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Air Partner plc
(“Air Partner”, “Company” or “Group”)

Full year results for the year ended 31 January 2020

Strategic progress made despite challenging market conditions

Air Partner plc, the global aviation services group, today reports results for the year ended 31 January 2020.

	January 2020	January 2019	Change %
Gross Transaction Value	**£236.8m**	£273.3m	(13.4%)
Revenue	**£66.7m**	£77.5m	(13.9%)
Gross profit	**£34.2m**	£35.5m	(3.7%)
Underlying* profit before tax (PBT)	**£4.2m**	£5.8m	(27.6%)
Statutory profit before tax	**£0.9m**	£3.4m	(73.5%)
Net cash/(debt) (non-JetCard cash less bank debt)	**(£6.9m)**	£2.0m	(445.0%)
JetCard Cash	**£16.7m**	£17.7m	(5.6%)
Underlying* continuing basic EPS (pence)	**6.4p**	9.6p	(33.3%)
Basic continuing EPS (pence)	**0.6p**	5.6p	(89.3%)
Final dividend (pence)	**0.0p**	3.85p	(100.0%)
Total dividend (pence)	**1.8p**	5.6p	(67.9%)

*****Underlying results are stated before exceptional and other items (see notes 2 & 4)

Financial Highlights

- Gross profit down 3.7% to £34.2m (FY19: £35.5m):
    - Gross profit decreased 5.3%, on a like for like basis, adjusting for constant exchange and acquisitions
    - Charter division had a mixed performance, impacted by Brexit, late UK election and the lack of a one-off event requiring urgent action. Group Charter and Freight down 5.1% and 34.7% respectively and Private Jets up 12.5%, driven by US performance
    - Safety & Security gross profit up 9.5%, supported by the acquisition of Redline
- Group underlying profit before tax* of £4.2m, down on the prior year by 27.6% principally due to the fall in gross profit
- Profit before tax of £0.9m (FY19: £3.4m) is lower due to an impairment charge (£1.9m) and exceptional items and other items
- Net debt of £6.9m (FY19: net cash of £2.0m), change driven by the acquisition of Redline

Strategic Highlights

- Strategically important acquisition of Redline made in December 2019 for a total consideration of £10.0m, further diversifying the Group’s revenue streams and broadening its portfolio of aviation products and services
- Consulting & Training division renamed Safety & Security following the acquisition of Redline
- Investment made in three new offices in Houston (Q1), Singapore (Q1) and Dubai (Q4)

Operational Highlights

- Tough trading period for Charter, characterised by repeat spending delays and no significant one-off events
- US Private Jets up 42.5%, reflecting prior year investment in US offices and people

- Safety & Security division now contributes 13.5% to Group gross profit (FY19: 11.9%) and continues to grow as a percentage of Group profits

Current Trading and Outlook

- Strong start to FY21 with Q1 delivering unaudited underlying* PBT of £6.0m
- Significant repatriation work carried out in Q1 for UK government and other customers
- Freight activity expected to remain strong up to at least H1, driven by the impact of COVID-19
- Redline successfully integrated into the Group and recently won two new contracts providing security services in Critical National Infrastructure and airport sectors
- Trading strongly ahead of budget in May and encouraging forward order book for June. Visibility beyond this is currently limited, with significant uncertainty due to impact of COVID-19
- Board is focused on cash preservation and maintenance of working capital for H2

Mark Briffa, CEO of Air Partner, commented: *"While there was good strategic progress made over the last financial year, our performance was impacted by customers delaying spending as they waited for the uncertainty of, first, Brexit and then the UK's December election to clear. There were also no significant one-off events requiring urgent action in either H1 or H2, the absence of which is highly unusual in Charter. The highlight of the year was our acquisition of Redline, which further progresses our diversification strategy by adding aviation security to our capabilities, thereby extending the portfolio of services and products we offer our customers.*

Trading in the current financial year reflects the impact of COVID-19. Our immediate focus has been the safety of our team and other stakeholders. We have seen unusually high levels of activity in Freight and Group Charter, and a significant decline in Safety & Security and Private Jets. We are trading considerably ahead of budget for May and the forward order book is also encouraging for June, with demand for Freight and Group Charter services remaining high. However, visibility beyond this point is currently limited. COVID-19 is materially impacting economies globally, making it very hard to judge what the impact will be beyond the current emergency flying we are carrying out. As a result, we have taken prudent measures to preserve cash and maintain our working capital as we manage the business through the crisis and better understand the longer-term implications on sales.

While there are undoubtedly challenges still to come, we have enjoyed a strong start to the current year and have the benefit of a well-diversified business, anchored by a great team of people, whom I would like to thank for their extraordinary efforts at this difficult time."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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About Air Partner:

Founded in 1961, Air Partner is a global aviation services group providing aircraft charter and aviation safety & security solutions to industry, commerce, governments and private individuals, across civil and military organisations. The Group has two divisions: Air Partner Charter, comprising Group Charter, Private Jets, Freight and Specialist Services; and Air Partner Safety & Security (formerly Consulting & Training), which comprises Baines Simmons, Redline Assured Security and Managed Services.

Group Charter charters large airliners to move groups of any size. Private Jets offers the Company's unique pre-paid JetCard scheme and on-demand charter for up to 19 people. Freight charters aircraft of every size to fly almost any cargo anywhere, at any time. Specialist Services comprises Air Partner's other aviation services that complement its Charter business: Remarketing, ACMI, scheduled group travel, tour operations, air evacuation and flight operations.

Baines Simmons offers aviation safety management and fatigue risk management. Redline Assured Security delivers government-standard security training, consultancy and solutions to regulated, high value and high threat environments. Managed Services offers wildlife hazard management and aircraft registry services.

Air Partner has 16 locations across three continents, with its headquarters located alongside Gatwick airport in the UK. The group employs around 450 aviation professionals globally and operates 24/7. Air Partner is listed on the London Stock Exchange (AIR) and is the only publicly listed air charter broker and aviation safety & security consultancy. It is ISO 9001:2015 compliant for commercial airline and private jet solutions worldwide.

More information is available on the company's website (www.airpartner.com)

CHAIR'S STATEMENT

It seems strange to be reporting on the past financial year now, given how different the world is today in the midst of the COVID-19 pandemic. That is not to say that these results are unimportant, but the global aviation sector has been severely impacted over recent months. As a consequence, our operating environment has changed dramatically and is likely to remain so for the foreseeable future. However, we moved quickly to protect our people, and I can reassure shareholders that Air Partner is very well positioned to prosper, whatever the future may hold for our industry.

There is no doubt that the macroeconomic backdrop during my first year as Air Partner Chair has been challenging, even before the current global crisis. We reported a solid first half performance, despite many customer projects and programmes shifting from H1 to H2 due to Brexit uncertainty. This uncertainty was then further compounded by the calling of a UK general election in December, which undermined profitability towards the end of our financial year.

Throughout the year, there was a lack of major events worldwide that required our emergency charter services, which held back profits in this core division. Now, of course, there is a sad irony in reporting this dearth of crisis charters.

Overall, Group gross profit fell year on year by 3.7% to £34.2m in the year ended 31 January 2020 (FY19: £35.5m). Underlying profit before tax was £4.2m, 27.6% lower than the prior year (FY19: £5.8m). Statutory reported profit before tax was 73.5% lower at £0.9m (FY19: £3.4m), driven by a £1.9m impairment charge taken in the year, full details of which are disclosed in note 8.

Having spent the past 13 months getting to know Air Partner, it is clear to me that we have the right strategy, business model and people in place. The global charter business can be volatile, with limited visibility, but the exceptional volume of work undertaken for customers worldwide in recent weeks is testament to the capability of our teams and a reminder of the real value of this division. Mindful of the low predictability of overall charter volumes, we have acted in recent years to diversify our profit streams within the aviation industry, resulting in a higher overall quality of earnings. This is undoubtedly the correct strategic course for the Group.

Our acquisition of security company Redline Worldwide Limited ("Redline") in December 2019 is an excellent example of this diversification. It progresses our strategy of pursuing targeted acquisitions that enhance our customer offering by extending the portfolio of aviation services within our Consulting & Training division, which we have now renamed Safety & Security. We expect that Redline will increase visible, steady and recurring revenues for the Group in the long term, once the current COVID-19 crisis has passed. I am delighted to have been able to welcome our new Redline colleagues on-board at Air Partner.

In the period under review, we also continued our long-term growth initiatives, making further investments in people and new offices. We are pleased with the return we are generating on these initiatives and believe there is a lot of headroom for further organic development in all divisions.

Moreover, I have been encouraged by the increased levels of cross-selling across the business, particularly between Group Charter, Private Jets and Freight.

Board Changes

In March 2020, we were greatly saddened to learn of the passing of Richard Jackson, Air Partner's Non-executive Director and Senior Independent Director, after a short illness. Richard joined Air Partner's Board on 8 September 2016 and was appointed as Senior Independent Director in June 2017. He also acted as the Company's Interim Chair for seven months from September 2018. Richard provided a significant contribution to the Company's strategy. He was a highly valued colleague and will be greatly missed.

On 26 June 2019, the date of our Annual General Meeting (AGM), Paul Dollman took up the role of Chair of the Audit and Risk Committee, replacing Shaun Smith, who announced in October 2018 his intention to step down from the Board.

In total, the Board now holds 1.9% of the ordinary shares in the Company, demonstrating a clear alignment with Air Partner's other shareholders. In the context of the ongoing COVID-19 crisis, the Board will not appoint a replacement Non-executive Director in the short term, and Amanda Wills will be appointed as Senior Independent Director with effect from 21 May 2020.

Dividend

In response to the ongoing COVID-19 pandemic, like many companies, we are tightly managing costs across the Group to preserve cash, maintain sufficient working capital to support increased customer demand and ensure that the business is well placed to emerge from the crisis with a strengthened competitive position. These measures include temporary salary reductions for all Board members and the UK workforce. In line with this, the Board has decided not to recommend a final dividend payment. However, the Board recognises the importance of regular dividend payments to investors in forming part of their total shareholder return and will re-evaluate the payment of dividends once the risks related to COVID-19 have subsided and there is greater certainty on the Group's cash flows. We trust shareholders will understand that this is the right and prudent approach at this time of unprecedented uncertainty in order to manage the business with confidence through the crisis.

Prospects

Our current financial year started with a strong forward order book and good visibility, particularly in Group Charter and the enlarged Safety & Security division. However, it also coincided with the outbreak of COVID-19. Due to our strategy of diversification, some areas of our business are benefiting from increased activity at this time, while others are being negatively impacted. Nevertheless, the Group has had a strong start to the year overall and we expect Group Charter and Freight to continue to perform well during these challenging times. To put this into context, the unaudited management reports for the first three months of our new financial year indicate that the Group has generated an expected £6.0m of underlying profit before tax.

We are enjoying a strong and profitable May with the business trading considerably ahead of budget, and June is also looking encouraging, with demand for Freight and Group Charter services remaining high as we continue to carry out COVID-19 related work, such as the urgent transportation of medical supplies. While there are also some emerging green shoots of recovery in both Private Jets and Security, clear visibility beyond June is still very limited.

While this is a worrying time for the industry, the combination of a strong start to the financial year, our swift action on managing costs, agreeing bank waivers with our current lenders and our current cash position gives the Board confidence that Air Partner is effectively positioned to cope with the challenges and uncertainty posed by the ongoing COVID-19 pandemic. As I have stated above, the Group has a robust business model and a sound strategy, and our work during this COVID-19 crisis has demonstrated the value of our diversified aviation services, which operate across multiple markets, helping to offset volatility in any one market or product line. As well as recognising the work of all our exceptional people worldwide, I would like to thank you, our shareholders, for your continued support, especially at this challenging time.

Ed Warner
Non-Executive Chair

CHIEF EXECUTIVE OFFICER'S REVIEW

While there was good strategic progress made over the last 12 months, our financial performance was impacted by customers delaying spending as they waited for the uncertainty of, first, Brexit and then the UK's December election to clear. As a result, Air Partner's underlying profit before tax of £4.2m for the 12 months to 31 January 2020 was lower than previously expected, largely reflecting a key UK customer suspending a complex global flying programme from H1 to H2, and then further delaying in Q4. There was also an A330 remarketing mandate that was signed but subject to closing conditions, and therefore was not recognised in the year to 31 January 2020. Simultaneously, the already soft UK private jet market worsened in the last quarter.

Strategy

In 2015, we embarked upon a strategy to extend and enhance the services we are able to offer our customers, while reducing the Group's exposure to the volatility of the charter market and improving the overall quality of our earnings. M&A is a key component of this and, since our first acquisition of Cabot Aviation (now referred to as Air Partner Remarketing) in May 2015, we have acquired a number of businesses that meet these criteria. This diversification strategy continues to progress, with our latest acquisition Redline, a leading aviation security and training solutions company that we acquired in December 2019, performing well since it became part of the Group. Redline adds aviation security to our capabilities, which, combined with our existing aviation safety activities, enables us to deliver a compelling suite of aviation safety and security products and services. Notably, Redline has well-developed proprietary software solutions in security management systems (SeMS) and e-Learning. We see significant growth opportunities in this area and it is our intention to offer these capabilities to our Baines Simmons customers over the coming year as part of our Safety & Security strategy.

The ability to cross-sell between different areas of our business is a key driver of our acquisition activity and in the year under review we won a number of new customers as a result of cross-selling, both between Charter and Safety & Security and within the Charter division. Post our year end, we carried out a project on behalf of the Foreign & Commonwealth Office (FCO), which was a fantastic example of the strategy coming to life, with Redline, Group Charter and Freight all working closely together to deliver a fully-integrated solution for the evacuation of UK and Irish nationals aboard a cruise ship off the coast of Japan. We continue to see growing levels of cross-selling and joint business development opportunities across the Group and look forward to capitalising on these in this financial year.

While mindful of the current economic climate and the need to conserve cash, we will continue to assess targeted acquisition opportunities that meet our strict criteria and are in line with our Group M&A acquisition strategy on an ongoing basis.

In addition to our acquisition strategy, we have continued to grow organically, particularly within the Charter side of the business. In the last financial year, we opened three new offices in Singapore (February 2019), Houston (February 2019) and Dubai (November 2019). Importantly, these new offices offer our full range of Charter services, so customers can fulfil all their charter requirements under one roof, whether this be Group Charter, Private Jets or Freight, which we believe is a true differentiator for us.

