DART GROUP PLC

REPORT AND ACCOUNTS 2003

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An aviation services and distribution group specialising in:

- the operation of cargo and passenger aircraft on charter contracts and scheduled low cost services throughout Europe;
- the distribution of fresh produce, flowers and temperature-controlled products to supermarkets and wholesale markets throughout the United Kingdom;
- freight forwarding at London Heathrow, Manchester, East Midlands and Newcastle airports and from offices in the Far East.

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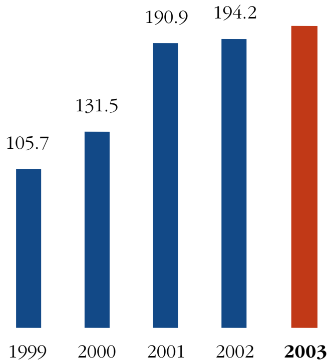
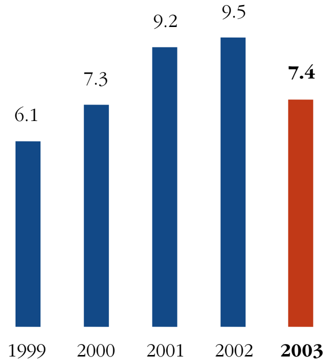
Financial Highlights

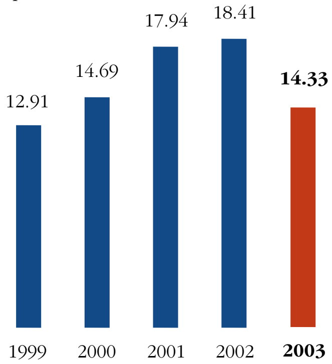
Turnover
£m



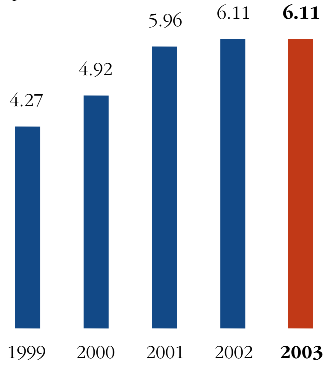
Profit before tax and after goodwill amortisation
£m



Basic earnings per share
pence



Dividend per share
pence



Chairman's Statement

I am pleased to report on the Group's trading for the year ended 31 March 2003.

Profit before tax, excluding ***Jet****2* operations and goodwill amortisation, amounted to £10.0m (2002 – £10.0m). Total turnover was £198.2m (2002 – £194.2m). ***Jet****2*, the Group's low cost airline, operating from Leeds Bradford International Airport, did not commence flying until 12 February. As a result, minimal chargeable revenue accrued in the 2003 financial year, whilst the initial set up costs resulted in an operating loss in ***Jet****2* of £2.0m (2002 – £Nil). This is in line with our statement released on 23 October 2002. Earnings per share before the amortisation of goodwill were 15.78p (2002 – 19.87p). The Board is recommending an unchanged final dividend of 4.26p, taking the total dividend for the year to 6.11p (2002 – 6.11p). The dividend, if approved, will be payable on 22 August 2003 to shareholders on the register on 27 June 2003.

Capital expenditure amounted to £36.4m (2002 – £26.9m) and mainly related to the expansion of the Group's Boeing 737-300 aircraft fleet. Net borrowings at 31 March 2003 amounted to £28.2m (2002 – £22.5m), which represented gearing of 76% (2002 – 66%). The majority of the Group's debt is denominated in US Dollars reflecting the Group's policy of matching long-term US Dollar assets, namely Boeing 737-300 aircraft, with US Dollar liabilities. Interest cover remained a healthy 8.5 times.

During the financial year the Group purchased six Boeing 737-300 aircraft (the sixth aircraft being delivered post year end), four for use by ***Jet****2,* and two for conversion to a Freighter and a Quick Change (allowing the aircraft to be rapidly converted between passenger and freighter rôles). On 4 June 2003, the Group announced that it had entered into an agreement with receivers appointed by HSBC Bank Plc (Sydney Branch) to purchase a further six Boeing 737-300 aircraft, two of which have now been delivered. The remainder will also be delivered during the first half of the current financial year and will be used to both expand ***Jet****2* and to be converted to Freighter or Quick Change configuration, in order to service the Group's contract freighter and passenger operations.

The Group is committed to building its business-to-business services, providing air transportation on behalf of express parcel companies, postal authorities, freight forwarders and passenger charterers in the Aviation Services Division and temperature-controlled road distribution services primarily on behalf of UK supermarkets in our Distribution Division. We believe, however, that the ***Jet****2* retail scheduled passenger business may offer more opportunity for profitable growth in the foreseeable future. The low cost passenger market is, however, very competitive and much hard work lies ahead in order to be successful in this new business.

Aviation Services

Following the recent agreement to acquire six further Boeing 737-300 aircraft, the Group will own 14 of the type. Channel Express (Air Services) currently operates two Quick Change aircraft which fly for Royal Mail at night and operate passenger charters during the day. The Quick Change concept gives higher aircraft utilisation, facilitating the provision of cost-effective services to both passenger charterers and to overnight express parcel and mail operators. Two further aircraft will shortly be converted, one to a Freighter and one to Quick Change. We see a considerable future demand for the Boeing 737-300 in the European express parcel and mail markets and are in discussions with several customers for the provision of both freighter and passenger charter services.

Channel Express (Air Services) also operates four Airbus A300B4 "Eurofreighters" (two of which are owned by the Group) on behalf of express parcel companies within Europe and five Fokker F27s on behalf of Royal Mail and newspaper publishers and on its own scheduled cargo services to the Channel Islands.

In May 2003, our last Lockheed Electra was retired. The type had been in service with us since 1988 and had made a significant contribution to profits. The Electra is being replaced with Boeing 737-300s. The new type has also given Channel Express Parts Trading the opportunity to widen its activities. In the current economic climate the parts support business is difficult but our parts operation remains profitable and a continuing future opportunity.

Jet*2,* a trading name of Channel Express (Air Services), commenced low cost services to Amsterdam from Leeds Bradford International Airport on 12 February. Since May, ***Jet****2* has also been serving Alicante, Barcelona, Malaga, Milan, Nice and Palma. Every effort has been made to run the ***Jet****2* operation as cost-effectively as possible, utilising existing Channel Express resources. Since taking the decision to enter this market, competition in the North of England has increased considerably. In addition to services from East Midlands and Liverpool airports, further competing services are now offered or planned from Newcastle, Manchester and Teeside. The ability to succeed in this environment depends on our having the lowest possible operating costs, which we strive to augment with a friendly service. Whilst trading to-date is on budget, at this stage, it is too early to predict with confidence the financial outcome for ***Jet****2* this year.

I am delighted to report a year of profitable growth from the Group's freight forwarder, Benair Freight International. Progress was seen in both the niche tropical and ornamental fish importing business and in international freight forwarding.

Distribution

The Group's two main produce and horticulture distribution companies, Fowler Welch and Coolchain, were amalgamated into one operating entity, Fowler Welch – Coolchain Ltd on 1 April 2003. The combined name retains both staff and customer loyalty to the operations and brands. Our supermarket customers expect the highest operational standard at the most competitive cost. In return they are rationalising their logistics suppliers, offering increased volumes to their chosen contractors. To meet the challenge, Fowler Welch – Coolchain has ceased its operations at Paddock Wood, Kent, and ceased produce packing at Teynham, Kent, to enable that site to accommodate business transferred from Paddock Wood. It has also closed its produce and horticulture distribution operations at Portsmouth, relocating to smaller premises in the local growing area at Littlehampton, West Sussex. Unfortunately, this rationalisation has meant redundancies at all levels, but the result is an integrated operation more capable of reacting to its customers' needs.

Fowler Welch – Coolchain's commercial and operating headquarters are at the Division's 20 acre site in Spalding, Lincolnshire, where the company is headed by the Managing Director, David Inglis, supported by the former Managing Director of Coolchain, David Cottam, as National Operations Director. Our customers now have one point of contact for all commercial and operational needs and have welcomed the re-organisation of the past year. We aim to position Fowler Welch – Coolchain as the preferred supplier of national temperature-controlled distribution services to the supermarkets.

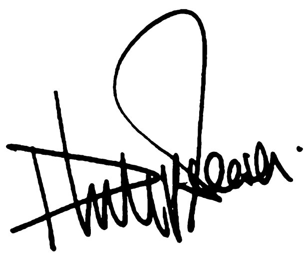
The activities of the Group's two operating divisions – Aviation Services and Distribution – are more fully described in the Review of Operations that follows this statement.

Our Staff

I would like to sincerely thank all my colleagues within both divisions for their support and hard work over a year in which we have seen much change. I am very grateful for the resilience and determination everyone has shown in a demanding trading environment.

Outlook

The combination of our Aviation Services and Distribution operations considerably enhances the Group's overall strength. However, the business-to-business trading environment is challenging with continuing pricing pressures in our contract distribution and aviation services activities and higher national insurance contributions and general insurance costs which we cannot pass on. It is hoped that ***Jet****2* with its wide customer base will enable us to restore profits growth. There is obviously some way to go before the success of this strategy can be judged. Therefore, at this stage, whilst trading is in line with budget, the outlook for the year remains uncertain.



Philip Meeson

Chairman 19 June 2003

For further information about Dart Group PLC and its subsidiary companies please visit our website, www.dartgroup.co.uk

Review of Operations


Loading cargo onto a Fokker F27 at a UK regional airport.

Barrier nets increase Royal Mail payload capacity by 15%.


Airbus A300B4 “Eurofreighter”.

Aviation Services

The Group purchased its first two Boeing 737-300 Quick Change aircraft from Lufthansa in 2001. It has now taken the opportunity to expand its aircraft fleet in a period of soft aircraft prices.

