	1,162	1,151
Value of company pension contributions to money purchase schemes	138	99
Share based payments	4	8
	<u>1,304</u>	<u>1,258</u>
<i>Emoluments of highest paid director:</i>		
Total emoluments	284	283
Value of company pension contributions to money purchase schemes	43	36
	<u>327</u>	<u>319</u>
	No	No
Number of directors who accrued benefits under a money purchase pension scheme:	<u>8</u>	<u>7</u>

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

Share options

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

	<i>Issue date</i>	<i>Exercise price</i>	<i>Held at 31 January 2013</i>	<i>Granted during year</i>	<i>Exercised during year</i>	<i>Expired, lapsed or cancelled</i>	<i>Held at 31 January 2014</i>
		<i>(pence)</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
S Pitt	18 June 2010	55.0	114,700	-	-	-	114,700
	31 Jan 2014	10.0	-	103,340	-	-	103,340
T Simmons	6 Jan 2012	75.0	13,960	-	-	-	13,960
	20 May 2013	47.0	-	41,880	-	-	41,880
J Lancaster	23 July 2007	43.2	45,880	-	-	-	45,880
	18 Feb 2008	34.0	170,587	-	-	-	170,587
	31 Jan 2014	40.0	-	8,000	-	-	8,000

5. TAXATION ON ORDINARY ACTIVITIES

The tax charge comprises:

	2014 £'000	2013 £'000
(a) Current tax:		
In respect of the year:		
UK Corporation tax	-	500
Adjustment in respect of prior years	39	-
Foreign tax	413	490
Total current tax	<u>452</u>	<u>990</u>
Deferred tax (Notes 6 and 7)	33	(138)
Tax on profit on ordinary activities	<u>485</u>	<u>852</u>

AIR CHARTER SERVICE GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2014

5. Taxation on ordinary activities (continued)

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

	2014	2013
	£'000	£'000
Profit before taxation	<u>1,002</u>	<u>2,456</u>
Taxation at UK corporation tax rate of 23% / 24%	234	598
Effects of:		
Expenses not deductible for tax	67	97
Deduction for options exercised	(2)	(25)
Capital allowances in excess of depreciation	16	62
UK and overseas taxes at differing rates	98	258
Adjustment in respect of prior years	39	-
Deferred tax	33	(138)
Total tax (note 5a)	<u><u>485</u></u>	<u><u>852</u></u>

6. DEFERRED TAX ASSETS

	Share based payment £'000	Other timing differences £'000	Overseas tax losses £'000	Total £'000
Current Year				
At 1 February 2013	51	71	288	410
Credit / (charge) to the income statement	<u>2</u>	<u>18</u>	<u>(71)</u>	<u>(51)</u>
At 31 January 2014	<u><u>53</u></u>	<u><u>89</u></u>	<u><u>217</u></u>	<u><u>359</u></u>
Prior Year				
At 1 February 2012	51	44	178	282
Credit / (charge) to the income statement	<u>-</u>	<u>27</u>	<u>110</u>	<u>128</u>
At 31 January 2013	<u><u>51</u></u>	<u><u>71</u></u>	<u><u>288</u></u>	<u><u>410</u></u>

There are unused tax losses carried forward within the Group of £1.35 million for which no deferred tax asset has been recognised.

7. DEFERRED TAX LIABILITY

	Other timing differences £'000	Total £'000
Current Year		
At 1 February 2013	36	36
Credit to the income statement	<u>(18)</u>	<u>(18)</u>
At 31 January 2014	<u><u>18</u></u>	<u><u>18</u></u>

AIR CHARTER SERVICE GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2014

7. Deferred tax liability (continued)

	Other timing differences £'000	Total £'000
Prior Year		
At 1 February 2012	46	46
Credit to the income statement	(10)	(10)
At 31 January 2013	<u>36</u>	<u>36</u>

8. DIVIDENDS

	2014 £'000	2013 £'000
Equity dividends on ordinary shares	1,850	750
Minority interests	<u>88</u>	<u>63</u>

9. PROPERTY, PLANT AND EQUIPMENT

Current year:

Group	Leasehold improvement £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1 February 2013	1,136	961	264	2,883	5,244
Additions	265	70	51	205	591
Disposals	(159)	(57)	(43)	(305)	(564)
At 31 January 2014	<u>1,242</u>	<u>974</u>	<u>272</u>	<u>2,783</u>	<u>5,271</u>
Depreciation					
At 1 February 2013	342	525	162	1,923	2,952
Charge for the year	187	173	58	603	1,021
Disposals	(96)	(39)	(43)	(300)	(478)
At 31 January 2014	<u>433</u>	<u>659</u>	<u>177</u>	<u>2,226</u>	<u>3,495</u>
Net Book Value					
At 1 February 2013	<u>794</u>	<u>436</u>	<u>102</u>	<u>960</u>	<u>2,292</u>
At 31 January 2014	<u>809</u>	<u>315</u>	<u>95</u>	<u>557</u>	<u>1,776</u>