While these new offices initially increase our cost base, we typically see a return within a year to 18 months, as they extend our geographical footprint, increase our global market share and grow our customer base. We continue to consider other potential new office locations in regions that align with the Group's growth strategy and provide attractive growth indicators.

Our success in hiring good people continues to pay off and we will keep monitoring opportunities in this area over the coming year. We will be running an extensive internal management training programme in addition to hiring the best people in the industry, who have proven track records and share our passion and drive to succeed.

People

As I write, post the year end, we are in the midst of the COVID-19 pandemic and I would like to thank all my colleagues for their ongoing hard work, focus and commitment during these unprecedented times. Whilst COVID-19 has presented significant operational issues, the dedication of our people and suppliers has been nothing short of outstanding.

DIVISIONAL REVIEW

Charter

Overall, the Charter division delivered £29.6m of gross profit for the financial year ending 31 January 2020, down 5.1% on the prior year (FY19: £31.2m). The division contributes 86.5% to the overall gross profit of the Group and is comprised of Group Charter (including Remarketing) at 43.1%, Private Jets at 34.2% and Freight at 9.2%. Although Private Jets had a strong year with growth of 12.5%, this could not offset negative performances in Group Charter and Freight. The above results translated to an underlying operating profit for the Charter division of £5.9m (FY19: £7.5m).

It was particularly pleasing to see a good level of cross-selling achieved across the Charter division during the financial year. This included Group Charter and Private Jets working together on the European tour of a high-profile music artist, as well as a number of joint projects between Group Charter and Freight.

We continue to invest for further organic growth in our Charter division, notably in the US, where the market is strong and our business is performing well. We selectively increased broker headcount and the opening of the Houston office took our number of US offices to five, alongside New York, Los Angeles, Fort Lauderdale and Washington, D.C. In addition, we opened offices in Singapore and Dubai to offer our full suite of charter solutions, and continue to grow our share of the Asia-Pacific and Middle Eastern markets.

Group Charter

Group Charter has had a mixed performance over the year, with gross profit for the year down 7.5% to £14.7m (FY19: £15.9m). The two main driving factors for this were a key UK customer repeatedly suspending activity and the lack of one-off major events in 2019 comparable to the likes of the FIFA World Cup in the prior financial year. However, it is important to note that Group Charter still carried out a significant amount of work in the sports sector, including the UEFA Champions League, the UEFA Europa League and the Spanish Super Cup, which took place in Saudi Arabia. Positively, we also saw further demand for our Managed Services offering, and in April 2019 we were appointed by Aurigny, the flag carrier airline of the Bailiwick of Guernsey, to manage its operations control centre in Alderney.

Elsewhere in Europe, Germany performed particularly well in the automotive and tour operations sectors, in addition to winning a new government contract from a competitor in the first quarter of the year. However, this regional growth was not enough to offset the weaker results from the UK and France, where the latter experienced a decrease in tour operations activity as a result of reduced operator supply in the market. We have taken a strategic decision to withdraw from the French tour operations market and subsequently have adjusted the size of the team to reflect this. The US was broadly flat year on year, although we are cautiously optimistic about a positive change over the course of this financial year, given the current performance in the first quarter.

Air Partner Remarketing completed several aircraft sales during the year for various airlines and financial institutions, including an ATR72-500 on behalf of Helitaviation 11 Europe Limited, although performance was affected by the aforementioned A330 sale delay (see the Chief Executive Officer's Review).

A number of new aircraft mandates were also signed, creating a strong pipeline of c.$3m. However, the market has been impacted by COVID-19 in the short term, with the volume of buyers expected to be limited until a market recovery.

Air Evacuation continues to perform well and has been extremely busy throughout the COVID-19 crisis, working closely with Group Charter to evacuate personnel and fly them back to their home countries. In October 2019, we entered into a strategic partnership with Northcott Global Solutions (NGS), an international emergency response company. Under the terms of the partnership, Air Partner is NGS's preferred emergency air charter supplier, while we are also able to leverage its capabilities in the provision of medical assistance ground and maritime security, armed protection, and traveller tracking and intelligence, thereby offering our customers a broader set of emergency evacuation services.

During COVID-19, the partnership has worked well, with customers on both sides benefiting from the services being collectively offered.

Private Jets
Private Jets' gross profit increased by 12.5% to £11.7m (FY19: £10.4m), primarily driven by a strong performance in the US division where gross profit increased by 42.5% year on year. We were particularly delighted with our JetCard performance in the US, with membership up 32% year on year. This is largely attributable to the continued investment made in hiring the best sales and business development talent.

The UK, Germany and France saw a combined gross profit decline of c.3%, the decrease being in line with the wider market performance. Italy had a tough trading period in Private Jets with the loss of a key broker halfway through the year. The softness in the UK market was primarily driven by uncertainty around Brexit and the general election, and was further compounded by some key customers flying less when compared to previous years. JetCard customer numbers remained broadly flat in the UK and Europe, as customers were unwilling to change provider due to the economic and political uncertainty.

Freight
Prior to the outbreak of COVID-19, global trade tensions caused challenges for the freight sector in general and air cargo volumes were weak across the industry. Freight gross profit was down £1.7m to £3.2m. The year on year decrease is reflective of a strong comparative period, as last year we carried out significant volumes of work flying humanitarian aid to Guam and Saipan during their typhoon season.

The Freight division did have a strong year in the UK, where gross profit was up 27%, largely driven by the ongoing success of our aircraft on ground (AOG) product (where an aircraft is grounded because of a technical malfunction), with a number of large airlines added to our customer base. The UK team also carried out a number of projects on behalf of existing Group Charter customers as a result of successful cross-selling, particularly in the energy sector, which has been greatly encouraging.

In addition, our on-board courier (OBC) service, suitable for smaller shipments, continues to go from strength to strength and has grown year on year. OBC is looked after by a dedicated team of operations staff, who are located in the UK and Germany and work with a global network of around 200 couriers.

We continue to consider Freight a strategic and important part of our offering, enabling us to provide customers with a full range of charter services. Its value is never clearer than in times of crisis, when there is increased supply chain and aid work. We expect to see record profits from this division in the current financial year as a result of COVID-19 activity.

Safety & Security (formerly Consulting & Training)
The Safety & Security division includes the recent Redline acquisition, Baines Simmons and Managed Services. The division has performed well over the year with gross profit up 9.5% to £4.6m (FY19: £4.2m) supported by the contribution from Redline. Safety & Security now contributes 13.5% of the Group's gross profit (FY19: 11.9%) and, pre-COVID-19, this figure was on track to increase with the full year impact of the Redline acquisition. Overall the division contributed £0.9m (FY19: £0.6m) of underlying operating profit to the Group, an increase of 50%. On a like for like basis, adjusting for the Redline acquisition, underlying operating profit grew by 10.1%, mainly driven by a prior year provision release.

At Baines Simmons, training gross profit was up year on year and looking ahead we aim to grow the reach of this area further as we leverage Redline's proprietary software solutions in e-Learning. We launched our first pop-up training academy in Europe in September 2019, and this is something we intend to revisit in other regions in the future. Furthermore, several large customers, across both the civil and military sectors, confirmed their intention to continue projects with our consultancy service into FY21, although unfortunately the outbreak of COVID-19 has meant that the future of some of these activities is currently uncertain.

Wildlife Hazard Management (WHM) performed well in the period, winning new contracts for fully managed services at three airfields, in addition to retaining all its existing contracts, albeit there is increasing margin pressure in this area from the competition. Following a strategic review of our air traffic control (ATC) operations, we have decided not to renew our two remaining ATC services contracts, thereby exiting our ATC operations presence in the UK. This will allow us to concentrate solely on WHM and accelerate our plans in this area.

Under the leadership of founder Paul Mason, the integration of Redline is progressing smoothly and, as mentioned previously, this financial year the team has already worked alongside Group Charter and Freight to deliver a holistic evacuation service for the FCO. Redline has long-term contracted revenues with global blue-chip customers that will materially increase visible, long-term, recurring revenues for Air Partner for FY21 onwards. Redline also has good forward visibility of its forecasted revenues, a high customer retention rate and a healthy pipeline of new business opportunities.

The management of Air Partner and Redline have together identified attractive global opportunities as a consequence of the combination with Air Partner's existing brands in aviation safety. We see particularly compelling global growth opportunities for Redline's proprietary SeMS and e-Learning capabilities, which will further the Group's relationships with airports, airlines, governments and corporates around the world, in addition to providing another stable and recurring revenue stream.

We see strong potential in adding safety training to Redline's existing e-Learning platform, which appears a realistic and readily available value driver. The planned launch of WHM software has been delayed to align development of these apps. As a result of this delay and the decision to exit our ATC operations, the Group has recognised an impairment of £1.9m against the goodwill of SafeSkys.

However, while our long-term contracts in the Safety & Security division remain largely unaffected by COVID-19, as previously reported, training, consulting and testing activities have been significantly impacted by government restrictions, resulting in associated revenues being delayed. Management has taken decisive action to manage costs by reducing discretionary spend in this division in the current financial year.

Post year end events

In January and February 2020, we carried out significant evacuation work for the UK government, including the repatriation of over 300 British and EU nationals from Wuhan. Projects of this type continued into March and April, when we supported a number of new customers, including major cruise and oil companies, in addition to continuing our work with the UK government to assist British citizens overseas.

In March and April, our Freight division also experienced a pick-up in demand for the movement of goods to keep global supply chains operating during the pandemic, such as the transportation of vital medical supplies into the United States. We continue to receive enquires for logistical support at this critical time and are well placed to mobilise on this activity at short notice.

Current trading and outlook

The Group has had a very encouraging start to the financial year, with the unaudited management accounts for the first quarter of the year showing expected underlying profit before tax of £6.0m. April was a record month, predominantly driven by unusually high levels of activity in Freight and Group Charter. The success of the Group in the year to date has been driven by new business wins as a result of the pandemic, such as repatriation contracts and corporate shuttles, which have outweighed a decline in Safety & Security and Private Jets (including JetCard). We have seen high levels of activity in May to date and are strongly ahead of budget for the month. The forward order book for June is also encouraging, with continued high demand for our Freight and Group Charter services as part of the ongoing COVID-19 response. Visibility beyond this point is very limited.

Looking ahead to the second half of the year, the Directors expect to see a slowdown in repatriation work and freight charter activity as global supply chains recover. Conversely, Private Jets bookings are expected to increase, as international airways start to re-open, with executives and high net worth individuals wanting to travel in more controlled environments via less busy airports. We have seen some early signs of recovery within Private Jets (as well as Security), but they remain nascent at this stage.

The COVID-19 crisis, which began at the start of our financial year, has made it very hard to judge the full year impact with any degree of certainty at this point. As a result, we have managed costs to preserve cash and maintain our working capital. Accordingly, we have implemented a series of temporary cost management initiatives, minimising all discretionary spend and, where necessary, reducing salary costs, subject to local legal requirements. In addition, all Board directors are currently taking a voluntary 20% pay reduction for April, May and June as a minimum. We have also made use of available government grants and benefits to further reduce our cost base in the near term.

I am confident that we have taken the right actions at this time and we will continue to monitor the situation extremely closely. While there are undoubtedly challenging times still to come, we have enjoyed a good start to the current year and have the benefit of a well-diversified business, anchored by great teams of people. The Board will issue regular shareholder updates approximately every four to six weeks during the height of the crisis to ensure investors are kept abreast of how we are addressing the evolving situation.

I would like to take this opportunity to once again thank the entire Air Partner team for its hard work during these unprecedented and difficult times. Their efforts have been – and continue to be – extraordinary.

Mark Briffa
Chief Executive Officer

FINANCIAL REVIEW

Undoubtedly, it was a tough trading period for Air Partner. Typically, we have at least one significant one-off event occur every year, such as a major sporting tournament, a large customer flight programme or a crisis event requiring aid relief charters; however, there were none in the period under review. As I start my second year as Air Partner's Chief Financial Officer, the importance of our diversification strategy to smooth the volatility in the Charter division has never been clearer, especially in light of last year's performance and current market conditions. We continue to progress this by expanding our offering through targeted acquisitions and driving organic growth by investing in our products, people and new locations.

With this in mind, one of the year's highlights was the acquisition of Redline. We could clearly see the benefits of the acquisition to Air Partner and we worked around the clock to secure the company in a tight timeframe. It is early days, however, I am encouraged by its recent performance and contribution to the Group. We have ambitious growth targets for the Safety & Security division (post COVID-19) and I believe Redline will catalyse this growth.

On more operational and financial matters, we continue to build on the good work we started last year in terms of strengthening the overall control environment and have invested further in new systems and processes. Looking forward, a key initiative for the Finance department this year will be to drive operational efficiencies across the Group with the integration of Redline and the roll-out of our new integrated booking tool and customer relationship management system.

Gross transaction value and revenue
Air Partner primarily uses gross profit as its key indicator of business performance. This is due to the potential for revenue, as determined under IFRS, to fluctuate depending on the number of contracts enacted in the year where the Company acts as principal as opposed to an agent.

GTV of £236.8m (FY19: £273.3m) was down by 13.4%, which is principally due to the decrease in Group Charter activity, as described in more detail in the gross profit section below. GTV represents the total value invoiced to customers and is stated exclusive of value added tax. Congruently, revenue of £66.7m (FY19: £77.5m) decreased by 13.9% year on year.

Gross profit
Gross profit of £34.2m was down 3.7% against the prior period (FY19: £35.5m). This includes gross profit for the acquisition of Redline, which was acquired on 12 December 2019. On a comparative basis, adjusting for constant exchange rates (+£0.2m) and the acquisition of Redline (£0.4m), gross profit decreased by 5.3%.

At a divisional level, the gross profit of the Charter division was down 5.1% year on year at £29.6m (FY19: £31.2m) due to a drop in tour operations, a reduction in flying by a key UK customer and no one-off major events comparable to the 2018 FIFA World Cup or 'urgent action' incidents, such as flying humanitarian aid to Guam and Saipan in 2018.

Breaking the Charter division down into its constituent parts, the gross profit in Group Charter was down £1.2m to £14.7m (FY19: £15.9m). In Europe, France was down on account of a significant reduction in tour operations activity, although this was partially offset by a strong performance in Germany after a large customer win in the early part of the year. As previously mentioned, the UK was adversely affected by a key customer delaying a complex global flying programme.