With the addition of the further six Boeing 737-300 aircraft which the Group has agreed to purchase, Channel Express (Air Services) will operate 14 of the type. Currently four are flying ***Jet****2* low cost services, whilst two Quick Change aircraft are flying for Royal Mail at night and serve the passenger charter market during the day. These Quick Change aircraft can be converted between their freight and passenger rôles in approximately 40 minutes. The ability to serve both markets allows increased utilisation and delivers an efficient and competitive service. The Quick Change aircraft are based at Edinburgh and Stansted airports. The Company also currently leases in an additional Boeing 737-300 to operate an intensive passenger charter contract from Prestwick Airport.

The Group has entered into a contract to convert up to 12 further Boeing 737-300s to either Freighter or Quick Change configuration over the next six years. The first aircraft, a Freighter, is due to be re-delivered to us in August 2003 with the second, a Quick Change, at the end of November 2003. Thereafter, we expect to convert further aircraft as demand justifies. We believe that the Boeing 737-300 will be the 17 tonne payload freighter of choice for express parcel and mail air services in the future.

Channel Express (Air Services) operates four 45 tonne payload Airbus A300-B4 "Eurofreighters" on behalf of leading express parcel delivery companies and five 6.5 tonne payload Fokker F27s for Royal Mail, newspaper publishers and on its own scheduled services to the Channel Islands. Two Airbus A300-B4s are owned by the Group and two are leased-in under a flexible structure which allows the company to match its commitment to its contractual arrangements with its customers. The A300-B4 "Eurofreighter" provides a reliable cost-effective service. We expect to add a further leased aircraft to the fleet during the current financial year.

The Group's Fokker F27s have for many years served Royal Mail's air network, flying dedicated services over the longer distances within the UK to enable first class mail to be delivered the next day. Royal Mail recently announced that more mail would be transported by road and air in the future as mail train services are ceased. We are not yet aware of Royal Mail's final requirement for aircraft but very much hope that we will be invited to meet their increased needs both with Fokker F27s and converted Boeing 737-300s.

Whilst the Group's traditional contract aviation operations will remain a significant and hopefully expanding business, there is considerable dependence on a relatively small number of customers. We have, therefore, for some time, been looking to widen our operations to the retail sector. The availability of Boeing 737-300 aircraft at attractive prices and the growing demand for low cost "no frills" passenger services combined to prompt Channel Express (Air Services), trading as ***Jet****2*, to utilise its existing infrastructure to offer such services from Leeds Bradford.
It is estimated that over nine million people live within one and a half hour's drive time from Leeds Bradford and the airport, which has excellent facilities, was keen to attract a low cost airline to serve the region.

Fowler Welch - Coolchain vehicle, advertising its sister company's newly launched airline, ***Jet****2*

Above: One of our fleet of Boeing 737-300s, en route to Barcelona.
Below: Boeing 737-300's interior.
Insert: **Jet**2's 100,000th passengers.

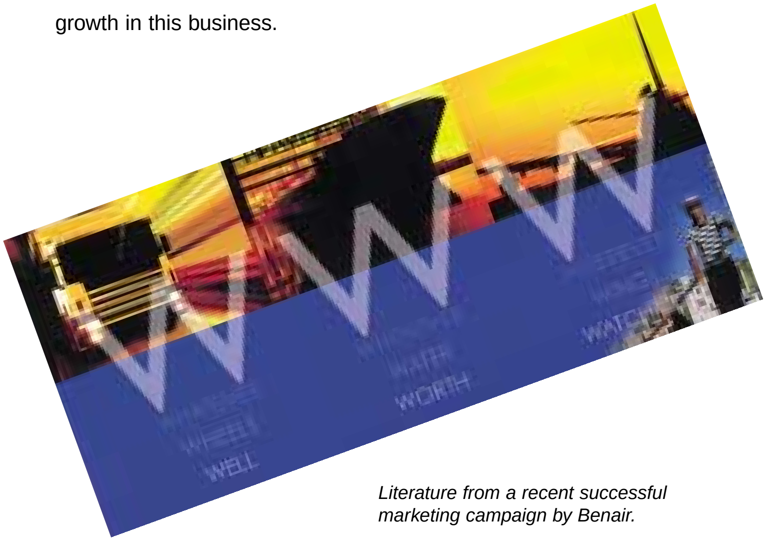
In order to undertake this new business, the Group has recruited a number of scheduled passenger service professionals. The ***Jet****2* routes selected from Leeds Bradford - Alicante, Amsterdam, Barcelona, Malaga, Milan, Nice and Palma - are predominantly leisure destinations which surveys indicated would be well supported by the region. The inaugural flight took place on 12 February to Amsterdam which is served twice daily with, from 1 May, each other destination being served daily except Alicante (six times per week) and Nice (three times per week). The services have been publicised by poster, bus, national and regional newspaper and radio advertising. Reservations are made on-line at www.jet2.com or through the contracted call centre. Whilst the operational infrastructure is provided by Channel Express (Air Services), the ***Jet****2* management team is based at Leeds Bradford with many aircrew, engineers and cabin staff having been recruited locally.

Jet*2* aims to provide a friendly reliable service at the lowest possible cost. Services will be operated both to primary and secondary airports, the criteria for route selection being customer demand and the ability to deliver competitive low cost flights. To date both yield and average load factor are on budget. We regard this as a satisfactory start to the operation.

Since the decision was taken to commence services from Leeds Bradford, competitive services are now being offered from Manchester and Newcastle with further services planned from Teeside. Obviously the increasing competition is concerning, but we believe that our cost base is low enough to enable us to profitably develop the business. It is currently planned to increase the number of aircraft based at Leeds Bradford for the summer of 2004. Flights to Prague and Faro are commencing on 4 September and Geneva will be served for skiing during the winter season.

Our check-in at Amsterdam Airport Schiphol.

Channel Express Parts Trading, the Company's aircraft parts operation that supports both the Group's and other customers' aircraft, has had a challenging year but has managed to remain profitable in a difficult market. Previously Parts Trading specialised in supporting Airbus A300 aircraft from its comprehensive stock of parts which have been built up through the acquisition and dismantling of six A300s. The introduction of the Boeing 737-300 has given Parts Trading new opportunities to support the type and a suitable stock is being selectively acquired. The operation has succeeded in widening its customer base for both Airbus and Boeing parts and we believe that the current financial year will see the resumption of growth in this business.



Literature from a recent successful marketing campaign by Benair.

Benair Freight International, the Group's air, sea and road freight forwarder, with offices at London Heathrow, Manchester, East Midlands and Newcastle airports, has had a successful year. The company has won a number of new accounts and has improved its trading with its overseas partners. Every effort will be made to continue this growth this year.

Temperature-controlled storage and consolidation of fresh produce and horticulture at our Spalding and Teynham facilities.

Distribution

The Group's Distribution Division comprises Fowler Welch – Coolchain Ltd, which specialises in the distribution of fresh produce, horticulture and chilled foods, primarily for leading UK supermarkets and Channel Express (CI) Ltd, a Guernsey company, which transports flowers and produce from Guernsey and Jersey to the UK mainland with vehicles returning with temperature-controlled and general freight.

Fowler Welch, based in Spalding, Lincolnshire, and Coolchain, whose operating centre is at Teynham, Kent, were acquired by the Group in 1994 and 1999 respectively to expand the Division's temperature-controlled fresh produce distribution business. Both companies had individually won considerable produce consolidation and distribution business with suppliers to the leading UK supermarkets on a shared user basis. Whilst the Division's customer base was comprised mainly of those regional suppliers to the supermarkets, Fowler Welch and Coolchain were run separately with their own management teams, but with an increasingly integrated distribution operation. Recently, however, the supermarket companies themselves have taken control of their logistics supply chains, negotiating "factory gate" pricing structures with their suppliers. Consequently, the Division's customers have increasingly become the supermarkets, who have appointed selected logistics service providers, such as Fowler Welch and Coolchain, to handle their total produce distribution needs, negotiating reduced pricing in return for larger volumes.

In this new environment it was clear that in order to remain competitive Fowler Welch and Coolchain needed to become a single organisation, both commercially and operationally. At the same time, the distribution infrastructure needed to be rationalised to enable the combined operation to offer the most cost-effective service.

On 1 April 2003 Fowler Welch – Coolchain Ltd became the UK produce distribution operating and legal entity. The company is headed by David Inglis, Managing Director, and David Cottam, National Operations Director. The Division's Finance Director is John Butler. Due to the changes in the business structure, it was decided to rationalise the southern operation by closing the former Coolchain site at Paddock Wood, Kent, and concentrating the Kent operation at Teynham. To facilitate this, fruit packing operations at Teynham ceased with other local providers taking over this business. Simultaneously, the Coolchain site at Portsmouth, which primarily handled Channel Islands and local south coast produce and flower distribution, was closed in March. As a result of the careful planning and the hard work of the management and staff of the Distribution Division these major changes to the companies' distribution system and infrastructure were accomplished seamlessly and with minimum disruption to the service levels provided to customers. Much credit is due to the Division's team for this successful implementation.

Fowler Welch – Coolchain's southern distribution needs are now handled from smaller premises at Littlehampton whilst alternative arrangements have been made by Channel Express (CI) for the distribution of the reduced volumes of Channel Islands' produce and horticulture now handled.

Regrettably the rationalisation led to redundancies at all levels within the business, however, the result is a more streamlined operation, with clearer and faster decision making processes and an integrated distribution network.

In order to continue building on the substantial progress made during the year, systems are being put in place to take advantage of the enlarged division's buying power and to improve procedures in a number of areas such as consolidation centre operations, driver recruitment and training, vehicle utilisation and health and safety. The project to implement a common computerised operating system throughout the Division has also now been completed and efforts are ongoing to utilise the improved information emanating from this system to drive cost out of the network. The overall result has proven to be improved customer satisfaction and a more reliable customer-focused distribution system, able to meet the very demanding supermarkets' requirement for service at very competitive pricing.