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

9. Property, plant and equipment (continued)

Prior year:

	Leasehold improvement £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 1 February 2012	1,042	830	277	2,462	4,611
Additions	94	131	-	421	646
Disposals	-	-	(13)	-	(13)
At 31 January 2013	1,136	961	264	2,883	5,244
Depreciation					
At 1 February 2012	167	361	115	1,292	1,935
Charge for the year	175	164	60	631	1,030
Disposals	-	-	(13)	-	(13)
At 31 January 2013	342	525	162	1,923	2,952
Net Book Value					
At 1 February 2012	875	469	162	1,170	2,676
At 31 January 2013	794	436	102	960	2,292

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

10. INVESTMENTS IN SUBSIDIARIES

Company

Current year:

Cost and Net book value

	Subsidiary undertakings £'000
At 1 February 2013	1,529
Capital contribution	17
Investments	773
Reversal of impairment provision	97
Provision for impairment	(537)
At 31 January 2014	1,879

Prior year:

Cost and Net book value

	Subsidiary undertakings £'000
At 1 February 2012	1,622
Capital contribution	29
Investments	75
Provision for impairment	(197)
At 31 January 2013	1,529

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

10. Investments (continued)

Subsidiaries

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

The funding arrangements for subsidiaries are generally arranged through the group's holding company Air Charter Service Group plc. During the year certain loans to subsidiaries were assumed by the holding company to consolidate treasury and funding activities. The Directors have considered the carrying value of the company's investments in its subsidiaries at the year end having taken account of the net assets of each subsidiary, current trading activity and forecast future results. Based on the results of this review, they have recognised an impairment within the carrying value of certain of the investments of £637,000 (2013: £197,000) and a provision against loans due from subsidiaries of £691,000 (2013: £nil). This impairment does not impact upon the consolidated income statement of the group.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	14,806	9,929	-	-
Amounts owed by Group undertakings	-	-	-	17
Other debtors	663	443	-	-
Prepayments and accrued income	3,929	3,558	-	-
	<u>19,398</u>	<u>13,930</u>	<u>-</u>	<u>17</u>

No interest is charged on receivables. The trade receivables amount shown is net of £35,000 allowance for doubtful debts (2013: £137,000). The directors consider the carrying amount of receivables approximates to their fair value.

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	4,119	3,946	-	-
Amounts owed to Group undertakings	-	-	(690)	-
Other taxation and social security	374	348	-	-
Accruals and deferred income	17,255	12,387	-	-
Other creditors	26	23	-	-
	<u>21,774</u>	<u>16,704</u>	<u>(690)</u>	<u>-</u>

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

13. PROVISIONS

	Total £'000
Current year	
At 1 February 2013	182
At 31 January 2014	<u>182</u>
Prior year	
At 1 February 2012	182
At 31 January 2013	<u>182</u>

The provision relates to the restoration of leasehold properties, principally the UK head office in Surrey, upon which the lease expires in 2025 which is when the restoration costs can reasonably be expected to be paid out. The head office lease includes a break clause in 2019, which could result in restoration costs being incurred at this earlier stage. The provision has been estimated through consultation with an external construction firm.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Capital management

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

Credit risk

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

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

14. Financial risk management objectives and policies (continued)

The trade receivables balance set out in note 11 above includes £10.9 million (2013: £7.7 million) relating to sales invoiced in advance of carriage, with a corresponding balance included within deferred income. The remaining balance of £3.9 million (2013: £2.2 million) represents trade receivables in relation to charters operated in the period, no significant amounts being past due at the balance sheet date.

Liquidity risk

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

The Group has an overdraft facility, and a \$7.5m short term trade loan facility with Barclays Bank plc (2013: \$7.5m) for the purpose of funding credit sales to government departments, relief and charitable organisations. No amounts were drawn down at the balance sheet date. Amounts included in note 12 above mature within six months of the balance sheet date.

Foreign currency risk

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

Currency	2014 Local (£'000)	2014 Closing rate	2014 GBP (£'000)	2013 Local (£'000)	2013 Closing rate	2013 GBP (£'000)
US Dollars	5,167	1.64	3,151	4,286	1.58	2,713
Euros	1,570	1.22	1,287	1,491	1.16	1,286
GB Pounds Sterling	413	1.00	413	2,776	1.00	2,776
Other various			1,073			1,268
			<u>5,924</u>			<u>8,043</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:

	2014 Closing rate	2014 Adjusted rate	2014 Effect (£'000)	2013 Closing rate	2013 Adjusted rate	2013 Effect (£'000)
<i>Sterling strengthens by 10%</i>						
US Dollar	1.64	1.80	(286)	1.58	1.74	(247)
Euro	1.22	1.34	(117)	1.16	1.28	(117)
<i>Sterling weakens by 10%</i>						
US Dollar	1.64	1.48	350	1.58	1.42	301
Euro	1.22	1.10	143	1.16	1.04	143