Private Jets experienced an increase in gross profit of 12.5% as a result of our performance in the US. Encouragingly, the growth in the US Private Jets business is a result of investments we have made over the last two years in new offices and hiring key talent. In the UK and Europe (excluding Italy, which had a tough second half of the year with the loss of a key broker), performance was down year on year by c.3%, broadly in line with the wider market.

Freight was down by £1.7m from £4.9m in FY19 to £3.2m in FY20. This was due to a high volume of aid-related activities in the previous year, which did not repeat this year, and a widely reported softening in the global freight markets due to trade tensions. However, the UK Freight business did buck this trend and saw year on year growth of c.27%, albeit from a low base.

The above Charter product mix translated to the following regional performance: the UK, US and Rest of World was broadly flat year on year while Europe declined by 11.9%, driven by the aforementioned performance in Group Charter. Overall, US Charter profit remained static year on year due to the aid flights in the prior year resulting in an exceptionally high Freight gross profit for FY19.

Safety & Security delivered gross profit of £4.6m (FY19: £4.2m), an increase of 9.5%, which was supported by the acquisition of Redline (£0.4m).

Administrative expenses
Costs included in administrative expenses in the consolidated income statement are the Charter personnel costs, sales and marketing, finance, information systems, human resource management, legal and compliance, and other administrative costs.

Underlying * administrative costs, including net impairment losses on financial assets, were broadly flat year on year at £29.4m (FY19: £29.5m), despite investment in new office openings. In order to progress our strategy, while remaining mindful of the risks and effects of COVID-19, the Group expects to make further investments in administrative expenses as we grow organically across new geographical locations. The cost-benefit analysis of any initiative will be assessed at the appropriate time against the Group's investment criteria.

Finance costs
The net interest charge for the period was £0.5m (FY19: £0.2m). This increase was driven by the adoption of IFRS 16 concerning leasing, which added a charge of £0.3m. Excluding the impact of IFRS 16, there was a small increase in interest costs in the period of £16k due to the additional £6.0m of debt that was called down from the revolving credit facility (RCF) in December 2019 to fund the acquisition of Redline. This was fully offset by an increase in interest received of £71k (FY19: £32k).

Underlying profit before tax
The above results translated to an underlying* profit before tax of £4.2m, a decrease of £1.6m (27.6%) from the prior year (FY19: £5.8m). Adjusting for the acquisition of Redline (£0.2m) and for constant exchange rates (£0.1m), underlying profit before tax declined by 32.2%.

**Underlying earnings are stated before exceptional and other items; see note 4.*

Exceptional and other items
Exceptional items are excluded from underlying performance measures by virtue of their size and nature, in order to better reflect management's view of the performance of the Group. In the year under review, the net effect of exceptional and other items on operating profit was £3.3m (FY19: £2.4m).

Exceptional and other items excluded from underlying profits in the period are broken down as follows:

	2020 £m	2019 £m
Underlying profit before tax	**4.2**	5.8
Change of Board composition	**(0.2)**	(0.4)
Costs relating to the accounting review and associated items	**-**	(1.3)
Amortisation of purchased intangibles	**(0.6)**	(0.4)
Acquisition costs	**(0.6)**	-
Abortive acquisition costs	**-**	(0.5)
Cost incurred and provision for outflows resulting from French tax investigation	**(0.7)**	-
Impairment of goodwill	**(1.9)**	-
Settlement of historical legal disputes	**0.4**	-
Release of deferred consideration	**0.3**	0.2
Statutory reported profit before tax	**0.9**	3.4

In total, there is a £4.0m exceptional charge on the consolidated income statement for the year, comprising a £1.9m impairment charge relating to SafeSkys Limited (SafeSkys) (refer to note 8), £0.6m of amortisation of acquired intangibles, £0.6m of acquisition costs relating to Redline, £0.2m for changes made to the Group Operating Board, and a £0.7m charge in respect of a prior year tax reassessment in France. The latter is made up of a provision of £0.3m for expected indirect tax charges and associated advisers' expenses of £0.4m in defending this matter. The provision is based on management's best estimate of the reassessment liability after taking expert legal advice. Final resolution of this matter remains uncertain; however, in April 2020, encouragingly we received £0.8m to reimburse us for a historical VAT claim from the French tax authorities, relating to the period 1 February 2015 to 31 January 2020. As at 31 January 2020, this liability is included within the £1.2m of social security and other taxes within trade and other receivables within the consolidated statement of financial position.

The above exceptional charges have been partially offset by £0.7m of exceptional gains, including £0.4m of cash settlement net of legal costs for two historical legal disputes and £0.3m relating to the release of the deferred consideration for the SafeSkys acquisition. The latter is due to warranty claims settled with the previous owners in respect of the onerous contracts identified post acquisition.

Statutory reported profit before tax
After the above exceptional and other items, statutory reported profit before tax was £0.9m, down 73.5% on the prior year (FY19: £3.4m).

Taxation
The Group seeks to manage the cost of taxation in a responsible manner to enhance its competitive position on a global basis while managing its relationships with tax authorities on the basis of full disclosure and legal compliance.

On a statutory reported profit basis, the effective rate of taxation was 67.6% (FY19: 14.4%). This rate is abnormally high in the current year due to the level of exceptional costs, which do not attract tax relief and unrecognised tax losses in some tax jurisdictions. In respect to the latter point, we have adopted a prudent approach and have not recognised deferred tax assets relating to the net losses in these jurisdictions until we have greater certainty on how these losses can be utilised. In 2019, the low tax rate of 14.4% was due to HMRC confirming that an overpayment of tax relief claim of £0.4m, relating to the accounting review, was allowable.

The underlying tax charge* of £0.9m (FY19: £0.8m) represents an effective rate of 20.5% (FY19: 13.9%) on the underlying profits before tax.

** Adjusting for exceptional and other items.*

Earnings per share

Basic underlying* earnings per share from continuing operations were 6.4p (FY19: 9.6p), down 33.3% on the prior year. On a statutory basis, earnings per share from continuing operations were 0.6p (FY19: 5.6p), a decrease of 89.3%. The sharp drop was driven by the level of exceptional items in the year.

**Underlying earnings are stated before exceptional and other items; see note 2 & 4.*

Dividends
Pre-COVID-19, Air Partner's stated dividend policy targeted cover of between 1.5 and 2.0 times underlying earnings per share. On 18 March 2020, the Company announced that it was seeking to preserve cash and to maintain sufficient working capital in the business to support customer demand through the COVID-19 crisis. Accordingly, the Board has chosen not to pay a final dividend for the financial year ending 31 January 2020. The Board is committed to paying dividends and intends, as soon as practicably possible, to resume payments once it has more clarity on future financial performance.

Statement of financial position

Shareholders' funds
After considering the profit for the period, dividend payments, exchange rate differences, the acquisition of Redline funded by bank debt and the introduction of IFRS 16 Leases (the impact of which is described further on), overall shareholders' funds at 31 January 2020 were £9.2m, representing a decrease of £2.5m on the position at 31 January 2019 (£11.7m). In summary, the decrease has been driven by the level of non-cash exceptional items resulting in a profit lower than the dividend payments to shareholders.

Acquisition of Redline
Redline was acquired in December 2019 for a total headline consideration of up to £10.0m on a debt free, cash free basis, with an initial outlay of £8.0m on completion. An additional consideration of up to £2.0m is payable over two years post completion. The acquisition was funded from the Company's existing cash and debt facilities and the issue of new ordinary shares to the operational management shareholders of Redline. The effect of the acquisition on the statement of financial position is reflected in the below review. For further details, refer to note 13.

Goodwill and intangibles
During the year goodwill increased by £1.9m. This was driven by the recognition of £3.8m of goodwill relating to the Redline acquisition, although this was partially offset by the £1.9m impairment charge relating to SafeSkys. The impairment of SafeSkys is due to the decision following the acquisition of Redline to delay the launch of the wildlife hazard management app and the decision to not further expand into the air traffic control market (refer to note 8).The carrying value of goodwill is now £8.6m (FY19: £6.7m).

Intangible assets arising from business combinations are assessed at the time of acquisition in accordance with IFRS 3 and are amortised over their expected useful life. This amortisation is excluded from underlying profits. £7.5m of intangible assets were recognised on acquisition of Redline, relating to customer relationships and customer contracts (£6.1m) and software development (£1.4m).

Other intangible assets comprise software development costs. In the period, we spent £0.4m on rolling out the customer relationship management system and a new booking tool for the Charter division. Both these projects are expected to go live in FY21.

Other balances
Movements in other balances within the statement of financial position reflect the trading results of the period.

Excluding the right of use assets as described in the IFRS 16 Leases section below, the Group has property, plant and equipment totalling £1.0m (FY19: £0.9m). Capital expenditure in the period was £0.5m (FY19: £0.1m) on property, plant and motor vehicles for delivering the wildlife hazard management contracts and £0.4m (FY19: £0.4m) on software.

Working capital saw an unfavourable movement of £0.7m in the period due to reductions in receivables and payables of £1.6m and £2.3m respectively. This was driven by the cash payment to the operator for the Wuhan repatriation flight, which happened close to year end.

Deferred consideration has been recognised as a current and non-current liability of £2.3m, including an implied interest charge in relation to the Redline acquisition.

Cash generation and net debt
Operating cash from trading activities after investment in capital expenditure and software was £8.2m. However, the adoption of IFRS 16 accounts for £5.4m of this amount, with lease payments that were previously reported within operating cash flows now reported within cash flows from financing activities. Excluding the presentational change as a result of IFRS 16, cash flows from trading activities after investment and software was £2.8m (FY19: £2.7m).

Net debt (cash offset by bank debt) was £6.9m versus net cash on the same basis of £2.0m. The level of debt has increased to fund the acquisition of Redline in December 2019 for an initial headline price of £8.0m.

JetCard cash deposits decreased by £1.0m, offset by a reduction in liabilities in deferred revenue.

Exchange rates
The results of overseas operations are translated into Sterling at average exchange rates. The net assets are translated at period end rates. The principal exchange rates, expressed in terms of the value of Sterling, are shown in the following table.

	Average rates			Period end rates		
	31 January 2020	31 January 2019		31 January 2020	31 January 2019	
USD	1.28	1.32	USD strengthened by 3.0%	1.32	1.31	USD weakened by 0.8%
EUR	1.14	1.13	EUR weakened by 0.9%	1.19	1.14	EUR weakened by 4.4%

Bank facilities
During the year, the Group renegotiated its debt facility with NatWest to support the acquisition of Redline. The Group now has total debt facilities of £14.5m (FY19: £9.0m) comprising a RCF of £13.0m (FY19: £7.5m) and a £1.5m overdraft.

As at 31 January 2020, £11.5m of the RCF was drawn down (FY19: £5.5m) and the overdraft was not utilised. The facility attracts an interest rate of 2.6% plus LIBOR and is repayable in February 2023.

Accounting policies and recent accounting developments
The accounts in this report are prepared under International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU). The accounting polices used in preparing these accounts are set out in note 2.

IFRS 16 Leases
The Group has adopted IFRS 16 retrospectively from 1 February 2019 but has not restated comparatives for the prior period as permitted under the specific transitional provisions in the standard.

The impact on the statement of financial position at 1 February 2019 was to add right of use assets of £11.5m, lease liabilities of £11.8m and a reduction in other liabilities of £0.1m, resulting in a reduction in reserves of £0.2m. The right of use assets included an aeroplane used in our Italian business at £8.8m, fixtures, fittings and equipment at £1.4m, short leasehold property and leasehold improvements at £1.2m and intangible assets of £0.1m.

The impact on the income statement as at 31 January 2020 has been to decrease cost of sales and overheads by a combined £0.3m but increase the interest charge by £0.3m, therefore having a negligible impact on profit.

The reclassification of lease payments from operating expenses to depreciation, interest and repayments of finance lease liabilities has resulted in a £5.4m increase in cash generated from operating activities. The increase is offset by a matching increase in net cash used in financing activities.

The impact on the statement of financial position has been to add right of use assets of £6.8m and lease liabilities of £7.3m with a reduction in reserves of £0.2m. The residual balance of £0.3m is due to the right of use assets acquired as part of the acquisition of Redline and is recognised in the acquisition accounting. This adverse effect on reserves will reverse out over the remaining period of the leases.

Within current liabilities in the statement of financial position is a £4.2m charge relating to the right of use of an aircraft based in Italy. At the time of signing the accounts, given the impact of COVID-19, the Directors have negotiated a payment holiday relating to the Italian contract effectively, moving the £4.2m of payments due into the next financial year. This aircraft is used in Air Partner's tour operations business.

Please refer to note 16, *Changes in accounting policy,* for further detail.

Treasury and risk management

Foreign currency effects

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

Financial risks

The main financial risks faced by the Group are credit risk, foreign currency risk, interest rate risk and liquidity risk. The Directors regularly review and agree policies for managing these risks.

Credit risk is managed by monitoring limits and payment performance of counterparties. The Directors consider the level of general credit risk in current market conditions to be higher than normal. Where a customer is deemed to represent a level of credit risk, terms of trade are modified to limit the Group's exposure.

Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure.

Interest rate risk is managed by holding a mixture of cash and borrowings in Sterling, US Dollar and Euro at fixed and floating rates of interest.

Liquidity risk is managed by the Group having access to a RCF, which can be used for working capital means, and a moderate overdraft facility to provide short-term flexibility.

Going concern

COVID-19 has increased the level of uncertainty surrounding the future trading environment for the Group. Whilst performance in the first quarter of FY21 has been very strong and in turn the Group's normalised net cash position was positive at £1.7m, with available headroom of £16.2m, there remains uncertainty over the trading performance for the rest of the year.

Accordingly, the Directors have undertaken a thorough assessment in evaluating going concern considering a number of scenarios and sensitivities. The going concern was assessed by reference to cash forecasts through to May 2021, which reflect a cautious view of trading activity across the Group's divisions, and further sensitivities have then been applied to reflect a slower recovery in underlying performance from the COVID-19 pandemic. Banking covenants were assessed throughout this period and a precautionary step was taken to obtain banking covenants waivers for the period starting in October 2020 through until April 2021. These waivers have been granted by our lenders. All scenarios tested showed no reasonably foreseeable risk of the Group not maintaining sufficient liquidity. In addition, steps were taken to deal with the economic impact of the COVID-19 pandemic, including reviewing credit terms, cost cutting measures and utilising government support for staff costs where appropriate.