Fowler Welch – Coolchain has continued to win new business and is, through its close relationships with its supermarket customers,

being offered new distribution opportunities in areas such as chilled foods and also to serve more regions in the UK. Every effort is also being made to work closely with customers and their suppliers to ensure that vehicles run as economically as possible and are fully loaded both on outward and return journeys. Efforts are also being made to develop the company's international business which is primarily concentrated on the delivery of horticulture and produce from Holland to the UK.

There is no doubt that Fowler Welch – Coolchain has considerable potential for future growth in its distribution business. However, margins are tight and costs have to be kept under continuous review and control to achieve a near reasonable return.

Channel Express (CI), based in Guernsey, has traditionally provided temperature-controlled services to the UK mainland for Guernsey flower growers and Jersey produce growers serving both wholesale markets and supermarkets. Vehicles return to the Islands with chilled foods and other supplies. The company also contracts Channel Express (Air Services) to operate daily scheduled cargo services to the Islands carrying, on a shared-user basis, express parcels and other urgent goods.

Whilst the Islands' growers have suffered from international competition and the demise of the UK wholesale markets in favour of the supermarkets, who have preferred to deal with year-round suppliers especially in the horticultural sector, a thriving postal export business for flowers, health foods, plants and other products has developed taking advantage of the Islands' tax regimes. Channel Express has continued to benefit from these developing businesses.

The company's distribution of flowers in the UK has now been rationalised with fewer markets being served direct from the Islands but with service levels being maintained through arrangements with other transport companies.

Our Channel Islands business has always been a valued part of the Group's activities. The recent re-organisation of the UK mainland distribution operation has brought cost benefits to Channel Express (CI) which will enable it to remain competitive in its market.

Door-to-door delivery in Guernsey

Capital structure

The Group's capital structure is as follows:-

	2003	2002
	£'000	£'000
Net debt		
Loans	**(35,096)**	(22,881)
Finance leases and hire purchase contracts	**–**	(197)
Cash and short-term deposits, net of bank overdrafts	**6,929**	575
	(28,167)	(22,503)
Shareholders' funds		
Equity interests	**37,144**	34,296
	8,977	11,793

Derivatives and other financial instruments

The Group's principal financial instruments, other than derivatives, comprise aircraft mortgages, bank loans and overdrafts, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group also has various other financial instruments, such as trade debtors and trade creditors, that arise directly from its operations.

The only outstanding derivative transactions at the year end relate to forward currency contracts and aviation fuel swaps as detailed in Note 18. The Group's treasury policy permits the use of such instruments to manage interest, currency and fuel price risk. It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign exchange risks. The Board reviews and agrees policy for managing each of these risks and these are summarised below. These policies have been consistent during the year.

Interest Rate Risk

The Group's policy permits it to borrow in both fixed and floating rates of interest depending on rates available in the market as appropriate. At 31 March 2003, the Group had fixed rate US$ debt at a rate of 5.56% in respect of US$10m with a maturity date of December 2005 (31 March 2002 – 5.56%). All other interest bearing financial instruments are at floating rates of interest.

Aviation Fuel Price Risk

During the year, given the growth in the Group's Aviation Division with the launch of ***Jet****2* operations and given the volatility in aviation fuel prices, the Group implemented a new policy to cover the risk from this volatility. The Group's policy is to cover up to 100% of future fuel requirements for a period of 12 months using aviation fuel swaps. The magnitude of the aviation fuel swaps held is given in Note 18.

Foreign Currency Risk

The Group has two types of foreign currency risk, being transactional exposure and structural exposure. It is the Group's policy to minimise its exposure to movements in foreign exchange rates against Sterling. The Group, therefore, aims to borrow in currencies that match the use of the funds received, including US$ borrowings for aircraft purchased.

Transactional currency exposures primarily arise as a result of purchases in foreign currency undertaken in the ordinary course of business. The Group's policy is to cover all material transactional risks for a minimum period of six months using forward foreign exchange contracts. The magnitude of the foreign currency exchange risk is given in Note 18.

Structural currency exposures exist where the Group has a small Singapore Dollar and Euro exposure in respect of net overseas investment. However, as these exposures are not material, no hedging has taken place. Where aircraft are purchased in foreign currency, financed by foreign currency financial instruments and are expected to generate substantial foreign currency revenues, branch accounting has been adopted and uses the closing rate method of currency translation. Accordingly, any differences arising on translation under this method are reflected in reserves.

Liquidity Risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of aircraft mortgages, overdrafts, bank loans, finance leases and hire purchase commitments. It is the Group's policy to match long-term assets with long-term liabilities. Accordingly, certain aircraft have been financed by mortgage facilities with a maximum maturity date of 10 years.

Liquidity

A summary of the main components of the Group's cashflow statement and movement in net debt is detailed below:

	2003	2002
	£'000	£'000
Operating profit	**8,325**	10,512
Depreciation	**15,341**	12,527
Amortisation of goodwill	**497**	497
Profit on sale of fixed assets	**82**	232
EBITDA	**24,245**	23,768
Movement in working capital	**9,550**	(1,969)
Capital expenditure, net of disposals	**(36,291)**	(36,496)
Disposal of investments	**–**	59
Net interest paid	**(989)**	(1,258)
Taxation paid	**(2,283)**	(2,343)
Issue of share capital	**15**	114
	(5,753)	(18,125)
Dividends paid	**(2,094)**	(2,052)
Increase in net debt resulting from cash flows	**(7,847)**	(20,177)
Exchange gain on opening net debt	**2,183**	–
Increase in net debt	**(5,664)**	(20,177)

Bank and other facilities

Bank and other facilities, as at 31 March 2003, are disclosed in Note 18 to the accounts.

In addition to the facilities disclosed in Note 18 in the accounts, the Group has agreed in principle for the provision of new facilities to assist in funding the purchase and conversion of six further Boeing 737-300 aircraft.

Taxation

An analysis of the taxation charge is set out in Note 7 to the accounts. The taxation charge as a percentage of profit before taxation and goodwill amortisation was 31.6 % (2002 – 31.8%).

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Mike Forder

Group Finance Director

Directors and Senior Management

DART GROUP PLC	Philip Meeson (55): Group Chairman and Chief Executive Michael Forder BA(Hons), FCMA, MCT (49): Group Finance Director Trevor Crowley FCA (58): Senior Independent Non-Executive Director Brian Templar BA(Hons), MILT (51): Independent Non-Executive Director Nigel Lawrence BA(Hons) (48): Group Company Secretary
Aviation Services	***Channel Express (Air Services) Limited*** Philip Meeson: Chief Executive Ian Doubtfire: Managing Director Andrew Menzies: Technical Director Antony Sainthill BA(Hons), FIFP: Director – A300 Programmes David Daughters: Director – Parts Trading Ian du Cros: Operations Director Stephen Lee: Commercial Director Rob Bradshaw: Flight Operations Director ***Benair Freight International Limited*** Dennis Mead: Managing Director Brian Southern: Director
Distribution	***Fowler Welch – Coolchain Limited*** Jim Welch: President Philip Meeson: Executive Chairman David Inglis: Managing Director David Cottam: National Operations Director John Butler, BSc, FCA: Divisional Finance Director ***Channel Express (CI) Limited*** Martyn Langlois: Director and General Manager Alan Johnson: Freight Development Director Ovaco Limited: Corporate Director

Directors' Report

The directors present their report and the audited accounts for the year ended 31 March 2003.

Principal activity and business review

Dart Group PLC is an aviation services and distribution group specialising in:

- the operation of cargo and passenger aircraft on charter contracts and scheduled low cost passenger services throughout Europe;
- the distribution of fresh produce, flowers and temperature controlled products to supermarkets and wholesale markets throughout the United Kingdom;
- freight forwarding at London Heathrow, Manchester, East Midlands and Newcastle airports and from offices in the Far East.

A detailed review of the year's business and future developments is given in the Chairman's Statement and the Review of Operations.

Results and dividends

The results for the year are set out in the Profit and Loss Account and show a profit, after taxation, of £4,919,000 (2002 – £6,308,000). An interim dividend of 1.85p (2002 – 1.85p) per share was paid on 3 January 2003.

Subject to shareholders' approval, the directors recommend the payment of a final dividend of 4.26p (2002 – 4.26p) per share, which will be paid on 22 August 2003.

Directors

Executive Directors

Philip Meeson is Chairman and Chief Executive of Dart Group PLC and Chief Executive of the Aviation Services Division and Executive Chairman of the Distribution Division.

In April 1983, his private company purchased the Channel Express Group which, at that time, distributed Channel Islands grown flowers to wholesale markets throughout the UK and freight from the UK into the Channel Islands. From that original business, he developed the Group's two business sectors – Aviation Services and Distribution.

Having decided that the Company needed wider access to funding in order to accelerate its growth, Channel Express Group PLC was floated on the USM in 1988. In 1991, it changed its name to Dart Group PLC and moved to a full listing on the Stock Exchange.

Prior to his acquisition of the Group, Philip trained as a pilot in the Royal Air Force, was five times British Aerobatic Champion from 1978 and, with a partner, built up a major, quality car dealership in London and a vehicle distribution business.

Mike Forder, Group Finance Director, joined the Group in August 1998 and was appointed to the Board in August 1999. He previously held a number of senior financial management positions in other UK quoted groups, including Meggitt PLC and Cobham PLC.

Mike graduated from the University of Kent in 1977 and is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers.

Non-Executive Directors

Trevor Crowley FCA, senior independent non-executive director has served as a director since 1988. He is currently Chairman of the Audit Committee and his long experience with the Company enables him to provide a positive contribution to all financial aspects of the Group. He is a partner in Levy Blair, a London firm of chartered accountants.

Brian Templar has served as an independent non-executive director since 1993. He graduated with a BA (Hons) degree in Psychology. He has considerable experience in the distribution industry, having held senior management positions with NFC, LEX, Federal Express and Iveco. He is currently Chairman and Chief Executive of Davies and Robson Logistics Ltd.