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

15. OPERATING LEASE ARRANGEMENTS

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

	2014 £'000	2013 £'000
Land & buildings		
Within 1 year	931	1,032
Within 2 to 5 years	2,265	1,266
Over 5 years	1,246	-
	<u>4,442</u>	<u>2,298</u>

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

16. CALLED UP SHARE CAPITAL

Authorised share capital:

	2014 £'000	2013 £'000
100,000,000 Ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	No	2014 £'000	No	2013 £'000
Ordinary shares of £0.01 each	23,502,289	<u>235</u>	23,474,289	<u>235</u>

Shares were issued during the year as follows:

Date	Number issued	Nominal Value (£)	Premium (£)	Total (£)
23 May 2013	3,000	30	990	1,020
12 July 2013	25,000	250	8,250	8,500
Total	<u>28,000</u>	<u>280</u>	<u>9,240</u>	<u>9,520</u>

17. OWN SHARES

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

The trust is authorised to acquire shares from existing employee shareholders within the parameters required to satisfy options granted by, or intended to be granted by, the Group to its employees. The trust is not intended to sell shares to employees and no sales of shares were made to employees in the period. During the year, 137,946 Ordinary shares were purchased from existing employee shareholders. Of these shares, 101,666 were purchased from directors of Air Charter Service Group plc for consideration of £70,353 (2013: 105,932 shares purchased for consideration of £100,000). At 31 January 2014, the Trust held 312,637 Ordinary shares in Air Charter Service Group Plc.

AIR CHARTER SERVICE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

18. SHARE-BASED PAYMENTS

Equity based share options

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

<i>Grant date</i>	<i>Exercise price (pence)</i>	<i>Held at 31 January 2013 No</i>	<i>Granted during year No.</i>	<i>Exercised during year No</i>	<i>Expired, lapsed or cancelled No</i>	<i>Held at 31 January 2014 No</i>	<i>Remaining Life Years</i>
23 July 2007	43.2	328,485	-	-	-	328,485	3.5
18 February 2008	34.0	937,951	-	28,000	-	909,951	4.0
18 June 2010	55.0	344,112	-	-	-	344,112	6.5
6 January 2012	75.0	95,480	-	-	-	95,480	8.0
20 May 2013	47.0	-	95,480	-	-	95,480	9.3
31 January 2014	40.0	-	200,000	-	-	200,000	10.0
31 January 2014	10.0	-	112,637	-	-	112,637	10.0
Total		1,706,028	408,117	28,000	-	2,086,145	

The closing weighted average exercise price of the options was 40.7p (2013: 42.3p). The number of options available to staff to exercise at the year-end amounted to 1,582,548 (2013: 1,266,436) and the weighted average exercise price of options exercisable at the year-end was 40.5p (2013: 36.4p).

The cost of services received in respect of the share options in the scheme above is measured as the fair value of the options granted and the cost is spread over the vesting period. The total charge for the year relating to the employee share based plan was £17,000 (2013: £29,000). The fair values were calculated using the Black-Scholes valuation method and the inputs to the model were as follows:

Options granted on 23 July 2007

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

Options granted on 18 February 2008

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

Options granted on 18 June 2010

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

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Options granted on 6 January 2012

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

Options granted on 20 May 2013

Fair value	10.0 pence
Weighted average share price	52.0 pence
Expected volatility	30%
Expected life	5.0 years
Risk free rate	2.5%

Options granted on 31 January 2014

Fair value	8.0 pence
Weighted average share price	35.0 pence
Expected volatility	30%
Expected life	5.0 years
Risk free rate	2.5%

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

19. RELATED PARTY TRANSACTIONS

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

	2014 £'000	2013 £'000
Amounts owed to Group undertakings	(690)	-
Amounts due from Group undertakings	-	17

During the year the company made provisions of £691,000 against amounts due from group undertakings to reduce them to their recoverable value.

During the year D Malempre, a director of the company, charged Air Charter Service plc £39,330 plus VAT in respect of the provision of legal services and £6,000 plus VAT in respect of legal training for staff (2013: £58,881 plus VAT and £5,250 plus VAT respectively). The remuneration of the directors who are the key management personnel of the Group is set out in note 4. The Company received dividends of £2.7 million during the year from its subsidiary companies (2013: £1.3 million).

The directors received dividends during the year as follows:

CDS Leach	£759,102	(2013: £306,677)
Mrs CJ Leach	£759,102	(2013: £306,677)
J Bowman	£187,198	(2013: £75,628)
R Courtney	£46,802	(2013: £18,908)
AE Bauckham	£9,397	(2013: £5,654)
S Pitt	£2,762	(2013: £1,967)
J Lancaster	£3,413	(2013: £1,891)

There were 15 other staff members who received dividends during the year, having exercised share options previously held under the share option scheme set out in note 18. There are 44 staff members in the share option scheme in total.

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2014

20. CONTINGENT LIABILITIES

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

21. EXCEPTIONAL ITEMS

Exceptional costs of £162,000 were incurred during the year relating to a lease re-organisation at the Group's head office in Surbiton, being £92,000 move costs and £70,000 fixed asset write off.

22. 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.