From the results of this activity the Directors believe that the Group is well placed to manage its business risks and, after reviewing in detail the current financial position, including factors affecting its cost base, and the availability of financing facilities and forecasts for a period of not less than 12 months from the date of approval of these financial statements, are satisfied that the Group has adequate resources to continue in business for the foreseeable future and that the Company is a going concern.

Joanne Estell
Chief Financial Officer

Forward-looking statements

Announcements issued by Air Partner plc may contain forward looking statements, indicated by words such as "aims", "believes," "expects", "intends," and similar expressions. These statements reflect current views and expectations up to the date of approval of this statement and are made in good faith by the directors. Unless otherwise required by laws, regulations or changes in accounting standards, Air Partner accepts no obligation to update these statements as a result of future events or new information subsequently obtained. New announcements will be made to the market as required under the Disclosure and Transparency Rules.

Trends and factors affecting the business

As of today, the world is in the midst of the COVID-19 pandemic. The aviation sector has been severely impacted on a global basis over recent months and, as a consequence, the environment in which we operate has changed dramatically. The impact of this change and uncertainty is likely to remain for the foreseeable future. Economic uncertainty affects corporate, government and individual customers and affects the quality of aircraft supply as operators consolidate or leave the market. These trends are outside the Group's control, but the strategy remains to diversify services to the addressable market and broaden the customer mix. We are closely following events as they develop and are working to ensure Air Partner prospers, whatever the future may hold for our industry.

Principal risks and uncertainties

In addition to the COVID-19 risks highlighted above, the Group continues to operate in a highly competitive market where there are number of inherent risks, including operational aviation related risks (such as quality and quantity of supply, adverse weather conditions, competitive pricing pressure and regulatory changes) and financial risks (such as foreign exchange and interest rate fluctuations, credit risk and liquidity and cash flow management).

In order to counteract the market challenges, the Company continues to diversify its revenue streams and acquire businesses that provide broader economic exposure, greater revenue visibility and operational synergies. Whilst this will have a positive impact, there is also a risk involving integration within the Group.

The Board reviews risks which may have a significant impact on the Group. The principal risks and uncertainties of the Group are detailed below.

Category	Risk description	Potential Impact	Controls/processes to mitigate	Areas of strategy impacted
Operational	**People**			
No change	• The challenge of creating an effective workforce through quality business leaders who engender a results-orientated culture and foster creativity. • Attracting new talent and retaining existing key staff who have in-depth knowledge of the business and industry.	• Inability to attract and retain key individuals leading to a loss of earnings and key customer/supplier contacts. • The loss of key personnel following acquisitions may impact	• Leadership development programme launched. • New vision and values defined for the organisation. • Annual performance management reviews using best practice processes.	• Customers. • Developing and retaining our people. • Growing organically. • Broadening our offer.

	• Our people are our competitive advantage especially around sector knowledge, key customer relationships and technical expertise in the aviation industry. • A more recent challenge has been keeping the workforce effective whilst ensuring their safety during the COVID-19 pandemic. It is expected that there will also be challenges in remobilising the workforce once normal working practices resume. This applies to both staff who have been furloughed and staff who remained.	performance and value. • Risk impact concerning COVID-19 relates to a loss of productivity, high sickness rates and employee fatigue.	• Remuneration packages evaluated regularly against market trends. • Diversity and inclusion initiatives are in place and delivering results. • Investment to build a learning organisation with a focus on culture, reward and recognition. • Regular town hall forums to communicate the business strategy and performance. • Emergency response plan to restrict the effect of COVID-19 on the workforce, including furloughing and the implementation of safety measures. • Design of plan to reintroduce staff to the working environment post COVID-19. **Owner: Craig Pattison, Chief People and Technology Officer**	
Environment and market Increased	**Changing market environment** • Air charter bookings can be materially impacted by changes in financial markets, political instability and natural events affecting the movement of people or cargo. • The financial challenges to operators and the consequent availability of capacity continues to be a factor in the market. • Safety & Security are largely stable trading environments with predicable industry needs resulting from mandated regulatory requirements. Fluctuations occur from major security incidents from acts of unlawful interference and acts of terrorism resulting in greater demand for new	• The inherent risk of the limited visibility of future bookings and contraction of charter availability may result in reduced gross profit and a cost structure that does not align with market conditions. • The risk of long-term social distancing and the sporadic peaks around the global pandemic of COVID-19 could result in a laboured return to normal air travel and reduced levels of trading into 2021. Safety & Security is well placed to adopt and grow in a new aviation environment, largely down to its ability to deliver	• We have a large customer base that is diversified across business sectors. We also have a strong network of suppliers across geographic regions. This allows for some ‘smoothing’ when there are seasonal or sectorial changes in demand. • Air Partner actively seeks to improve the forward visibility of its earnings by investing in the growth of its Safety & Security division. To this end, Redline Worldwide Limited was acquired in December 2019, which has strong order book coverage through long-term contracts and strong customer relationships. See acquisition note 2. This will help smooth	• Customers. • Maintaining brand value. • Growing organically.

	equipment, training and quality assurance. • COVID-19 has created additional uncertainty around the future of the market. Whilst there has been some increase in demand for certain products and services in the short term, future demand and the availability of operators cannot be predicted.	many of its services through its technology investments using e-Learning, virtual classrooms and digital security and safety platforms, amongst others.	the inevitable peaks and troughs in the Charter division. • We continue to focus on overheads relative to our revenues and take corrective action where necessary. • We are monitoring the marketplace and assessing indications of changes due to COVID-19. **Owner: Kevin Macnaughton, Managing Director, Charter** **David McCown, President, Air Partner Americas** **Paul Mason, Managing Director, Safety & Security**	
Environment and market Increased	**Market disruption** **(including climate change concerns and the COVID-19 pandemic)** • The challenge of retaining and attracting customers in a highly competitive environment with low barriers to entry (in Charter). • The risk of falling behind competitors in product development, technology innovation, standards of service or cost effectiveness. • The impact of customers' concerns in respect of air travel on the environment, in particular private jets, and the possible reduction in demand. • The impact on the aviation industry if there are governmental and regulatory changes in respect to the climate change agenda. • Restrictions and the reduction in air travel as a result of concerns over the spread of COVID-19. It is not known how long this may impact the	• The Group's ability to maintain and grow revenues and gross profit could be adversely affected.	• We continue to invest in improving the customer experience of Air Partner, relative to peers, and review technology innovations in the sector. • We actively seek feedback and undertake customer surveys to ensure we remain responsive to customer demands, relative to competitors. • Our Marketing division has completed a rebranding exercise during the year and is in the process of rolling this out across the Group. This should help customer retention and attract new customer propositions. • We are considering further measures to ease climate change concerns, including carbon offsetting opportunities. Any changes in regulations may be an opportunity for our Safety & Security division. • We are introducing measures in order to mobilise quickly to	• Customers. • Growing organically.

	market and what the recovery will look like.		meet market demand driven by the effect of COVID-19 and post COVID-19 when restrictions are eased. **Owner: Kevin Macnaughton, Managing Director, Charter** **David McCown, President, Air Partner Americas** **Paul Mason, Managing Director, Safety & Security**	
Operational Increased	**IT systems and cybersecurity** • Cyber-attacks seeking to compromise the confidentiality, integrity and availability of IT systems and the data held on them are an increasing risk. • Risks from social engineering and potential losses through fraud and theft. • The dependency on resilient IT systems and good security awareness has been heightened due to COVID-19 as fraudsters have looked to capitalise on the situation.	• Breaches of confidentiality and attacks on the Company's assets could affect customer service, financial performance and reputation. • Systems failure could result in business interruption and lost revenue. • Financial losses through payment deception.	• The Group uses modern IT systems and ensures that they are well maintained and upgraded regularly to mitigate the risk of failure. • Investment in training and resources to counteract cyber threats. • Our business resilience is underpinned by our technology and geographical spread, which allow our business to be operated and maintained from any of our locations. • In case of an outage, external contingency arrangements are tested on a regular basis. • The Group has cyber insurance to mitigate the impact of any cyber-related losses. • Reinforcement of good IT security measures to be observed by staff during homeworking due to COVID-19. **Owner: Craig Pattison, Group People and Technology Officer**	• Customers. • Maintaining brand value.
Strategic Increased	**Growth - geographical expansion, acquisitions and integration risk**	• Business growth puts pressure on all resources in an organisation that may not have had	• Detailed due diligence undertaken with appropriately skilled personnel, supported	• Broadening our offer. • Customers.

	• Our growth strategy is one of organic growth and complementary acquisitions in aviation services. Growth presents both a risk and an opportunity. • We have opened new offices in Houston, Singapore and Dubai over the last financial year and continue to consider other locations and opportunities. The risk here is that the investment does not deliver the expected returns relative to the business case. • We may invest funds and resources in acquisitions which fail to deliver on expectations due to incorrect due diligence or poor execution post acquisition. In 2019, we acquired Redline Worldwide Limited to complement our existing Consulting & Training business, which we have now renamed Safety & Security.	the time to scale up or adequately plan for the change. • Poor acquisitions lead directly to financial damage and indirectly to reduced shareholder confidence. • Financial performance suffers from goodwill or other impairment charges. • Newly acquired businesses deliver less value or require more investment than anticipated.	internally and externally as required. • Project teams are established with clear lines of responsibility and ownership. Ultimately the Board reviews progress on key strategic projects and post-completion reviews of both acquisitions and organic growth initiatives. • Appropriate representations and warranties negotiated, commensurate with target's size and risk profile. • Detailed integration plans drawn up with key accountabilities. • Post-acquisition reviews conducted to capture key learnings for future acquisitions and business cases. **Owner: Mark Briffa, CEO**	• Growing organically.
Compliance and internal controls No change	**Regulatory environment, ethics and compliance** • The challenge of operating in multiple jurisdictions that are subject to many different and evolving laws and regulations. • We have c.450 employees in a number of countries. Individuals may not all behave in accordance with the Company's values and ethical standards. • We operate in markets requiring strict adherence to laws such as: bribery and corruption; international trade laws; and General Data Protection Regulation (GDPR).	• Non-compliance with regulations could result in loss of customers or damage to the Group's reputation. • Ethics or compliance breaches cause harm to our reputation, financial performance, customer relationships and ability to attract and retain talent.	• The Group has dedicated legal resources supplemented by external support arrangements to ensure the management team fully understands current and future legal and regulatory risk. • The implementation of the Group's compliance programme is a regular agenda item at both Board and Audit and Risk Committee meetings. • During the year, we have introduced a new tool to improve how we review and monitor our 'Know Your Customer' processes and delivered training in our main business locations. We have enhanced how we train our staff in areas	• Customers. • Developing and retaining our people. • Maintaining brand value.

			such as general data protection, market abuse regulation and share dealing, confidentiality, conflicts of interest, whistleblowing, trade compliance and money laundering. **Owner: Judith Banks, General Counsel and Company Secretary**	
Contractual and counterparty No change	**Supplier and operators** • Reliance on third parties for delivery of services to end customers. • Operator compliance with relevant regulations. • Financial exposure if customers fail to pay for Charter services after Air Partner has paid the operators in advance of flight take-off, which is customary practice in the industry. • During COVID-19, there has been an increased focus on contractual and counterparty risks as staff have operated to shorter timescales and, in some cases, urgent demand.	• Failure of aircraft or operator chartered by Air Partner. • Loss of customers and revenues. • Loss of earnings and cash impact. • Negative reputational ramifications.	• We have an approved list of aircraft that we charter on behalf of our customers, ensuring that the best and most appropriate aircraft is used. • Air Partner's approved list is continually screened, assessed and benchmarked to ensure every aircraft meets all our stringent tests, as well as all third-party requirements and independent assessments. • The Group constantly monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. • It is the Group's policy that all counterparties which wish to trade on credit terms are subject to an external credit verification process before and during the business relationship. • Where appropriate, we also aim to use third-party bank guarantees instead of cash deposits. • We are monitoring the resilience of operators and ensuring key contracting controls are observed during the COVID-19 pandemic.	• Customers. • Maintaining brand value. • Growing organically.

			Owner: Kevin Macnaughton, Managing Director, Charter **David McCown, President, Air Partner Americas**	
Financial performance Increased	**Financial management and performance** • There is a foreign exchange risk as we buy and sell goods and services in currencies other than Sterling, particularly with regard to the US Dollar and Euro rates. • There is both a credit and liquidity risk in paying operators before a flight occurs or before payment is received from the customer. • We need to always ensure we have sufficient cash and banking facilities to respond quickly to market conditions and investment opportunities as they arise (i.e. acquisition and business expansion). • The financial pressures of COVID-19 have caused an increased focus on cash and liquidity.	• Loss of earnings.	• The Group's policy on foreign currency risk is not to enter into forward contracts until a firm contract has been signed. Furthermore, Air Partner considers using derivatives where appropriate to hedge its exposure to fluctuations in foreign exchange rates. The purpose is to manage the currency risks arising from the Group's operations. • The Group aims to mitigate credit and liquidity risk by making payments to operators only once payment from the customer has been received, where possible. • Regular monitoring of cash and investment in banking relationships, creating a culture of cash management across the organisation. **Owner: Joanne Estell, CFO**	• Customers. • Maintaining brand value. • Growing organically.
Compliance and internal controls No change	**Effective control environment** • Ensuring appropriate and effective controls and risk management frameworks are embedded in our changing business.	• Loss of earnings. • Damage to brand reputation and stakeholder trust.	• Our risk management and internal control framework is overseen by the Audit and Risk Committee (ARC). The Head of Risk and Assurance supports the ARC and is responsible for the internal audit function. • We have introduced measures to track the implementation of agreed control improvements. • We have a number of automated initiatives currently underway to enhance operational and financial controls.	• Maintaining brand value.