Directors' interests

(a) The directors who served during the whole year and their beneficial interest in the Company are set out below:

	Ordinary shares 31 March 2003	Ordinary shares 31 March 2002
P H Meeson	14,170,000	14,160,000
M E Forder	3,000	2,500
T P Crowley	12,047	8,047
B S Templar	28,420	28,420

(b) No directors have a non-beneficial interest in the shares of the Company. Interests in options to acquire ordinary shares are given in the Report on Directors' Remuneration on page 19. There have been no changes to the directors' interests above in the period since 31 March 2003.

(c) None of the directors has any direct or indirect interest in any contract or arrangement subsisting at the date of these accounts which is significant in relation to the business of the Group or the individual and is not otherwise disclosed.

(d) T P Crowley, who has no contractual period, retires by rotation and, being eligible, offers himself for re-election.

(e) M E Forder, who has a contractual notice period of six months, retires by rotation and, being eligible, offers himself for re-election.

(f) In addition to the above, J W Adams served as a director of the Company until 30 November 2002 when he resigned.

Material holdings

Apart from the interest of P H Meeson in the capital of the Company, the directors are aware that the following holdings were interested, directly or indirectly, in three per cent or more of the issued share capital of the Company as at 11 June 2003:

Framlington Group PLC	9.06%
Insight Investment Ltd	4.95%
Schroder Capital Management Inc.	4.35%
Merrill Lynch Investment Management	4.24%
Standard Life Investment Management	3.72%
Britannic Asset Management	3.30%
Aberdeen Asset Management	3.09%

Future developments

The Group's strategy is to grow its business through a combination of organic expansion and carefully planned acquisitions in areas related to its existing businesses and markets.

Movements in share capital

The issued share capital was increased by 15,000 five pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

23 December 1994	10,000
14 December 1998	5,000

Details of the movements in share capital are given in Note 19 to the accounts.

Special business at the Annual General Meeting

At the Annual General Meeting to be held on 7 August 2003 resolution numbers 7 and 8 will be special business. Special Resolution number 7 covers the directors' authority to allot equity securities for cash. Ordinary Resolution number 8 covers the directors' authority to allot ordinary shares pursuant to Section 80 of the Company's Act 1985 up to a specified limit over the next five years.

Details of the resolutions are set out in the Notice of Meeting on page 45.

Payments to suppliers

It is the Group's policy to agree terms of payment with suppliers. Suppliers are made aware of the Group's terms of payment and the Group adheres to the terms agreed. It is not the Group's policy to follow a code or standard in relation to payment practice. At 31 March 2003 the Group's creditor days were 53.

Health and safety at work

Operating in a sector where some safety hazards are unavoidable, the Group takes its responsibility for managing safety very seriously. The appointment of a Group Safety Manager three years ago to co-ordinate safety standards across the Group has led to a complete review of the Group's safety management system. As this revised system becomes increasingly mature, permitting central determination of policy while encouraging local management of solutions to discharge the policy, there has been an encouraging increase in levels of safety awareness across the Group. This is intended to reinforce the current low accident rate while developing robust defences against the claims culture which is becoming more prevalent.

Environmental policy

The Group's policy is to minimise the impact on the environment of its business activities.

The Group seeks to continually minimise the consumption of fossil fuels in both its aircraft and truck fleets. This is achieved by pilot and driver training in minimising fuel burn and the control by management of fuel consumption.

Where on-site refuelling facilities are available, fuel traps exist to prevent fuel seeping into the water table. Employees are encouraged to share cars when travelling on company business.

In the Distribution Division, the concept of shared user and backhaul help to contribute to reducing the overall number of miles driven during the year.

In respect of the aircraft fleet, all Group aircraft exceed the International Civil Aviation Organisation's Annex XVI to the Convention on International Civil Aviation, Volume 1, Part 2, Chapter 3 limitations, thereby minimising noise pollution.

Equal opportunities

The Group has a policy of treating job applicants and employees in the same way, regardless of their sex, race, ethnic origin or disability. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees. Employees are retained wherever possible in the event of disability during their employment.

Employee involvement

The importance of promoting and maintaining good communications with the Group's employees is recognised and its policy is to keep employees regularly informed on matters relating to their employment through the Group's quarterly "Dartboard" magazine, Aviation Commercial and Special Technical Information bulletins, pensions newsletter, circulars and team briefings.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Ernst & Young LLP as auditors to the Company will be put to the forthcoming Annual General Meeting.

By order of the Board

N A Lawrence
Secretary

18 June 2003

Directors' Remuneration Report

Information Not Subject to Audit

Remuneration Committee and Advisers

The Group's Remuneration Committee is chaired by Brian Templar and its other member is Trevor Crowley. The Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for executive directors.

The Company has appointed Towers Perrin, a leading firm of executive remuneration consultants, to assess comparability to the marketplace. Ernst & Young LLP, (the Company's auditor and tax service provider), provides advice on the establishment and requirements of both the approved and unapproved share option schemes. Philip Meeson, Chief Executive, provides advice in relation to the remuneration of other executive and non-executive directors.

Remuneration Policy

The Company's policy on directors' remuneration for 2003/04 and subsequent financial years is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. The package consists of basic salary, benefits, share options and performance related bonuses. In constructing the remuneration packages, the Committee aims to achieve a balance between fixed and variable remuneration. Consideration is given to pay and employment policies elsewhere in the Group, especially when determining annual salary increases.

Executive Remuneration Package

The Remuneration Committee, having taken external advice, believes that the value of the total employment packages of the directors and senior managers, and the extent of performance-related elements within this, is appropriate when compared to analysis of comparable companies. The details of individual components of the remuneration package and service contracts are discussed below.

Basic Salary and Benefits

Base salaries for each executive director are determined by individual performance and reference to external market data. The salary and benefits are reviewed annually. The increase in basic salary from 2001/02 to 2002/03 was 1.5% and was in line with the increase for all employees throughout the Group. The base salary is the only element of remuneration that is pensionable. Benefits principally comprise a car and private healthcare.

Share Options

Share options, under the Unapproved Scheme, are awarded annually by the Remuneration Committee to directors and senior managers, but only after challenging internal profit targets relating to the previous financial year have been achieved. These profit targets are deemed the most appropriate to reflect the performance of senior management. Share options under the Approved Scheme are awarded at the discretion of the Board to a wide range of key personnel up to the current statutory limit. All Share Options awarded are exercisable at the higher of the nominal value of the shares and the market price at the date of the award. There are no performance targets linked to the exercise of options once awarded.

Performance Related Bonuses

These are calculated based on fixed formulae which are determined in advance of each year by the Remuneration Committee. The formulae for P H Meeson and M E Forder measure the Group's profit before tax performance against a specified target. On achievement of the minimum target a bonus of 10% of basic salary is payable, increasing to a maximum of 30% of basic salary at the upper limits.

Pensions

The executive directors are members of a money purchase pension scheme. The Company does not have any final salary pension schemes.

Fees

The fees for non-executive directors are determined by the executive directors. The non-executive directors are not involved in any discussions or decisions about their own remuneration.

Service Contracts

Both P H Meeson and M E Forder have service contracts that contain a rolling notice period of six months for either party.

None of the non-executive directors have service contracts. The remuneration of the non-executive directors takes the form of fees, which are set by the executive directors having taken advice on appropriate levels.

There are no predetermined special provisions for executive or non-executive directors with regard to compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

The service contracts and letters of appointment of the directors who served in the year include the following terms:

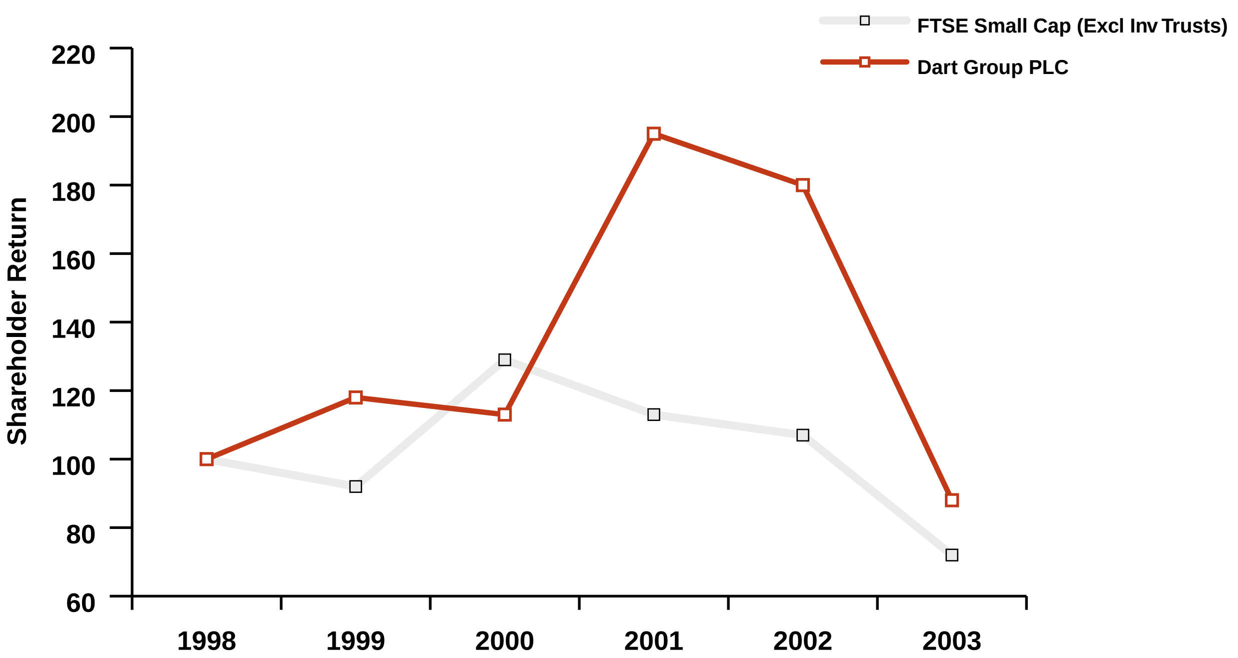
	Date of contract	*Notice period* (months)
Executive directors:		
J W Adams (resigned 30 November 2002)	21 November 1999	4
P H Meeson	29 November 1988	6
M E Forder	6 October 1998	6

The non-executive directors do not have formal fixed term contracts or notice periods but must retire and be re-appointed by rotation at the Annual General Meeting every three years.