			Owner: Mark Briffa, CEO **Joanne Estell, CFO**	
Environment and market Decreased	**Concerns over Brexit and levels of uncertainty** • During 2019, there was continued uncertainty around the UK's exit from the EU (Brexit), and the implications this would have for both the UK and aviation markets. • The uncertainly directly impacted the Charter business as organisations delayed key flying decisions and activities.	• Financial loss. • Business interruption.	• Senior management and the Board have regularly considered the potential impact of the UK's withdrawal from the EU. • While the full implications and consequences will not be understood and experienced until later in 2020, the Group continues to regularly monitor the economic indicators of the markets in which it trades, and is experienced in implementing appropriate mitigating actions. • The Group has strong relationships with technical specialists and regularly liaises with them to ensure that the Group is well placed to react to legislative or other changes that occur as a result of Brexit. **Owner: Kevin Macnaughton, Managing Director, Charter** **Paul Mason, Managing Director, Safety & Security**	• Growing organically

Related party transactions

There has been no significant change in the level of transactions between Air Partner plc and its subsidiaries since that disclosed in the annual report for the year ended 31 January 2019. Such transactions did not materially affect the financial position or performance of the Group in the period under review. There are no other related party transactions which are required to be disclosed under DTR 4.2.8R.

Consolidated income statement

for the year ended 31 January 2020

Continuing operations	Note	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Gross transaction value (GTV)	2	**236,816**	273,348
Revenue	2	**66,664**	77,461
Gross profit	3	**34,158**	35,458
Administrative expenses before exceptional and other items		**(29,180)**	(29,039)
Exceptional and other items	4	**(3,296)**	(2,445)
Total administrative expenses		**(32,476)**	(31,484)
Net impairment losses on financial assets		**(205)**	(413)
Operating profit		**1,477**	3,561
Operating profit before exceptional and other items		**4,773**	6,006
Finance income		**71**	32
Finance costs		**(612)**	(224)
Finance costs – net		**(541)**	(192)
Profit before income tax		**936**	3,369
Profit before income tax and exceptional and other items		**4,232**	5,814
Income tax expense	5	**(633)**	(484)
Profit for the year		**303**	2,885
Attributable to:			
Owners of the parent company		**303**	2,885
Earnings per share:			
Continuing operations			
Basic	7	**0.6p**	5.6p
Diluted	7	**0.6p**	5.4p

Consolidated statement of comprehensive income

for the year ended 31 January 2020

	Note	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Profit for the year		**303**	2,885
Other comprehensive (expense) / income – items that may subsequently be reclassified to profit or loss:			
Adoption of IFRS 16	16	**(167)**	—
Exchange differences on translation of foreign operations		**(403)**	26
Total other comprehensive (expense) / income		**(570)**	26
Total comprehensive (expense) / income for the year		**(267)**	2,911
Attributable to:			
Owners of the parent Company		**(267)**	2,911

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 31 January 2020

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares reserve £'000	Translation reserve £'000	Retained earnings £'000	**Total equity £'000**
Opening equity as at 1 February 2018 (as restated)	522	4,814	295	(748)	1,038	5,487	**11,408**
Profit for the year	—	—	—	—	—	2,885	**2,885**
Exchange differences on translation of foreign operations	—	—	—	—	26	—	**26**
Total comprehensive income for the year	—	—	—	—	26	2,885	**2,911**
Transactions with owners of the Company:							
Share option charge in the year	—	—	—	—	—	252	**252**
Share options exercised during the year	—	—	—	422	—	(422)	**—**
Dividends paid (note 6)	—	—	—	—	—	(2,890)	**(2,890)**
Total transactions with owners of the Company	—	—	—	422	—	(3,060)	**(2,638)**
Closing equity as at 31 January 2019	522	4,814	295	(326)	1,064	5,312	**11,681**

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares reserve £'000	Translation reserve £'000	Retained earnings £'000	**Total equity £'000**
Opening equity as at 1 February 2019	522	4,814	295	(326)	1,064	5,312	**11,681**
Adoption of IFRS 16[1]	—	—	—	—	—	(167)	**(167)**
Profit for the year	—	—	—	—	—	303	**303**
Exchange differences on translation of foreign operations	—	—	—	—	(403)	—	**(403)**
Total comprehensive expense for the year	—	—	—	—	(403)	136	**(267)**
Transactions with owners of the Company:							
Issue of shares	13	1,081	—	—	—	(435)	**659**
Share option charge for the year	—	—	—	—	—	59	**59**
Share options exercised during the year	—	—	—	168	—	(146)	**22**
Dividends paid (note 6)	—	—	—	—	—	(2,961)	**(2,961)**
Transactions with owners of the Company	13	1,081	—	168	—	(3,483)	**(2,221)**
Closing equity as at 31 January 2020	535	5,895	295	(158)	661	1,965	**9,193**

1 Please refer to note 16 – *Changes in accounting policy*, for further details about the adoption of IFRS 16

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
as at 31 January 2020

	Note	**31 January 2020 £'000**	31 January 2019 £'000
ASSETS			
Non-current assets			
Goodwill	8	**8,641**	6,750
Other intangible assets		**11,872**	4,882
Property, plant and equipment		**7,698**	855
Deferred tax assets		**284**	365
Total non-current assets		**28,495**	12,852
Current assets			
Trade and other receivables	9	**18,801**	19,062
Current tax assets		**318**	313
JetCard bank balances		**16,742**	17,692
Other cash and cash equivalents		**4,633**	7,462
Total cash and cash equivalents	10	**21,375**	25,154
Total current assets		**40,494**	44,529
Total assets		**68,989**	57,381
LIABILITIES			
Current liabilities			
Trade and other payables	11	**(5,669)**	(8,044)
Current tax liabilities		**(627)**	(593)
Other liabilities	12	**(5,014)**	(3,736)
Deferred income and JetCard deposits		**(24,658)**	(25,412)
Derivative financial instruments		**(39)**	(8)
Lease liabilities		**(5,448)**	—
Deferred consideration		**(1,318)**	(800)
Provisions		**(469)**	(689)
Total current liabilities		**(43,242)**	(39,282)
Net current (liabilities) / assets		**(2,748)**	5,247
Non-current liabilities			
Borrowings		**(11,500)**	(5,500)
Lease Liabilities		**(1,860)**	—
Deferred consideration		**(982)**	—
Deferred tax liability		**(1,819)**	(700)
Provisions		**(393)**	(218)
Total non-current liabilities		**(16,554)**	(6,418)
Total liabilities		**(59,796)**	(45,700)
Net assets		**9,193**	11,681
EQUITY			
Share capital		**535**	522
Share premium account		**5,895**	4,814
Merger reserve		**295**	295
Own shares reserve		**(158)**	(326)
Translation reserve		**661**	1,064
Retained earnings		**1,965**	5,312
Total equity		**9,193**	11,681

These financial statements were approved and authorised for issue by the Board of Directors on 22 May 2020 and were signed on its behalf by:

M A Briffa
Director

J E Estell
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 31 January 2020

	Note	Group **Year ended 31 January 2020 £'000**	 Year ended 31 January 2019 £'000
Cash generated from operations	14	**9,109**	3,097
– Interest received		**71**	32
– Interest paid		**(578)**	(224)
Income tax paid		**(898)**	(996)
Net cash inflow from operating activities		**7,704**	1,909
Investing activities			
– Purchases of property, plant and equipment		**(549)**	(136)
– Purchases of intangible assets		**(376)**	(351)
– Acquisition of subsidiaries		**(7,446)**	—
Net cash used in investing activities		**(8,371)**	(487)
Financing activities			
– Dividends paid to the Company's shareholders		**(2,961)**	(2,890)
– Proceeds on exercise of share options		**22**	—
– Repayment of finance lease liabilities		**(5,414)**	—
– Increase in borrowings		**6,000**	3,000
Net cash generated from/(used in) financing activities		**(2,353)**	110
Net (decrease) / increase in cash and cash equivalents		**(3,020)**	1,532
Opening cash and cash equivalents		**25,154**	23,193
Effect of changes in foreign exchange rates		**(759)**	429
Closing cash and cash equivalents		**21,375**	25,154

JetCard cash

The closing cash and cash equivalents balance can be further analysed into 'JetCard cash' and 'non-JetCard cash' as follows:

	Group **2020 £'000**	 2019 £'000
Total JetCard cash (see explanation below)	**16,742**	17,692
Non-JetCard cash	**4,633**	7,462
Cash and cash equivalents	**21,375**	25,154

JetCard cash is included on the cashflow as it does not meet the IFRS definition of restricted cash. JetCard cash is cash received from customers participating in the JetCard programme in advance of bookings being made. It is managed through segregated bank accounts set aside for these purposes and is not used for Air Partner's working capital needs.

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
for the year ended 31 January 2020

1 General information

Air Partner plc (the Company) is a public listed company which is listed on the London Stock Exchange and incorporated and domiciled in the UK under registration number 00980675. The address of the registered office is 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA. The nature of the Group's operations and its principal activities are set out in the 2020 Annual Report.

The condensed financial information set out herein does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 January 2019 have been delivered to the Registrar of Companies and those for the 2020 year end will be delivered following the Group's Annual General Meeting to be held on 15 July 2020.

The auditor's reports on the financial statements for the year ended 31 January 2020 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The 2019 financial statements were qualified solely in respect of the impact of the historical accounting issues affecting the comparative 2018 figures.

2 Accounting policies

a) Basis of preparation of financial statements

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

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) adopted for use in the European Union in accordance with EU law (IAS Regulation EC1606/2002) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which are stated at fair value, and are presented in Sterling, being the currency of the primary economic environment in which the Group operates. Unless otherwise stated, figures are rounded to the nearest thousand.

The Company's UK subsidiaries listed below are exempt from the requirements to audit their accounts under section 479A of the Companies Act 2006:

- Air Partner Aviation Services Limited, company number 03874833
- Air Partner Consulting Limited, company number 02070950
- Aviation Compliance Limited, company number 06545827
- Clockwork Research Limited, company number 05477740
- Redline Worldwide Limited, company number 09510974

Under section 479C of the Companies Act 2006, Air Partner plc, being the parent undertaking these entities, has given a statutory guarantee of all the outstanding liabilities to which the subsidiaries are subject to as at 31 January 2020.

Adoption of new and revised standards

The following new and revised standards and interpretations have been adopted in the current year.

- IFRS 16 Leases;
- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28;
- Annual Improvements to IFRS Standards '2015 – 2017' Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19; and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group has had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 February 2019. This is disclosed in note 16 – *Changes in accounting policy*. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The IASB and IFRS Interpretations Committee have issued the following standards and interpretations with an effective date of implementation for accounting periods beginning after the date on which the Group's financial statements for the current year commenced.

Effective after 31 January 2020	Effective for accounting periods beginning on or after	Endorsed by the EU
New standards		
IFRS 17 Insurance Contracts	1 January 2021	No

	Effective for accounting periods beginning on or after	Endorsed by the EU
Amendments		
IAS 1 Presentation of Financial Statements	1 January 2020	No
IAS 8 Accounting Policies	1 January 2020	No
References to the Conceptual Framework in IFRS Standards	1 January 2020	No

IFRS 17 is not applicable to the Group, as it does not issue insurance or investment contracts.

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

b) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the 2020 Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the 2020 Annual Report.

COVID-19 has increased uncertainty surrounding the future trading environment for the Group. Whilst performance in the first quarter of FY21 has been very strong, supported by additional Group Charter activity of repatriation flights and freight, there remains uncertainty over the trading performance for the rest of the year. Accordingly, the Directors have undertaken a thorough assessment in evaluating Going Concern. This has been assessed by reference to cash forecasts through to May 2021, which reflect a cautious view of trading activity across our divisions, and further sensitivities have then been applied to reflect a slower recovery in underlying performance from the COVID-19 pandemic.

The Directors have also assessed banking covenants throughout this period and taken the precautionary step to obtain waivers of our banking covenants for the periods October 2020 through until April 2021.These waivers have been granted by our lenders. In all scenarios tested there are no reasonably foreseeable downside scenarios where the Group would not maintain sufficient liquidity.

The Directors have taken steps to equip the Group to deal with the economic impact of the COVID-19 pandemic. These include reviewing credit terms, cost cutting measures and utilising government support for staff costs where appropriate. The Directors believe the steps detailed above and the strong cash position at the end of April 2020 mean the Group is well placed to manage its business and meet its liabilities as they fall due. In reaching this conclusion, the Directors have taken into account the risks identified in the Principal Risks and Uncertainties.

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

d) Foreign currency

i) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in GB Pounds (£), which is Air Partner plc's functional and presentation currency.

ii) Foreign currency transactions

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

iii) Translation of foreign operations in group consolidated financial statements

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

e) Goodwill

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

Goodwill denominated in currencies other than Sterling is revalued at the rate of exchange ruling at the statement of financial position date.

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

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

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

f) Intangible assets

Internally generated assets

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

- an asset is created that can be identified;
- management intends to complete the asset and use or sell it;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Amortisation is charged to the income statement so as to write off the cost of assets less their residual values over their estimated useful lives. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Other intangible assets

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

Brands	10%–50% per annum on a straight-line basis
Mandates/order book	over the life of the mandate
Customer contracts	over the life of the contract
Customer relationships	5%–33.3% per annum on a straight-line basis
Training materials	10% per annum on a straight-line basis
Software asset	20%–33.3% per annum on a straight-line basis

Right of use assets	over the life of the lease

The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similarly, the remaining useful life of intangible assets are reviewed and if any of those need to be shortened due to events or changes in circumstances then the amortisation charge is correspondingly increased to reflect the shorter life.

g) Property, plant and equipment

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

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

Short leasehold property	over the life of the lease on a straight-line basis
Leasehold improvements	over the life of the lease on a straight-line basis
Fixtures and equipment	10%–33% per annum on a straight-line basis
Motor vehicles	25% reducing balance and 20% per annum on a straight-line basis
Right of use assets	over the life of the lease

h) Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Financial instruments

Financial assets

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

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

Financial assets at fair value through profit or loss

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

Derivative financial instruments

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

Trade and other receivables and accrued income

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

Trade receivables

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

Provision for impairment of trade receivables has been made using an expected credit loss model in addition to any further specific provisions which are assessed on an individual receivable basis. Please refer to note 9 – *Trade and other receivables* for further details.

Other receivables

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

Accrued income

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

Cash and cash equivalents

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

The Group holds cash deposits as part of its JetCard programme. These deposits can be utilised by the customer at any time. The full policy for the treatment of these balances is set out in note 2s – *JetCard programme*.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost

The Group's financial liabilities at amortised cost comprise trade payables, other payables, accrued costs and borrowings. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. JetCard deposits are included within financial liabilities as they are contractually repayable upon demand.