M E Forder, who was appointed as a director on 5 August 1999, retires from the Board at the Annual General Meeting and, being eligible, offers himself for re-election. T P Crowley retires by rotation and, being eligible, offers himself for re-election.

Performance Graph

The graph below shows the percentage change in the total shareholder return (with dividends reinvested) for each of the last five financial years of a holding of the Company's shares against the corresponding change in a hypothetical holding of shares in the FTSE Small Cap.



The FTSE Small Cap was selected as it represents a broad equity market index in which the Company is a constituent member.

Information Subject to Audit

Directors' Remuneration

The remuneration of the directors is as follows:

	Basic salary and fees £	*Benefits (1)* £	*Performance related bonuses* £	*Compensation for loss of office (2)* £	*Total 2003* £	*Total 2002* £
Executive directors:						
P H Meeson	**162,400**	**15,363**	**32,480**	**–**	**210,243**	169,223
M E Forder	**111,650**	**8,334**	**22,330**	**–**	**142,314**	116,747
J W Adams	**84,583**	**10,814**	**–**	**132,333**	**227,730**	135,305
Non-executive directors:						
T P Crowley *(3)*	**16,000**	**–**	**–**	**–**	**16,000**	16,000
B S Templar	**16,000**	**–**	**–**	**–**	**16,000**	16,000
	390,633	**34,511**	**54,810**	**132,333**	**612,287**	453,275

(1) The remuneration package of each executive director includes non-cash benefits comprising the provision of a company car and private health insurance.

(2) J W Adams, who resigned on 30 November 2002, received compensation for loss of office which included a car with a value of £9,000 and final salary payments of £123,333.

(3) T P Crowley is a partner of Levy Blair, a firm of Chartered Accountants. The remuneration included above represents fees payable to Levy Blair.

Pension Entitlement

In respect of 2003 the employer contributed to one of the Group's money purchase schemes an amount of £22,736 (2002 – £22,400) in respect of P H Meeson, £15,554 (2002 – £14,859) in respect of M E Forder and £17,675 (2002 – £16,259) in respect of J W Adams.

Interests in Options

The company has two share option schemes by which executive directors and other senior executives are able to subscribe for ordinary shares in the company and acquire shares in the company. The interests of the directors who served during the year were as follows:

Director	*Share Scheme*	*Exercise price*	*At 1 April 2002 No.*	*Awarded during the year No.*	*Exercised during the year No.*	*Lapsed during the year No.*	*At 31 March 2003 No.*
M E Forder	Approved	210p	14,280	–	–	–	a) 14,280
	Unapproved	190p	–	25,000	–	–	b) 25,000
J W Adams	Approved	79p	10,000	–	–	–	c) 10,000
	Approved	302.5p	7,305	–	–	7,305	c) –

The options are exercisable between the following dates:

(a) 50 per cent between 3 December 2002 and 3 December 2009 and 50 per cent between 3 December 2005 and 3 December 2009.

(b) 50 per cent between 18 November 2005 and 18 November 2012 and 50 per cent between 18 November 2008 and 18 November 2012.

(c) All between 23 December 2000 and 30 May 2003. These represent the share options held at 30 November 2002, the date J W Adams resigned as a director.

Inland Revenue Approved Schemes
Under the Dart Group Company Share Option Scheme and the Dart Group Executive Share Option Scheme, the maximum value of options held by any individual, including directors, at any one time is £30,000, the current statutory limit.

If an option holder ceases to be an employee of either Dart Group PLC or one of its subsidiary companies his option will normally lapse immediately. However, at the discretion of the directors, and in certain other defined circumstances, the option may be exercised within six months of such cessation or six months after the third anniversary of the Date of Grant, whichever is the later.

Dart Group PLC 2002 Unapproved Share Option Scheme
This scheme was approved at the Annual General Meeting on 8 August 2002. Options may be granted to employees, excluding non-executive directors of Dart Group PLC, selected at the discretion of the Board. The full details of the scheme are summarised below.

1. Individual Limit
Participation is limited so that the total market value of shares over which a participant may be granted options under the Scheme and any other share scheme (excluding a savings related share option scheme) in any ten year period does not exceed an amount equal to four times the participant's basic salary at the relevant date of grant. Market value for these purposes is taken as at the date of grant of the relevant option.

2. Overall Limit
2.1 The maximum number of shares which may on any day be placed under option for subscription under the Scheme, when added to the number of shares previously placed under option for subscription under the Scheme or allocated for subscription in the preceding ten years under any other employees' share scheme adopted by the Company, shall not exceed 7% of the Company's issued share capital on that day.

2.2 For the purpose of the above limits options which have lapsed are disregarded.

3. Grant of Options
3.1 The Scheme allows for the grant of options to take place at any time during the period of 42 days after the announcement by the Company of its results.

3.2 The grant of options will be subject to the discretion of the directors based upon the satisfaction of performance conditions. Performance conditions will be a combination of Earnings per Share for the Group and, in the case of subsidiary directors, the profitability of individual subsidiary or division as applicable.

3.3 No option may be granted more than ten years after the adoption of the Scheme.

3.4 Options are personal to the option holder and may not be transferred or assigned. Options will be non-pensionable. No payment will be required for the grant of any option.

4. Option Price
The holder of an option will be entitled to acquire ordinary shares at a price per share to be determined by the Board at the time when the option is granted. The option price will not be less than the market value of an ordinary share on the day on which the option is granted or the nominal value if higher.

5. Exercise of Options
5.1 Unless the Board decides otherwise, options will be exercisable as follows:

5.1.1 as to 50% of the shares originally comprised in the option, on or after the third anniversary of the date of grant;

5.1.2 as to the remaining 50% of the shares originally comprised in the option, on or after the sixth anniversary of the date of grant.

5.2 If an option holder ceases to be an employee of either Dart Group PLC or one of its subsidiary companies his option will normally lapse immediately. However, at the discretion of the directors, the option may be exercised within eighteen months of such cessation or eighteen months after the third anniversary of the date of grant, whichever is the later.

5.3 If the option holder dies, his personal representatives will have up to 12 months from the death in which to exercise.

5.4 No option may be exercised more than ten years after the date of grant of the option.

6. Voting, dividend, transfer and other rights

6.1 Until options are exercised, option holders have no voting or dividend rights in respect of the shares to which their options relate.

6.2 Shares issued and allotted under the Scheme following the exercise of an option will rank *pari passu* in all respects with the then existing shares of the same class of the Company, with the exception of rights attaching by reference to a record date on or before the date of allotment.

The mid-market price of the Company's shares on 31 March 2003 was 139 pence per five pence ordinary share. The highest and lowest mid-market prices during the year were 332.5 pence and 135.5 pence respectively.

The interests of the directors to subscribe for or acquire ordinary shares have not changed since the year end.

By order of the Board

B S Templar
Director, Chairman of the Remuneration Committee

18 June 2003

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and how the Company complies with the provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

Statement By The Directors On Compliance With The Provisions Of The Combined Code

The Company has been in full compliance with the provisions set out in section 1 of the Combined Code except as noted below.

With regard to provision D3.1 of the Code (Audit Committee of at least three non-executive directors), and in common with many smaller companies, the Company has only two non-executive directors. The Board believes that it has the right balance at this stage of the Group's development and that the appointment of an additional non-executive is unlikely to be beneficial at present. This policy is kept under review and the Board will consider the appointment of additional non-executives as and when this is thought to be appropriate. The Board believes that these non-executives are independent, and their knowledge and understanding of the operations of the Group enable them to provide a positive and valuable contribution. The audit committee consists of the Company's two non-executive directors. They meet with the Company's external auditors as frequently as they consider necessary in the discharge of their duties.

With respect to Section A2.1 of the Code (decision to combine the role of Chairman and Chief Executive), during the year the Board considered whether the combined role of Chairman and Chief Executive should be split. The Board concluded that, at this stage of the Company's development, no value would be added by the appointment of a non-executive Chairman.

With regard to provision A6.1 of the Code (non-executives appointed for specified terms subject to re-election), the non-executive directors do not have formal fixed term contracts. However, under the Company's Articles of Association, one third of all directors, including non-executive directors, retire by rotation at each Annual General Meeting.

Internal Control

The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Any such system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has maintained its processes for the year and, up to the date of signing of the accounts, for identifying, evaluating and managing the significant risks faced by the Group and the Board confirms that these accord with the Turnbull Guidance for directors on internal control.

Fundamental to the process is the regular review by the Board of reports on the operating risks facing each business unit and the actions taken to mitigate these. The Audit Committee receives and considers a detailed annual report on internal control from the Group Finance Director, which is discussed in detail with the Company's external auditors, and subsequently reports back to the Board.

In order to ensure compliance with laws and regulations, and promote effective and efficient operations, the directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. Comprehensive guidance on financial and non-financial matters for all managers and employees is given in the Group Management Manual. In particular there are clear procedures for:

- approval of invoices before authorisation for their payment;
- capital investment, with detailed appraisal, authorisation and post investment review; and
- financial reporting, within a comprehensive financial planning, budgeting and accounting framework.

Accordingly, the Board confirms that the directors have reviewed the effectiveness of the system of internal control, and the Company has been in full compliance with Provision D.2.1 of the Combined Code throughout the period under review.

The Workings Of The Board And Its Committees

The Board

The Board currently comprises Philip Meeson, who owns 41.3% of the issued share capital of Dart Group PLC and performs the role of Chairman and Chief Executive, Mike Forder, the Group Finance Director, and two independent non-executive directors, Trevor Crowley and Brian Templar. The biographies of the directors appear on page 14. These demonstrate a range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the accounts is set out on page 21 and a statement on going concern is given within the Financial Review on page 12.

The Board has a formal schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, Nigel Lawrence, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that the directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board meets quarterly, reviewing trading performance, ensuring adequate funding and setting and monitoring strategy. To enable the Board to discharge its duties, all directors receive appropriate and timely information, and in months when the Board does not meet, the directors receive a formal written report.

The Group does not operate a Nomination Committee due to the size and nature of the Board. New director appointments are a matter for the Board as a whole.

The following committees deal with the specific aspects of the Group's affairs.

Remuneration Committee

The Group's Remuneration Committee is chaired by Brian Templar and its other member is Trevor Crowley. It is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for the executive directors, including performance related bonus schemes, pension rights and compensation payments.

Audit Committee

The Audit Committee which is chaired by Trevor Crowley, its other member being Brian Templar, meets not less than twice per year. The Committee provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and Group Finance Director.

The Audit Committee is responsible for reviewing a wide range of matters including the half-year and annual accounts before their submission to the Board and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders.

The Audit Committee has direct access to the internal auditor and vice versa should they deem it necessary.

Higgs and Smith Reports

The Board is aware of the content of both the Higgs and Smith Reports. The content of these reports and their implications to the Group is currently under consideration.

Relations With Shareholders

Communications with shareholders are given high priority. The Review of Operations and Financial Review on pages 4 to 12 include a detailed review of the Group's business and future developments. There is regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the interim and full year results.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the chairmen of the Audit and Remuneration Committees are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 7 August 2003 can be found in the Notice of the Meeting on page 45.

Independent Auditors' Report

To Members of Dart Group PLC:

We have audited the Group's financial statements for the year ended 31 March 2003 which comprise the Group Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Group Cash Flow Statement, and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, unaudited part of the Directors' Remuneration Report, Chairman's Statement, Review of Operations, Financial Review and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the profit of the Group for the year then ended, and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Southampton

18 June 2003

Group Profit and Loss Account

for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Turnover			
Continuing operations, excluding ***Jet****2*		**197,464**	194,242
Jet*2* operations		**712**	–
Total continuing operations	2	**198,176**	194,242
Net operating expenses			
Continuing operations, excluding ***Jet****2* and goodwill amortisation		**(186,592)**	(183,233)
Jet*2* operations		**(2,762)**	–
Goodwill amortisation		**(497)**	(497)
Total continuing operations	3	**(189,851)**	(183,730)
Operating profit/(loss)			
Continuing operations, excluding ***Jet****2* and goodwill amortisation		**10,872**	11,009
Jet*2* operations		**(2,050)**	–
Goodwill amortisation		**(497)**	(497)
Total continuing operations		**8,325**	10,512
Profit on disposal of fixed assets		**82**	232
Net interest payable	4	**(989)**	(1,257)
Profit on ordinary activities before taxation	5	**7,418**	9,487
Taxation	7	**(2,499)**	(3,179)
Profit on ordinary activities after taxation		**4,919**	6,308
Dividends	8	**(2,094)**	(2,094)
Retained profit for the year		**2,825**	4,214
Earnings per share			
– basic	9	**14.33p**	18.41p
– basic, excluding the amortisation of goodwill	9	**15.78p**	19.87p
– diluted	9	**14.27p**	18.25p

Statement of Total Recognised Gains and Losses

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	**4,919**	6,308
Exchange gain/(loss) on foreign equity investment	**8**	(18)
	4,927	6,290

A statement of the movement on reserves is given in Note 20 to the accounts.

Balance Sheets

at 31 March 2003

		Group		Company	
		2003	2002	**2003**	2002
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Intangible assets	10	**8,277**	8,774	**–**	–
Tangible assets	11	**73,484**	54,790	**66,264**	43,271
Investments	12	**–**	–	**18,279**	18,279
		81,761	63,564	**84,543**	61,550
Current assets					
Stock	13	**2,452**	2,507	**–**	–
Debtors	14	**31,043**	29,817	**5,783**	7,639
Cash at bank and in hand		**6,940**	1,356	**3**	4
		40,435	33,680	**5,786**	7,643
Current liabilities					
Creditors: amounts falling due within one year	15	**(48,496)**	(39,546)	**(42,082)**	(35,754)
Net current liabilities		**(8,061)**	(5,866)	**(36,296)**	(28,111)
Total assets less current liabilities		**73,700**	57,698	**48,247**	33,439
Creditors: amounts falling due after more than one year	16	**(30,444)**	(18,970)	**(30,364)**	(17,630)
Provision for liabilities and charges	17	**(6,112)**	(4,432)	**(5,778)**	(3,987)
		(36,556)	(23,402)	**(36,142)**	(21,617)
Net assets		**37,144**	34,296	**12,105**	11,822
Capital and reserves					
Called up share capital	19	**1,716**	1,716	**1,716**	1,716
Share premium account	20	**7,674**	7,659	**7,674**	7,659
Profit and loss account	20	**27,754**	24,921	**2,715**	2,447
Shareholders' funds – equity interests	21	**37,144**	34,296	**12,105**	11,822

The accounts on pages 25 to 43 were approved by the Board of Directors at a meeting held on 18 June 2003 and were signed on its behalf by:

P H Meeson
M E Forder } *Directors*

Group Cash Flow Statement

for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	25	**33,713**	21,566
Returns on investment and servicing of finance	24	**(989)**	(1,257)
Taxation	24	**(2,283)**	(2,343)
Capital expenditure and financial investment	24	**(36,209)**	(36,205)
Equity dividends paid		**(2,094)**	(2,052)
Cash outflow before financing		**(7,862)**	(20,291)
Financing	24	**13,734**	13,805
Increase/(decrease) in cash in the year	26	**5,872**	(6,486)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2003 £'000	2002 £'000
Increase/(decrease) in cash in the year		**5,872**	(6,486)
Cash inflow from increase in net debt in the year	26	**(13,719)**	(13,691)
Change in net debt resulting from cash flows		**(7,847)**	(20,177)
Exchange differences		**2,183**	–
Net debt at 1 April	26	**(22,503)**	(2,326)
Net debt at 31 March	26	**(28,167)**	(22,503)

Notes to the Accounts

1. Accounting policies

Basis of accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Basis of consolidation
The accounts of the Company and all of its trading subsidiary undertakings are consolidated on the basis of accounts made up to 31 March 2003.

Goodwill
Goodwill arising on acquisitions prior to 1 April 1997 was written off directly against reserves. Goodwill previously eliminated against reserves has not been re-instated on implementation of FRS 10.

Goodwill arising on acquisitions after 1 April 1997 has been capitalised in the balance sheet and amortised over its estimated economic life up to a presumed maximum of 20 years. It will be reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events indicate that the carrying value may not be recoverable.

If a subsidiary or associated undertaking is subsequently sold or closed any goodwill previously written off directly to reserves or not yet amortised through the profit and loss account is taken into account in determining the profit or loss on disposal.

Investments
Investments are recorded at cost, less provisions for impairment in value where appropriate.

Companies in which the Group has an interest comprising of not less than 20% of their voting capital, which are not subsidiary undertakings, are included as associated undertakings only where the Group exercises significant influence over the operations of the companies.

Turnover
Turnover (which excludes Value Added Tax), represents fresh produce and flower distribution, cargo aircraft operations, passenger aircraft operations, freight forwarding and all other charges for services provided by the Group.

Aircraft maintenance
Maintenance fees are charged by the Company to Channel Express (Air Services) Limited, a wholly owned subsidiary undertaking, to cover the cost of the Company's obligation to undertake specific periodic maintenance on its aircraft fleet. The amount received by the Company in advance of the maintenance expenditure represents fees unearned to the extent that the Company has not yet completed and incurred the expenditure.

Within the consolidated accounts, in accordance with Financial Reporting Standards 12 and 15, expenditure on the maintenance of aircraft, engines and propellers is capitalised within Tangible Fixed Assets. Depreciation, in addition to that charged against the original capital value, is charged against these maintenance assets at a variable rate dependent on the actual usage of the aircraft itself, such that over time the depreciation charge will match the related maintenance expenditure.

Stock
Aircraft spares are valued at the lower of cost and estimated net realisable value. Net realisable value is that which would arise on sales in the normal course of business.

Tangible fixed assets
Tangible fixed assets are stated at cost to the Group. In line with FRS 15, costs associated with the introduction of a new type of aircraft are capitalised. In addition, interest attributable to the purchase of aircraft and other assets and progress payments made on account whilst such aircraft are undergoing conversion from passenger to freighter or quick change is capitalised and added to the cost of the asset concerned. Interest is capitalised at rates equal to the rates paid on the financial instruments used to finance the purchase and conversion of aircraft. The amount of interest capitalised in the year to 31 March 2003 was £261,000 (2002 – Nil).

1. Accounting policies – (continued)

Depreciation is calculated to write off the cost of fixed assets using the straight line method over their estimated useful lives as follows:-

Leasehold property	Over the term of the lease
Freehold property	30 years
Aircraft, engines and propellers	3-10 years
Plant, vehicles and equipment	3-7 years

As noted above, within the consolidated accounts, expenditure on maintenance of aircraft, engines and propellers is capitalised within Tangible Fixed Assets. Depreciation, in addition to that charged against the original capital value, is then charged against these maintenance assets at a variable rate dependent on the actual usage of the aircraft itself, such that over time the depreciation charge will match the related maintenance expenditure.

A freehold property with a book value of £345,000 has not been depreciated as, having regard to the nature of the property, the directors consider that its residual value, which was based upon prices prevailing at the time of acquisition, is not materially less than the amount shown in the accounts. An annual impairment review is carried out and any diminution in book value is provided through the Profit and Loss Account.

The carrying values of tangible fixed assets are reviewed for impairment in the period, if events indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from fair value adjustments of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

Assets acquired under finance leases are capitalised and the related liability is recorded as an obligation to pay future rentals. Finance charges are allocated to accounting periods on the basis of the obligation for each accounting period. Rental payments under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

All Group pensions are provided from the proceeds of money purchase schemes. The charge to the Profit and Loss Account represents the payments due during the year.