Trade payables

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

Other payables

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

Accrued costs

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

Borrowings

Borrowings consist of an interest-bearing bank loan, which is recorded at amortised cost. Issue costs are amortised over the life of the loan.

Offsetting financial instruments

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

Equity instruments issued by the Group

An equity instrument is a contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group's equity instruments comprise share capital in the statement of financial position.

j) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value.

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

k) Revenue

Revenues are derived from aircraft chartering services, aircraft remarketing services, aircraft inspection services and the provision of aviation-related training and safety consulting services. In line with IFRS 15 Revenue from Contracts with Customers, where a contract has been determined as principal, the full amount of the invoice is recognised as revenue. Where Air Partner is not acting as principal, revenue is recognised on an agency basis and only gross profit, being the difference between the amount invoiced to the customer and the third-party costs incurred, is reported as revenue. Revenue is measured as the transaction price receivable for the provision of goods and services to third-party customers and is stated exclusive of value added tax and is only recognised when control has passed to the customer.

The different revenue streams are listed below and the segments the revenue will be included in as shown in note 3 – *Segmental analysis*.

Aircraft chartering services – Group Charter, Private Jets and Freight

Amounts receivable in respect of aircraft chartering services are recognised as revenue when the economic benefits are deemed to have passed to the customer, which is generally the flight date. This applies equally whether or not the customer is in the JetCard programme. In instances where the Group is acting as agent, the net amount receivable by the Group is recognised as revenue. The determination as to whether Air Partner is considered principal or agent in a contract depends on whether or not Air Partner is contractually obliged under the terms of the contract to provide the particular service.

Aircraft remarketing services – Group Charter

Air Partner Remarketing's (formerly Cabot Aviation Services Limited) principal activity is that of an aircraft remarketing broker. Fees earned in respect of these services are either recognised when legal title to the aircraft has passed to the customer or for termination of contract fees that the Group has a reasonable expectation to recover, based on work completed to date and the progress of the sale.

Aircraft inspection services – Safety and security

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

Provision of aviation-related training and safety consulting services – Safety and security

Baines Simmons Limited, Redline Aviation Security Limited, Clockwork Research Limited and SafeSkys Limited provide various aviation-related specialist training and consultancy services. Revenue is recognised by reference to the delivery of the services. Amounts in respect of unbilled services provided to customers are recognised as revenue at the statement of financial position date.

l) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for resource allocation and assessing performance of the operating segments, is considered to be the Board. The nature of the operating segments is set out in note 3 – *Segmental analysis*.

m) Share based payments

From time to time the Group will grant options to employees to subscribe for ordinary shares in the Company. The fair value of options granted is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to:

- the fair value of the option and grant date using an appropriate valuation model method;
- management's estimate of the likelihood that the non-market performance conditions will be achieved; and
- the impact of any non-vesting conditions (e.g. an employee leaving before the vesting period is finished).

The total expense is recognised over the vesting period in the income statement, which is the period over which all of the specified vesting conditions are to be satisfied. A credit is recorded within equity which corresponds to the income statement charge in each period. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

n) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense in the period in which the employees render service. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Air Partner SAS operates a defined benefit pension scheme and the liability of the scheme is recognised in the statement of financial position at the present value of the obligation at the statement of financial position date. The obligation is calculated annually by independent actuaries and actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised in full in the period in which they occur.

o) Taxation

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

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

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

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the reporting date.

p) Leasing

Until 31 January 2019, leases were classified as finance leases whenever the terms of the lease transferred all, or substantially all, of the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. Rental income or expenditure from operating leases was recognised on a straight line-basis over the lease term.

As explained in note 2a – *Basis of preparation of the financial statements,* above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described and the impact of the change is quantified in note 16 – *Changes in accounting policy*.

From 1 February 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

From 1 February 2019 the majority of leases of property, plant and equipment held by the Group as lessee, which had been classed as operating leases, were reclassified as finance leases. Finance leases were capitalised, at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

q) Dividends

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

r) Deferred income

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

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

In the charter business Air Partner generally invoices its customers in advance of the flight date. The value of these invoices is taken to deferred income and is only released to the income statement when the revenue is recognised at the time of the flight date on an invoice by invoice basis.

However IFRS 15 requires in cases where trade receivables are matched by deferred consideration, i.e. the flight has not yet taken place and the payment is not yet contractually due, that neither of those amounts is recognised in the statements of financial position. Therefore deferred income under IFRS 15 relates only to contracts where Air Partner has raised an invoice(s) to the customer and been paid for the same by the date of the statement of financial position.

s) JetCard programme

The JetCard programme is one where the customer purchases a JetCard in advance for their future flight requirements. The JetCard balance changes over time as the customer uses that balance for flights or replenishes it. The Company manages its JetCard cash balances through segregated bank accounts and it only uses this cash to satisfy JetCard orders not for its own working capital purposes, and for this reason JetCard cash is separately disclosed in the statement of financial position. The JetCard cash balances are assets of the Company, are included in the financial statements and are matched by equal JetCard deposit liabilities so the impact on net assets is nil.

Periodic reviews of the JetCard cash balances are performed to identify dormant or unutilised customer balances. A customer balance that has not had any activity within the last four years, be this usage (flights), cash top-up or refund, is followed up with the customer to understand the reason for the lack of activity. This follow-up would include seeking permission to return the funds and if this approval is not received after several attempts, and is fully evidenced and approved by the Head of Private Jets, the balance will then be recognised in the consolidated income statement. Full records of the historical balances are maintained and reconciled on a monthly basis.

The timing of revenue recognition is the same for flights chartered through the JetCard programme as that for other flights.

t) Gross profit

In the charter business segments the gross profit relating to a flight is calculated as being its charter price less all the direct costs associated with its fulfilment. It does not include the cost of Air Partner staff nor overheads.

In the training and consultancy business segment, gross profit is calculated as being the price of a contract less all the direct costs associated with delivering that contract including the costs of staff and contractors directly engaged in delivering the contracted service. It does not include the cost of other general Air Partner staff nor overheads.

u) Other non-GAAP measures

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

Operating profit before exceptional and other items and profit before tax before exceptional and other items are disclosed in order to present what the Directors consider the underlying performance of the Group.

The Directors believe that the underlying profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally and these are referred to in the Annual Report. The underlying profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

The adjustments made to reported profit before tax are to exclude the following:

- restructuring costs;
- significant and one-off impairment charges, non-recurring income and movements in provisions that distort underlying trading;
- costs relating to strategy changes that are not considered normal operating costs of the underlying business;
- acquisition related items, including acquisition costs and subsequent adjustments to deferred or contingent considerations recognised in the income statement;

- amortisation of intangible assets recognised on acquisition; and
- acquisition consideration classified as an employee cost under IFRS 3 Business Combinations.

v) Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected. Management also needs to exercise judgement in applying the Group's accounting policies.

Critical judgements in applying the Group's accounting policies

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

Revenue recognition

One of the key judgements in relation to revenue recognition is the judgement of whether the Group is acting as principal or agent in transactions with customers in its charter business. In making its judgement, management considers the detailed terms of sales transactions with customers in order to determine whether the Group is performing as the principal obligor. This assessment determines how revenue is recognised as either principal or agent in accordance with IFRS 15. Note 3 – *Segmental analysis*, gives a comparison of gross transaction value and revenue by revenue stream.

COVID-19 – post balance sheet event and going concern

The global economic impact of the COVID-19 pandemic has been assessed by the Directors for its potential impact on balances held at the year end date and on the going concern assessment.

The full macroeconomic impact of the pandemic was not apparent until after the balance date and the Directors have determined that it is not an adjusting post balance sheet event. The support for this decision is laid out in note 17 – *Post balance sheet events*.

The going concern assessment has accounted for the expected impact on trading over the coming year and steps management has taken to address this as detailed in note 17 – *Post balance sheet events* and note 2c – *Going concern*.

Exceptional item classification

Operating profit before exceptional and other items and profit before tax before exceptional and other items are disclosed in order to present what the Directors consider the underlying performance of the Group. The Directors exercise judgement over which costs are considered to be exceptional or other items and these are detailed in note 4 – *Exceptional and other items*. The Directors review all items included within this note to ensure they are in line with the policy set out in note 2u – Other non-GAAP measures. If these costs were not considered to be exceptional they would have a material impact on the underlying results of the Group.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as noted below.

Weighted average cost of capital calculation

The Group's weighted average cost of capital (WACC) is used as the discount rate in the calculating the present value of expected future cash flows in models for valuing intangible assets acquired on acquisition and impairment testing. WACC is reassessed at the end of each financial year.

The WACC is calculated as weighted average of the cost of equity and the cost of debt. The weighting is based on the market value of debt and equity at the balance sheet date. The cost of debt is based on the average rate on the Group's bank borrowing throughout the year. The cost of equity is based on market information supplied by the Group's brokers to assess expected risk and compared to similar listed companies on the market.

The Group has used a WACC of 8.65% (2019: 8.65%) for the current year. A decrease in WACC of 1% would have resulted in the following variances:

	Per accounts (WACC of 8.65%	WACC of 7.65%	Variance
	£'000	£'000	£'000

Intangible assets recognised on acquisition of Redline Worldwide Limited (note 13)	7,500	7,700	200
Goodwill recognised on acquisition of Redline Worldwide Limited (note 13)	3,644	3,478	(166)
Impairment of goodwill in SafeSkys Limited (note 8)	1,885	1,550	(335)

Acquisition accounting – customer relationships
Details of the acquisition of Redline Worldwide Limited are included in note 13 – *Acquisition of subsidiaries.* As detailed above, the values are impacted by the WACC discount figure used in determining the net present value of the cash flows relating to the intangible used. Assumptions relating to the consideration payable on acquisition are detailed in the acquisition note and are not considered to be material.

Customer relationships rely on additional assumptions to determine the forecast return. Revenue from individual customers and the margin expected has been based on historical performance and forecast income as per the information supplied by Redline Worldwide Limited and reviewed by Grant Thornton as part of the due diligence work.

The model then includes an annual reduction to forecast revenue for each customer each year for the probability that the customer will not be retained. The reduction is based on an annual probability and this compounds each year, reducing the potential uncertainty relating to more distant financial periods.

The probability for each customer is based on the length of the historical relationship, discussions with Redline management and due diligence undertaken by Grant Thornton. Increasing the loss probability for all customers by 5% would result in a reduction to the customer relationship asset of approximately £500,000 at the acquisition date with an offsetting increase in goodwill.

Impairment

Impairment calculations for goodwill and investments compare the values held at year end for each cash-generating unit (CGU) to the present value of discounted future cash flow. Cash flows are discounted at WACC.

The cashflow includes assumptions for future performance. The models are driven by gross profit. Operating expenses and tax are based on historical information; gross profit is considered to be the only material source of uncertainty. The forecast revenue is based on historical performance, the forecast for the subsequent fiscal year and the underlying strategy for that CGU. Forecasts beyond the subsequent fiscal year are conservative and assume a growth rate in line with long term economic forecasts.

An impairment has been booked during the year in relation to SafeSkys Limited. Sensitivity analysis for the key assumptions is set out in note 8 – Goodwill.

Provision for outflows resulting from French tax investigation
Air Partner International S.A.S. has undergone a prior year tax reassessment principally in relation to indirect taxes following which the French Tax Administration has raised a challenge on some treatments and has issued a demand for additional payment and fines. Air Partner International S.A.S. challenged a number of these demands and is currently in communication with the French Tax Administration.

A provision of £283,000 was made at the financial mid-year based on the most recent communication with the French Tax Administration and external legal advice. The provision has been reassessed at year end and determined not to require adjusting. Air Partner International S.A.S. has now provided a comprehensive response to the French Tax Administration and is awaiting further communication.

The provision remains Management's best estimate of the reassessment liability based on a thorough examination of the points raised in the review and expert legal advice of tax matters in France. Whilst the absolute range of outcomes could be materially different from the provision, management believes the chance of a material variance is negligible based on the most recent assessment.

Prior to the advent of COVID-19 it was expected the next stage of the inspection would be completed in summer 2020; however, this may now be delayed and final resolution of this matter is not expected for some time.

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

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

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

The Board does not review assets and liabilities at segmental level; therefore these items are not disclosed. The segmental information, as provided to the Board on a monthly basis, is as follows:

Year ended 31 January 2020 **Continuing operations**	Group Charter £'000	Private Jets £'000	Freight £'000	Safety & Security £'000	Corporate costs £'000	**Total £'000**
Gross transaction value	136,979	69,808	19,813	10,216	—	**236,816**
Revenue	26,434	25,233	4,781	10,216	—	**66,664**
Segmental gross profit	14,724	11,672	3,158	4,604	—	**34,158**
Administrative expenses and net impairment losses on financial assets	(11,598)	(9,104)	(2,921)	(3,703)	(2,059)	**(29,385)**
Depreciation and amortisation of non-acquired assets (included within administrative expenses)[1]	(1,168)	(253)	(68)	(137)	—	**(1,626)**
Operating profit before exceptional and other items	3,126	2,568	237	901	(2,059)	**4,773**
Exceptional and other items (see note 4)	(87)	34	—	(2,541)	(702)	**(3,296)**
Segment result	3,039	2,602	237	(1,640)	(2,761)	**1,477**
Finance income						**71**
Finance expense						**(612)**
Profit before income tax						**936**
Income tax expense						**(633)**
Profit for the year						**303**

[1] Depreciation of £4.6 m relating to right of use assets is included within gross profit.

Year ended 31 January 2019 **Continuing operations**	Group Charter £'000	Private Jets £'000	Freight £'000	Safety & Security £'000	Corporate costs £'000	Total £'000
Gross transaction value	147,766	66,550	50,526	8,506	—	273,348
Revenue	32,462	25,090	11,403	8,506	—	77,461
Segmental gross profit	15,937	10,404	4,891	4,226	—	35,458
Administrative expenses and net impairment losses on financial assets	(11,848)	(8,953)	(2,894)	(3,585)	(2,172)	(29,452)
Depreciation and amortisation of non-acquired assets (included within administrative expenses)	(398)	(265)	(124)	(107)	—	(894)
Operating profit before exceptional and other items	4,089	1,451	1,997	641	(2,172)	6,006
Exceptional and other items (see note 4)	(292)	—	—	(199)	(1,954)	(2,445)
Segment result	3,797	1,451	1,997	442	(4,126)	3,561
Finance income						32
Finance expense						(224)
Profit before income tax						3,369
Income tax expense						(484)
Profit for the year						2,885

The Company is domiciled in the UK but, due to the nature of the Group's operations, a significant amount of gross profit is derived from overseas countries. The Group reviews gross profit based upon the location of the business operations used to generate that gross profit. Apart from the UK, no single country is deemed to have material non-current asset levels other than there is goodwill in relation to the French operation of £936,000 (2019: £974,000) and right of use assets in Italy of £4,042,000 (2019: £nil).