Foreign currency

Transactions in foreign currencies have been translated into Sterling at the rates applicable when they were completed and monetary assets and liabilities at the year end have been translated at the rates at that date. Differences arising on exchange are reflected in the results for the year.

On consolidation, assets and liabilities of overseas subsidiary undertakings are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange. Exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and at closing rates, are dealt with in reserves.

1. Accounting policies – (continued)

In accordance with SSAP20, Foreign Currency Translation, aircraft purchased in foreign currency, which are financed by foreign currency financial instruments and which are expected to generate substantial foreign currency revenues, are accounted for as a branch using the closing rate method. Accordingly, exchange differences arising on translation of the branch accounts of the aircraft and related foreign currency financial instruments are taken to reserves.

Financial instruments
The Group uses forward foreign currency contracts and aviation fuel swaps to reduce exposure to foreign exchange rates and aviation fuel price volatility. The criteria for forward foreign currency contracts are that the instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified, and it must reduce the risk of foreign exchange movements on the Group's operations. The criteria for aviation fuel swaps are that the instrument must be related to probable aviation fuel requirements within the next year, and it must reduce the risk of aviation fuel price movements on the Group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or, where the instrument is used to hedge a committed or probable future transaction, are deferred until the transaction occurs.

2. Turnover

	2003 £'000	2002 £'000
Distribution	**119,154**	120,313
Aviation Services (including ***Jet****2)*	**79,022**	73,929
	198,176	194,242
Turnover arising within:		
The United Kingdom and the Channel Islands	**192,072**	188,671
Mainland Europe	**5,077**	4,143
The Far East	**1,027**	1,428
	198,176	194,242

Turnover to third parties by destination is not materially different to that by source and relates to continuing activities.

Analyses of profit before taxation and net assets between the different segments of the Group are not given as, in the opinion of the directors, such analyses would be seriously prejudicial to the commercial interests of the Group.

3. Net operating expenses

	2003 £'000	2002 £'000
Direct operating costs	**114,305**	116,239
Staff costs	**48,267**	44,725
Depreciation and amortisation:		
Own assets	**15,341**	12,527
Goodwill	**497**	497
Other operating charges	**12,656**	10,843
Other operating income:		
Rents receivable	**(809)**	(809)
Other	**(406)**	(292)
	189,851	183,730

4. Net interest payable

	2003 £'000	2002 £'000
On bank loans and overdrafts	**326**	292
On other loans	**967**	1,068
On finance leases	**–**	20
Other interest payable	**22**	–
	1,315	1,380
Interest receivable	**(65)**	(123)
Interest payable capitalised within tangible fixed assets	**(261)**	–
	989	1,257

5. Profit on ordinary activities before taxation

		2003 £'000	2002 £'000
Profit on ordinary activities before taxation is after charging:			
Auditors' remuneration:	for audit services	**94**	91
	for other services	**68**	33
Operating lease rentals:	land and buildings	**1,268**	1,180
	plant and machinery	**8,708**	8,495

6. Directors and employees

The average monthly number of persons, including executive directors, employed by the Group during the year was:

	2003 Number	2002 Number
Operations	**1,215**	1,284
Administration	**348**	405
	1,563	1,689

	2003 £'000	2002 £'000
Wages and salaries	**43,731**	40,303
Social security costs	**3,566**	3,507
Other pension costs	**970**	915
	48,267	44,725

Details of directors' remuneration are disclosed in the Report on Directors' Remuneration on page 19.

7. Taxation

	2003 £'000	2002 £'000
Current taxation:		
UK Corporation Tax based upon the profits for the year	**741**	2,013
Adjustments in respect of previous periods	**(25)**	78
Foreign tax	**103**	225
	819	2,316
Deferred taxation:		
Origination and reversal of timing differences		
– current year	**1,598**	714
– prior year	**82**	149
	1,680	863
	2,499	3,179

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:-

	2003 £'000	2002 £'000
Profit on ordinary activities	**7,418**	9,487
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 – 30%)	**2,225**	2,846
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	**257**	181
Capital allowances for period in excess of depreciation	**(1,598)**	(496)
Utilisation of tax losses	**–**	(218)
Lower tax rates on overseas earnings	**(40)**	(75)
Adjustments to tax charge in respect of previous periods	**(25)**	78
Current tax charge for period (see above)	**819**	2,316

Based upon current capital expenditure plans, the Group expects to continue to be able to claim capital allowances in advance of depreciation in future years. There are no unrelieved tax losses carried forward.

8. Dividends

	2003 £'000	2002 £'000
Interim 1.85 pence (2002 – 1.85 pence) per share – paid	**630**	630
Final 4.26 pence (2002 – 4.26 pence) per share – proposed	**1,464**	1,464
	2,094	2,094

9. Earnings per share

The calculation of basic earnings per share is based on earnings for the year ended 31 March 2003 of £4,919,000 (2002 – £6,308,000) and on 34,323,441 shares (2002 – 34,255,405) being the weighted average number of shares in issue for the year.

The calculation of basic earnings per share, excluding the amortisation of goodwill, is based on earnings of £5,416,000, as calculated below, for the year ended 31 March 2003 (2002 – £6,805,000) and on 34,323,441 shares (2002 – 34,255,405) being the weighted average number of shares in issue for the year.

	2003	2002
	£'000	£'000
Profit on ordinary activities after taxation	**4,919**	6,308
Amortisation of goodwill	**497**	497
	5,416	6,805

The diluted earnings per share is based on earnings for the year ended 31 March 2003 of £4,919,000 (2002 – £6,308,000) and on 34,464,530 ordinary shares (2002 – 34,571,105) calculated as follows:

	2003	2002
	000's	000's
Basic weighted average number of shares	**34,323**	34,255
Dilutive potential ordinary share:		
Employee share options	**142**	316
	34,465	34,571

10. Intangible fixed assets

	Goodwill
Group	£'000
Cost	
At 1 April 2002 and 31 March 2003	**9,933**
Amortisation	
At 1 April 2002	(1,159)
Provided during the year	**(497)**
At 31 March 2003	**1,656**
Net book value	
At 31 March 2002	8,774
At 31 March 2003	**8,277**

Goodwill arising on the acquisition of Coolchain Group Limited is being amortised evenly over its expected economic useful life of 20 years.

11. Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Aircraft & engines £'000	Plant, vehicles & equipment £'000	Total £'000
Cost					
At 1 April 2002	13,546	1,908	70,016	19,473	104,943
Currency revaluation	**–**	**–**	**(2,374)**	**56**	**(2,318)**
Additions – third party	**40**	**50**	**34,404**	**1,904**	**36,398**
Disposals – third party	**(245)**	**(6)**	**(3,117)**	**(1,428)**	**(4,796)**
Transfer	**120**	**(120)**	**–**	**–**	**–**
At 31 March 2003	**13,461**	**1,832**	**98,929**	**20,005**	**134,227**
Depreciation					
At 1 April 2002	(1,347)	(1,164)	(35,562)	(12,080)	(50,153)
Currency revaluation	**–**	**–**	**67**	**(5)**	**62**
Charge for the year	**(351)**	**(129)**	**(12,194)**	**(2,667)**	**(15,341)**
Disposals	**245**	**6**	**3,117**	**1,321**	**4,689**
At 31 March 2003	**(1,453)**	**(1,287)**	**(44,572)**	**(13,431)**	**(60,743)**
Net book value					
At 31 March 2002	12,199	744	34,454	7,393	54,790
At 31 March 2003	**12,008**	**545**	**54,357**	**6,574**	**73,484**

Aircraft and engine additions in the year include £261,000 (2002 – £Nil) of interest capitalised.

Company	Short leasehold property £'000	Aircraft & engines £'000	Plant, vehicles & equipment £'000	Total £'000
Cost				
At 1 April 2002	865	59,045	1,143	61,053
Currency revaluation	**–**	**(2,374)**	**–**	**(2,374)**
Additions	**–**	**28,013**	**161**	**28,174**
Disposals	**–**	**–**	**(37)**	**(37)**
At 31 March 2003	**865**	**84,684**	**1,267**	**86,816**
Depreciation				
At 1 April 2002	(397)	(16,591)	(794)	(17,782)
Currency revaluation	**–**	**67**	**–**	**67**
Charge for the year	**(41)**	**(2,631)**	**(190)**	**(2,862)**
Disposals	**–**	**–**	**25**	**25**
At 31 March 2003	**(438)**	**(19,155)**	**(959)**	**(20,552)**
Net book value				
At 31 March 2002	468	42,454	349	43,271
At 31 March 2003	**427**	**65,529**	**308**	**66,264**

Aircraft and engines having an original cost of £74,330,844 (2002 – £58,873,000) and accumulated depreciation of £9,059,424 (2002 – £16,488,000) are held for use in operating leases by a subsidiary company.

Aircraft and engine additions in the year include £261,000 (2002 – £Nil) of interest capitalised.

12. Investments

	2003
Company	**£'000**
Shares in subsidiary undertakings at cost, and net investment:	
At 1 April 2002 and 31 March 2003	**18,279**

The principal subsidiary undertakings, which are wholly owned are:

Name	Principal activity	Country of incorporation or registration
Channel Express (CI) Limited	Provision of freight and flower distribution services to, and from, the Channel Islands	Guernsey
Coolchain Limited	Temperature controlled distribution	England
Fowler Welch Limited	Temperature controlled distribution	England
Fowler Welch BV	Temperature controlled distribution	The Netherlands
Benair Freight International Limited	Freight forwarding	England
Benair Freight Pte Limited	Freight forwarding	Singapore
Channel Express (Air Services) Limited	Operation of cargo and passenger aircraft	England

All subsidiaries are wholly owned by the Company, with the exception of Coolchain Limited (owned by Coolchain Group Limited which is a wholly owned subsidiary undertaking of the Company) and Fowler Welch BV (owned by Fowler Welch Limited). The issued share capital of each subsidiary undertaking consists entirely of ordinary shares.