The Board also reviews information on a geographical basis based on parts of the world in which it has business operations. As a result the following additional information is provided showing a geographical split of the UK, Europe, the USA and the Rest of the world based upon the location of the relevant business operation which contracts the business.

Continuing operations	UK £'000	Europe £'000	USA £'000	Rest of the world £'000	**Total £'000**
Year ended 31 January 2020					
Gross transactional value	89,322	97,534	49,197	763	**236,816**
Gross profit	17,427	8,732	7,826	173	**34,158**
Non-current assets (excluding deferred tax assets)	22,185	5,698	304	24	**28,211**

Year ended 31 January 2019					
Gross transactional value	103,146	109,357	60,097	748	**273,348**
Gross profit	17,426	9,915	8,067	50	**35,458**
Non-current assets (excluding deferred tax assets)	11,226	1,221	37	3	**12,487**

Europe can be further analysed as:

Continuing operations	France £'000	Germany £'000	Italy £'000	Other £'000	**Total £'000**
Year ended 31 January 2020					
Gross transactional value	26,206	24,599	23,489	23,240	**97,534**
Gross profit	1,994	4,091	1,416	1,231	**8,732**
Year ended 31 January 2019					
Gross transactional value	53,033	22,951	14,219	19,154	**109,357**
Gross profit	4,083	2,762	1,570	1,500	**9,915**

4 Exceptional and other items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. They are listed separately here to provide a better understanding of the financial performance of the Group.

Continuing operations	**2020 £'000**	2019 £'000
Changes in Board and operating board composition[1]	**(195)**	(396)
Costs relating to the accounting review and associated items[2]	**—**	(1,300)
Amortisation of purchased intangibles[3]	**(656)**	(376)
Acquisition costs[4]	**(604)**	—
Abortive acquisition costs[5]	**—**	(550)
Disposal of subsidiary[6]	**(4)**	—
Costs incurred and provision for outflows resulting from French tax investigation[7]	**(657)**	—
Impairment of Goodwill[8]	**(1,885)**	—
Settlement of historical legal disputes[9]	**389**	—
Release of deferred consideration[10]	**316**	177
	(3,296)	(2,445)
Tax effect of other items[11]	**233**	322
Exceptional and other items after taxation	**(3,063)**	(2,123)

1 Changes in Board composition in the prior year relate to the unforeseen costs of changing the Group's Chief Financial Officer; the costs of hiring of an Interim Chief Financial Officer; the recruitment costs for a new Chair following the untimely death of Peter Saunders and the costs of recruiting the Senior Non-executive Director. Following the accounting review in the prior year the Directors undertook an internal review of the Group Operating Board and determined that several roles were excess to requirements. The employees in these roles left during the year and have not been replaced. The level of Board changes and associated costs in both years were considered highly unusual and are not expected to recur in future periods.

2 The costs of the accounting review and associated expense relating to the accounting errors identified in prior years.

3 Relates to the amortisation of purchased intangibles.

4 The acquisition costs incurred in the year were in respect of the acquisition of Redline Worldwide Limited. Please see note 13 - *Acquisition of subsidiaries* for further details.

5 The abortive acquisition costs in the prior year primarily related to professional fees expensed in respect of potential acquisitions, which were abandoned due to the accounting review.

6 The Group disposed of Air Partner Nordic during the year. The expense relates to the costs incurred on winding up the company.

7 A provision of £283,000 has been made in the period in respect of indirect tax charges for a prior year tax reassessment in France. The provision is based on Management's best estimate of the reassessment liability after taking expert legal advice. Final resolution of this matter is not expected for some time. Legal fees and expense directly attributable to the tax investigation of £374,000 have been incurred in the year in connection with this matter.

8 The impairment of goodwill is in relation to SafeSkys Limited. Please see Note 8 – *Goodwill* for further details.

9 The Group successfully closed two historical legal disputes in the year resulting in the receipt of cash settlements in both cases. The income recognised is net of associated legal expenses.

10 The release of deferred consideration is in relation to SafeSkys Limited, where a settlement was reached for less than the amount provided for in the prior year's financial statements. The release of the deferred consideration in the prior year is in respect of Clockwork Research Limited, where no further deferred consideration was payable.

11 A tax credit has been included in the current year in respect of the changes in Board composition, the amortisation of purchased intangibles, the UK elements of the winding-up of Air Partner Nordic, the settlement relating to the accounting review and the consolidation element of the provision for outflows in relation to the French investigation.

5 Income tax expense

Continuing operations	**2020 £'000**	2019 £'000
Current tax:		
UK corporation tax	**620**	665
Foreign tax	**408**	289
Current tax adjustments in respect of prior years (UK)[1]	**(200)**	(563)
Current tax adjustments in respect of prior years (overseas)	**(208)**	40
	620	431
Deferred tax	**13**	53
Total tax	**633**	484
Of which:		
Tax on underlying profit	**866**	806
Tax on other items (see note 4)	**(233)**	(322)
	633	484

1 The current tax adjustment in respect of the prior years in the UK for the prior year includes a £409,000 credit in respect of the accounting issue adjustments made in the prior year's financial statements which has now been agreed with the tax authorities. This amount was anticipated and referred to in note 2a – Basis of preparation of financial statements and accounting restatement, in the 2018 Annual Report and Financial Statements.

Corporation tax in the UK was calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions was calculated at the rates prevailing in the respective jurisdictions.

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

	2020 £'000	2019 £'000
Profit from continuing operations before income tax expense	**936**	3,369
Income tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	**178**	641
Effect of changes in tax rates	**—**	—
Tax effect of items that are not recognised in determining taxable profit	**407**	81
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(158)**	57
Current tax adjustments in respect of prior years[1]	**(408)**	(657)
Deferred tax not recognised[2]	**603**	290
Options deductions	**11**	72
Total income tax expense	**633**	484

1 The current tax adjustment in respect of the prior years in the UK for the prior year includes a £409,000 credit in respect of the accounting issue adjustments made in the prior year's financial statements which has now been agreed with the tax authorities. This amount was anticipated and referred to in note 2a – Basis of preparation of financial statements and accounting restatement, in the 2018 Annual Report and Financial statements.

2 Deferred tax not recognised in the current year relates to tax losses carried forward in France and Italy that have not been recognised as deferred tax assets. Management have opted not to recognise these assets based on the expected economic impact of Covid 19 and therefore do not expect the losses to be useable in the foreseeable future. The assumption will be reassessed each year.

At the balance sheet date, a reduction to the UK corporation tax to 17% on 1 April 2020 had been substantively enacted on 16 October 2016. Deferred tax balances have been stated at this rate. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

6 Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to owners of the parent Company		
Final dividend for the year ended 31 January 2019 of 3.85 pence per share	**2,011**	—
Final dividend for the year ended 31 January 2018 of 3.80 pence per share	**—**	1,979
Interim dividend for the year ended 31 January 2020 of 1.80 pence per share	**950**	—
Interim dividend for the year ended 31 January 2019 of 1.75 pence per share	**—**	911
	2,961	2,890

Due to the issues faced by the aviation industry as a result of the Coronavirus, the Board expects that it will not be in a position to make a recommendation on dividend payments until the crisis has passed, and a clearer outlook has emerged.

The Air Partner Employee Benefit Trust, which held 69,928 ordinary shares of 1 pence each at 31 January 2020 (2019: 146,883 ordinary shares of 1 pence each) representing 0.13% (2019: 0.28%) of the Company's issued share capital, is not entitled to receive dividends. A further 90,910 ordinary shares of 1 pence each (2019: 181,820 ordinary shares of 1 pence each) are also held by the Trust in a nominee capacity for one (2019: one) beneficiary of the Trust but dividends are received in respect of those shares.

7 Earnings per share

Earnings per share	**2020 Pence**	2019 Pence
Continuing operations		
Basic	**0.6**	5.6
Diluted[1]	**0.6**	5.4

Earnings per share	**2020 Pence**	2019 Pence
Excluding exceptional and other items		
Basic	**6.4**	9.6
Diluted	**6.3**	9.4

From continuing operations	**2020 £'000**	2019 £'000
Earnings		
Profit attributable to owners of the parent Company	**303**	2,885
Adjustment to exclude exceptional and other items[1]	**3,063**	2,123
Underlying earnings for the calculation of basic and diluted earnings per share	**3,366**	5,008

1 The calculation of underlying earnings per share (before exceptional and other items) is included as the Directors believe it provides a better understanding of the underlying performance of the Group. Exceptional and other items are disclosed in note 4 – *Exceptional and other items*.

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

Weighted average number of ordinary shares	**2020 Number**	2019 Number
Issued and fully paid	**52,756,188**	52,217,565
Less those held by the Air Partner Employee Benefit Trust	**(85,952)**	(239,888)
Number for the calculation of basic earnings per share	**52,670,236**	51,977,677
Effect of dilutive potential ordinary shares: share options	**844,022**	1,399,368
Number for the calculation of diluted earnings per share	**53,514,258**	53,377,045

8 Goodwill

Group	**£'000**
Cost	
At 1 February 2018	**6,753**
Foreign currency adjustments	**(3)**
At 31 January 2019	**6,750**
Additions	**3,814**
Foreign currency adjustments	**(38)**
At 31 January 2020	**10,526**
Provision for impairment	
At 1 February2018 and 31 January 2019	**—**
Charge for the year	**(1,885)**
At 31 January 2020	**(1,885)**
Net book value	
At 31 January 2020	**8,641**
At 31 January 2019	**6,750**
At 1 February 2018	**6,753**

The additions in the year related to the acquisition of Redline Worldwide Limited (see note 13 – *Acquisition of subsidiaries*) for £3,644,000. An adjustment of £170,000 for SafeSkys Limited was made during the year following finalising the settlement of the amount payable on acquisition.

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

	2020 £'000	2019 £'000
Air Partner International S.A.S.[1]	**936**	974
Baines Simmons Limited	**1,711**	1,711

Cabot Aviation Services Limited	**787**	787
Clockwork Research Limited	**396**	396
Redline Worldwide Limited	**3,644**	—
SafeSkys Limited	**3,052**	2,882
	10,526	6,750

1 The goodwill held in respect of Air Partner International S.A.S. arose in the local currency of Euros and therefore the amount expressed in sterling varies depending on exchange rates

Impairment testing

Goodwill and other intangibles are tested for impairment at least annually or when there is an indication that the carrying value may not be recoverable. Value in use is calculated as the net present value of the projected risk-adjusted cash flows of the cash-generating unit (CGU). These forecast cash flows are based on the 2021 budget and the five-year strategic plan. The impairment models will include sensitivity testing to ascertain whether a reasonable change in the underlying assumptions could indicate an impairment.

Management's annual impairment test identified an impairment in respect of SafeSkys Limited. No impairment was identified in respect of the following CGUs:

- Air Partner International S.A.S.;
- Baines Simmons Limited;
- Cabot Aviation Services Limited
- Clockwork Research Ltd; and
- Redline Worldwide Limited.

As an impairment has been recorded against SafeSkys Limited, any further adverse change in assumptions would give rise to a further impairment in value. Sensitivity analysis is provided below. There is no reasonably foreseeable change in assumptions that would give rise to an impairment in value of the other goodwill balances.

Impairment testing assumptions

Based on the impairment testing of SafeSkys Limited, management identified a potential impairment as at 31 January 2021. The key assumptions used in the value in use calculation for SafeSkys Limited and all other CGUs were:

- sales: projected sales are built up in line with the strategic business plan;
- margins: reflect the anticipated margins within the strategic business plan;
- discount rate: an exercise has been undertaken to review the discount rate resulting in a post-tax discount rate of 8.65%; and
- long-term growth rates: growth rates for the period after the detailed forecasts are based on the long-term GDP projections, which is 2%.

The assumptions used in the impairment testing model were as follows:

Basis of valuation	Value in use
Discount rate	8.65%
Period covered by management projections	5 years
Long-term growth rates	2.0%

Sensitivity 1

A further reduction on forecasted operating profit of 10% each year to account for non-renewal or cost creep in existing contracts.

Sensitivity 2

The discount rate has been increased by 4%. This adjustment is deemed to capture all environmental changes and reflect a tougher trading environment compared to the base case.

The following sensitivities have been provided in relation to SafeSkys, being the only CGU where the Directors believe a reasonable change in assumptions could give rise to a further impairment in value.

Scenario	PV £'000	Goodwill and other intangible assets £'000	Impairment £'000

Base case	1,775	3,660	(1,885)
Sensitivity 1	1,598	3,660	(2,062)
Sensitivity 2	1,064	3,660	(2,596)

There have been several key changes to the assumptions in the current year's strategic plan compared to the previous year. The key change in assumption is the planned delay in the launch of the wildlife hazard management app due to revisions to the development plan following the acquisition of Redline Worldwide Limited. During the second half of year the Directors also took the decision to not further expand into the air traffic control market.

Based on the impairment testing performed the Directors have recognised an impairment of goodwill of £1,885,000.

9 Trade and other receivables

	Group	
	2020 £'000	2019 £'000
Gross trade receivables	**9,623**	8,893
Loss allowance	**(854)**	(698)
Trade receivables	**8,769**	8,195
Amounts owed by Group undertakings	**—**	—
Social security and other taxes[1]	**1,215**	509
Other receivables	**407**	651
Prepayments and accrued income[2]	**8,410**	9,707
	18,801	19,062

[1] The increase in social security and other taxes is due to greater grossing up debit and credit balances held in different entities. A matching movement can be seen in note 11 - *Trade and other payables*.

[2] Prepayments and accrued income are relatively high compared to trade receivables due to the impact of IFRS 15 and cashflow implications. The Group will often need to make payments in advance of the service performed to enable it to secure the resources required however the customer will not pay until nearer or after the flight date. As a result under IFRS 15 the trade debtor and matching deferred revenue is not recognised but the cash outflow and prepayment is.

Amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

Prepayments and accrued income include £5,692,000 of operator prepayments (2019: £4,953,000) and accrued income of £1,973,000 (2019: £2,747,000). All accrued income is in relation to known invoices not issued at the year end. All accrued income will be converted within the 12 months. The remainder of the prepayments and accrued income is for prepayments relating to overheads.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days of becoming due.

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

All trade and other receivables have been reviewed for indicators of impairment. The movement in impaired receivables in the year is shown below:

	Group £'000
At 1 February2018	**301**
Charge for the year	**413**
Receivables written off during the year	**(16)**
At 31 January 2019	**698**
Charge for the year	**205**
Receivables written off during the year	**(27)**
Foreign currency adjustments	**(22)**
At 31 January 2020	**854**

Of the amounts impaired during the period, £123,000 (2019: £67,000) was for an amount past due by less than one year with the remainder being all overdue by more than one year.

An analysis of these financial assets at the statement of financial position date for 2020 is as follows:

Allowance
for bad and

Group	Gross trade receivables 2020 £'000	doubtful debts 2020 £'000	Trade receivables 2020 £'000
Current	3,066	—	3,066
Aged:			
– By not more than three months	4,635	(2)	4,633
– By more than three months but not more than six months	767	(231)	536
– By more than six months but not more than one year	465	(21)	444
– By more than one year	690	(600)	90
	9,623	(854)	8,769

Group	Gross trade receivables 2019 £'000	Allowance for bad and doubtful debts 2019 £'000	Trade receivables 2019 £'000
Current	3,711	(63)	3,648
Aged:			
– By not more than three months	4,271	(74)	4,197
– By more than three months but not more than six months	315	(12)	303
– By more than six months but not more than one year	103	(68)	35
– By more than one year	493	(481)	12
	8,893	(698)	8,195

10 Cash, borrowings and net cash

	Group	
Cash	2020 £'000	2019 £'000
JetCard cash	16,742	17,692
Non-JetCard cash	4,633	7,462
Cash and cash equivalents	21,375	25,154

	Group	
Borrowings	2020 £'000	2019 £'000
Secured bank loans	11,500	5,500

	Group	
	2020 £'000	2019 £'000
Amount due for settlement within 12 months	—	—
Amount due for settlement after 12 months	11,500	5,500
	11,500	5,500

	Group	
Net cash	2020 £'000	2019 £'000
Cash	21,375	25,154
Borrowings	(11,500)	(5,500)
Net cash	9,875	19,654

	Group	
Net cash/(debt) excluding JetCard cash	2020 £'000	2019 £'000
Non JetCard cash	4,633	7,462
Borrowings	(11,500)	(5,500)
Net (debt) / cash excluding JetCard cash	(6,867)	1,962

All borrowings are in Sterling.

The Group's borrowings consist of a bank loan of £11.5m (2019: £5.5m) from the Group's banker.

As part of the acquisition of Redline Worldwide Limited a new revolving credit facility was entered into during the year for £13.0m with an interest rate of 2.6% above LIBOR, expiring in February 2023. The loan is secured by a floating charge over the Company's assets.

11 Trade and other payables

	Group	
	2020 £'000	2019 £'000
Trade payables	**3,421**	6,383
Other taxation and social security payable	**2,248**	1,661
	5,669	8,044

[1] The increase in social security and other taxes is due to greater grossing up debit and credit balances held in different entities. A matching movement can be seen in note 9 - *Trade and other receivables*.

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

12 Other liabilities

	Group	
	2020 £'000	2019 £'000
Accruals	**4,880**	2,704
Other liabilities	**134**	1,032
Amounts owed to Group undertakings	**—**	—
	5,014	3,736

Amounts owed to Group undertakings are interest-free, unsecured and repayable on demand.

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

13 Acquisition of subsidiaries

On 12 December 2019, Air Partner plc acquired 100% of the issued share capital of Redline Worldwide Limited (Redline), obtaining control of the company and its subsidiaries (Redline Aviation Security Limited, Redline Assured Security Limited and Redline Assured SARL) on that date.

The headline price was £10.0m, on a debt free, cash free basis, with an initial consideration of £8.0m, comprised of cash of £7.4m and shares of £600,000, payable on completion and additional consideration of up to £2.0m payable over two years post completion. Details are provided below.

Established in 2006, Redline is a global leader in the delivery of government-standard security training and solutions to international airports, airlines and aviation-sector related companies, critical national infrastructure, stadia and event managers, and corporates. The products and services provided include: training – academy and e-Learning; quality assurance – covert testing and audits; compliance management – embedded Security Management Systems (SeMS) and security health monitoring software; and security consulting – design and development of security systems, processes and protocols.

The acquisition of Redline adds specialist consulting expertise and knowledge to Air Partner as well as offering significant growth opportunities and furthering the Group's relationships with airports, airlines, governments and corporates around the world.

	£'000
Fair value of net assets acquired	
Financial assets (excluding cash and cash equivalents)	1,718
Cash and cash equivalents	1,080
Property, plant and equipment	107
Property, plant and equipment recognised under IFRS 16	804
Intangible assets – revenue under customer contracts	2,600
Intangible assets – customer relationships	3,500
Intangible assets – research and development	1,400
Provisions recognised on acquisition	(213)
Deferred tax liability on acquisition	(1,212)
Financial liabilities	(1,085)
Finance leases recognised under IFRS 16	(1,065)
Goodwill	3,644
Total net assets acquired	11,278
Satisfied by	
Cash	7,400

Shares issued in Air Partner plc[1]	600
Deferred consideration[2]	1,972
Working capital adjustment agreed post acquisition[3]	226
Total consideration on cash free, debt free basis	10,198
Payment for estimated net cash at acquisition date	1,028
Net cash adjustment agreed post acquisition[3]	52
Total consideration	11,278
Net cash outflow arising on acquisition	
Cash consideration	7,400
Payment for estimated net cash at acquisition date	1,028
Less actual cash and cash equivalents acquired	(1,080)
Net cash outflow	7,348

[1] The share issue is comprised of 662,398 shares issued at market value at the date of acquisition of 90.58p.

[2] Deferred consideration of £2,000,000 has been recognised as at the year end. This is comprised of an unconditional payment of £1,000,000 due on the first anniversary of the acquisition and a conditional payment of £1,000,000 due on the second anniversary of the acquisition. Management has worked on the basis that the conditional payment will be due in full based on its due diligence findings and representations from Redline's Management at the time of the transaction. This assumption will be reviewed at the end of the next financial year. £1,768,000 is the net present value of these amounts at the date of acquisition.

[3] The £226,000 adjustment for the working capital and £52,000 adjustment for estimated net cash were agreed and paid following the year end.

No goodwill is deductible for tax purposes.

The goodwill of £3,439,000 arising from the acquisition is attributable to the value of the assembled workforce and the ability of the senior staff to generate future business.

Redline contributed revenue of £978,000 and profit before tax of £195,000 being the results between the date of acquisition and 31 January 2020.

If the acquisition of Redline had been completed on the first day of the financial year, it would have contributed £7,530,000 to Group revenue and £830,000 to Group profit before tax.

Acquisition-related costs in the year amounted to £604,000 covering adviser fees, legal fees and external financial and tax due diligence.

14 Net cash inflow from operating activities

	Group	
	2020 £'000	2019 £'000
Profit for the year		
Continuing operations`	**303**	2,885
Adjustments for:		
Finance income	**(71)**	(32)
Finance expense	**613**	224
Income tax	**633**	484
Depreciation, amortisation and loss on disposal	**6,830**	1,275
Impairments	**1,885**	—
Fair value movement on derivative financial instruments	**31**	(4)
Share option cost for period	**59**	252
Share based payments	**58**	—
(Decrease)/increase in provisions	**(643)**	(100)
Foreign exchange differences	**88**	6
Operating cash flows before movements in working capital	**9,786**	4,990
Change in receivables	**1,582**	(2,958)
Change in payables	**(2,259)**	1,065
Cash generated from/(used in) operations	**9,109**	3,097

Net cash / (debt) reconciliation

This section sets out an analysis of net cash / (debt) and the movements in net cash / (debt) for each of the periods presented.

Group

	At 1 February 2019 £'000	Adoption of IFRS 16 £'000	Acquired on acquisition £'000	Additions £'000	Cash flow movements £'000	Interest £'000	Foreign exchange £'000	**At 31 January 2020 £'000**
Cash	25,154	—	—	—	(3,020)	—	(759)	**21,375**
Debt	(5,500)	—	—	—	(6,000)	—	—	**(11,500)**
Lease liabilities	—	(11,760)	(1,065)	(188)	5,715	(301)	291	**(7,308)**
Net cash/(debt)	19,654	(11,760)	(1,065)	(188)	(3,305)	(301)	(468)	**2,567**

	At 1 February 2018 £'000	Cash flow movements £'000	Foreign exchange £'000	At 31 January 2019 £'000
Cash	23,193	1,532	429	**25,154**
Debt	(2,500)	(3,000)	—	**(5,500)**
Net cash/(debt)	20,693	(1,468)	429	**19,654**

15 Related party transactions

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

Compensation of key management personnel (being the Executive Directors)	**2020 £'000**	2019 £'000
Short-term employee benefits	**512**	399
Post-employment benefits	**62**	42
Termination benefits	—	157
Share based payments	**19**	177
	593	775

In addition to the above amounts, key management personnel who were also shareholders received £37,655 of dividends in respect of their shareholdings in the year ended 31 January 2020 (2019: £29,865).

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

Aggregate Directors' remuneration	**2020 £'000**	2019 £'000
Emoluments	**1,045**	1,196
Company contributions to money purchase pension contributions	**62**	42
	1,107	1,238

Two Directors (2019: three Directors) were members of money purchase pension schemes during the year.

16 Changes in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 February 2019.

The Group has adopted IFRS 16 retrospectively from 1 February 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 February 2019.

a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's banking borrowing rate as at 1 February 2019. The Group has used this rate as there was no implicit rate included in the leases converted therefore the Group's borrowing rate was considered the most appropriate rate to use. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 February 2019 was 3.3%.

For leases previously classified as operating leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 February 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right of use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease.*

	1 February 2019 £'000
Operating lease commitments disclosed as at 1 February 2019	**3,147**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**2,994**
Add: finance lease liabilities recognised[1]	**8,951**
Less: Short-term leases recognised on a straight-line basis as an expense	**(174)**
Less: Low-value leases recognised on a straight-line basis as an expense	**(11)**
Lease liability recognised	**11,760**
Which are recognised within:	
Current lease liabilities	**5,467**
Non-current lease liabilities	**6,293**
Lease liability recognised	**11,760**

[1] The additional finance lease liabilities recognised relate to contracts that were not included in the operating lease note last year but were identified as part of the assessment of IFRS 16. The difference is primarily down to the aircraft lease for £8,782,000.

The associated right-of-use assets were measured on a retrospective basis as if the new rules have always been applied. Where appropriate, right-of-use assets were adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets of the policy relate to the following types of assets:

	31 January 2020 £'000	31 January 2019 £'000
Short leasehold property and leasehold improvements	**1,546**	1,233
Fixtures and equipment	**996**	1,344
Motor vehicles	**84**	16
Intangible assets	**82**	104
Aircraft	**4,042**	8,782
	6,750	11,479

The change of accounting policy affected the following items in the balance sheet on 1 February 2019:

- right of use assets – increase of £11,479,000;
- lease liabilities – increase of £11,760,000;
- operating lease incentive accrual liability – decrease of £114,000; and
- the net impact on retained earnings on 1 February 2019 was a decrease of £167,000, the balancing impact of the other adjustments.

b) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment for which rental contracts are typically 3–10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 February 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar economic environment within similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of small items of office equipment.

The adoption of IFRS 16 resulted in a reduction in profit for the period of £73,000, due to IFRS 16 accelerating the impact of finance costs within lease contracts. It has also resulted in an increase in cash generated from operating activities of £5.4m. The increase is offset by a matching increase in net cash generated from financing activities.

17 Post balance sheet events

The economic impact of the COVID-19 pandemic is having a substantial impact upon most businesses. The Directors have considered whether COVID-19 had a material impact as a post balance sheet event given potential concerns over expected reduced trading and the cash flow implications, as well as the expectations that customers will be slower to pay and the increased chance of bad debts.

As of the balance sheet date it was not known how severe the economic impact of COVID-19 would be as the vast majority of cases were then in Asia, where the Group currently has limited operations. Based on this the Directors concluded the pandemic is a non-adjusting post balance sheet event.

Despite the subsequent global economic impact, Air Partner has had a very strong first quarter as a result of a number of repatriation flights and a substantial increase in freight bookings in Group Charter. This has offset the downturn in other divisions and the Directors continue to carefully monitor the expected performance over the coming year.

The first quarter has provided the Group with a stronger than forecast cash position following year end. The Directors are aware that this will need to be managed over the coming year and have taken steps to improve the cash flow including reducing or removing credit terms where appropriate. The Directors have implemented a number of cost cutting measures and utilised government support for staff costs where appropriate in order to reduce the potential cash burn rate.

The Directors have reviewed the balances held at year end most likely to be materially impacted as a result of COVID-19 and are satisfied that any impact is immaterial. Efforts made post year end to reduce aged debtors mean that the recoverability of debtors held at year end is not materially affected. Adjusting impairment models for goodwill, intangibles and investments to reflect the expected downturn has not suggested any further impairments are required. The Directors acknowledge that the likelihood of impairments to assets is greater over the coming financial year; however, these will require assessment once the long-term economic impact of COVID-19 is clearer.

Part of the deferred consideration for Redline Worldwide Limited is contingent based on performance conditions and is payable on the second anniversary of the acquisition. At the balance sheet date it was assumed that these conditions would be met. The economic downturn causes increased uncertainty over whether these targets will be met; however, this will be assessed during the coming financial year.

As a result of the steps and assessments detailed above, COVID-19 is not considered to impact the going concern assessment. This is reinforced by support from the Group's banker, which has agreed to waive covenant testing from October 2020 until April 2021. Following the strong first quarter a waive was deemed not to be necessary until this date.