On 31 March 2003 the assets and liabilities of Fowler Welch Limited were transferred to Coolchain Limited. On 1 April 2003 Coolchain Limited changed its name to Fowler Welch – Coolchain Limited.

13. Stock

	2003	2002
	£'000	£'000
Group		
Aircraft parts	**2,201**	2,233
Sundries	**251**	274
	2,452	2,507

14. Debtors

	2003		2002	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade debtors	**25,674**	**–**	25,510	–
Amounts owed by Group undertakings	**–**	**5,023**	–	6,940
Other debtors and prepayments	**5,369**	**760**	4,307	699
	31,043	**5,783**	29,817	7,639

15. **Creditors:** amounts falling due within one year

	2003		2002	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Bank overdraft	**11**	**10,814**	781	9,470
Bank loans	**–**	**–**	346	–
Other loans	**4,732**	**4,732**	3,658	3,658
Trade creditors	**24,969**	**1,078**	24,754	474
Amounts owed to Group undertakings	**–**	**12,399**	–	11,830
Corporation Tax	**–**	**–**	1,468	–
Other taxation and social security	**1,857**	**40**	1,658	37
Deferred income	**7,535**	**–**	–	–
Other creditors and accruals	**7,928**	**385**	5,221	823
Obligations under finance leases	**–**	**–**	196	–
Dividend proposed	**1,464**	**1,464**	1,464	1,464
Maintenance fees received in advance	**–**	**11,170**	–	7,998
	48,496	**42,082**	39,546	35,754

16. **Creditors:** amounts falling due after more than one year

	2003		2002	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Bank loans	**–**	**–**	1,248	–
Other loans	**30,364**	**30,364**	17,630	17,630
Overseas taxation	**80**	**–**	92	–
	30,444	**30,364**	18,970	17,630

Loans and finance leases are repayable as follows:	2003		2002	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Within one year:				
Bank loans	**–**	**–**	346	–
Other loans	**4,732**	**4,732**	3,658	3,658
Finance leases	**–**	**–**	196	–
Between one and two years:				
Bank loans	**–**	**–**	346	–
Other loans	**6,231**	**6,231**	3,449	3,449
Finance leases	**–**	**–**	–	–
Between two and five years:				
Bank loans	**–**	**–**	902	–
Other loans	**5,906**	**5,906**	7,010	7,010
Over five years:				
Other loans	**18,227**	**18,227**	7,171	7,171
	35,096	**35,096**	23,078	21,288

16. Creditors: amounts falling due after more than one year – (continued)

Details of loans not wholly repayable within five years are as follows:-

	2003		2002	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Secured loan of US$10,255,000 repayable by monthly amounts until August 2008 with a balloon payment payable in August 2008	**6,488**	**6,488**	8,137	8,137
Secured loan of US$5,900,000 repayable by quarterly instalments with a balloon payment payable in March 2013	**3,733**	**3,733**	–	–
Secured loan of US$31,575,000 repayable by quarterly instalments with a balloon payment payable in May 2012	**19,976**	**19,976**	8,864	8,864
	30,197	**30,197**	17,001	17,001

Included in the total loans of £35,096,000 (2002 – £23,078,000) are loans totalling £6,326,000 (2002 – £7,022,000) which bear interest at a fixed rate of 5.56%. The remaining capital balance of £28,770,000 (2002 – £16,056,000) bears interest at variable rates of less than 1% over LIBOR. The loans are secured over certain of the Group's aircraft.

17. Provision for liabilities and charges

	2003		2002	
	Group	**Company**	Group	Company
Deferred Tax	**£'000**	**£'000**	£'000	£'000
Accelerated capital allowances	**6,112**	**5,778**	4,432	3,987
Provision at start of period	**4,432**	**3,987**	3,569	3,207
Deferred tax charge in profit and loss account for period	**1,680**	**1,791**	863	780
Provision at end of period	**6,112**	**5,778**	4,432	3,987

There are no unprovided deferred taxation liabilities.

18. Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of financial instruments in managing the risks of the Group can be found in the Financial Review on pages 11 and 12. The disclosures given below exclude trade debtors and trade creditors except for those relating to currency exposure.

Fair values

Set out below is a comparison of book values and fair values of all of the Group's financial assets and financial liabilities.

	Book value	**Fair value**	Book value	Fair value
	2003		2002	
	£'000	**£'000**	£'000	£'000
Primary financial instruments				
Short-term borrowings and current portion of long-term borrowings	**(4,732)**	**(4,791)**	(4,981)	(4,984)
Long-term borrowings	**(30,364)**	**(30,733)**	(18,878)	(18,904)
Cash and short-term deposits	**6,940**	**6,940**	1,356	1,356
Derivative financial instruments held to hedge the exposure on future costs				
Forward foreign currency contracts	**–**	**1,147**	–	(136)
Fuel derivatives	**–**	**74**	–	117

Forward foreign currency and fuel derivative contracts are measured at market value and all relate to exercise dates within one year of the balance sheet date.

18. Financial instruments – (continued)

Interest risk – financial liabilities

	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Financial liabilities on which no interest is payable £'000	Total £'000
2003				
Sterling	**–**	**4,900**	**–**	**4,900**
US Dollar	**6,326**	**23,881**	**–**	**30,207**
	6,326	**28,781**	**–**	**35,107**
2002				
Sterling	–	5,867	174	6,041
US Dollar	7,022	12,245	–	19,267
Other	–	561	–	561
	7,022	18,673	174	25,869

The fixed rate liabilities comprise aircraft mortgages which bear interest at a total weighted average rate of 5.56%. This rate is fixed for a remaining weighted average period of 2 years and 8 months.

The floating rate liabilities comprise aircraft mortgages and bank overdrafts which bear interest at rates of up to 1% over either bank base rates or LIBOR.

The maturity profile of the above financial liabilities is shown in Note 16.

Interest risk – financial assets

	Floating rate financial assets £'000	Financial assets on which no interest is payable £'000	Total £'000
2003			
Sterling	**2,500**	**2,278**	**4,778**
US Dollar	**–**	**53**	**53**
Singapore Dollar	**330**	**175**	**505**
Other	**497**	**1,107**	**1,604**
	3,327	**3,613**	**6,940**
2002	£'000	£'000	£'000
Sterling	–	2,458	2,458
US Dollar	–	4	4
Singapore Dollar	350	365	715
Other	–	979	979
	350	3,806	4,156

The floating rate financial assets comprise cash on overnight money market deposits at various market rates according to their currency. The Group operates composite bank accounts which allow the offset of individual bank and overdraft accounts in different currencies. Included within the amounts above are bank account balances of £Nil (2002 – 2,800,000) which have been offset against bank overdrafts in these financial statements.

The financial assets on which no interest is payable comprise cash in hand and bank current account balances.

18. Financial instruments – (continued)

Currency exposure

The table below shows the Group's currency exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise monetary assets and liabilities that are not denominated in the functional currency of the operating unit involved.

Currency	US Dollar **£'000**	Euros **£'000**	SGD **£'000**	Other **£'000**	Total **£'000**
2003					
Sterling	**(1,259)**	**(175)**	**(84)**	**(49)**	**(1,567)**
2002					
Sterling	2,765	(330)	(108)	(615)	1,712

As at 31 March 2003 the Group also held open various forward exchange contracts taken out to hedge expected foreign currency requirements.

Hedges

Gains and losses on instruments used for hedging currency and fuel price risk are not recognised until the instruments mature. Unrecognised gains at 31 March 2003 amounted to £1,221,000 (2002 – losses £19,000). Losses included in the profit and loss account that arose in previous years amounted to £19,000 (2002 – gains £260,000).

Maturity of financial liabilities

Financial liabilities comprise loans, bank overdrafts and finance leases. The maturity of the loans, bank overdrafts and finance leases is given in Note 16.

Borrowing facilities

The Group has various borrowing facilities available to it. The total borrowing facilities available at 31 March 2003 in respect of which all conditions precedent had been met at that date are as follows:-

	Amounts drawndown		Facilities available	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Committed facilities:				
Amortising flexible aircraft mortgages	**35,096**	21,288	**40,577**	25,801
Bank overdrafts	**–**	–	**5,000**	–
Property mortgages	**–**	1,594	**–**	1,594
Total committed facilities	**35,096**	22,882	**45,577**	27,395
Uncommitted facilities:				
Multi option facility	**–**	–	**10,000**	7,500
Bank overdrafts	**11**	781	**4,000**	9,000
Total uncommitted facilities	**11**	781	**14,000**	16,500
	35,107	23,663	**59,577**	43,895

19. Called up share capital

	Number of shares	**2003 £'000**	2002 £'000
Authorised ordinary shares of 5p each	40,000,000	**2,000**	2,000
Allotted, called-up and fully paid			
As at 1 April 2002	34,311,222	**1,716**	1,710
Options exercised	15,000	**–**	6
As at 31 March 2003	34,326,222	**1,716**	1,716

The Company received the sum of £15,000 (2002 – £114,000) in respect of options exercised during the year.

The Company has granted options to employees under the Dart Group Company Share Option Scheme in respect of 934,103 (2002 – 892,560) ordinary shares of 5p each. At 31 March 2003 the following options had not been exercised:

Number of shares	*Option price*	*Option exercisable*
10,000	79.0p per share	On all the shares before the options expire on 23 December 2004.
82,620	115.5p per share	On 27,320 shares from 22 July 1999 and on all the shares from 22 July 2002. The options expire on 22 July 2006.
101,200	123.75p per share	On 29,100 shares from 19 December 1999 and on all the shares from 19 December 2002. The options expire on 19 December 2006.
51,940	107.75p per share	On 970 shares from 26 June 2000 and on all the shares from 26 June 2003. The options expire on 26 June 2007.
10,000	138.75p per share	On all the shares from 12 December 2003. The options expire on 12 December 2007.
15,000	225.0p per share	On 5,000 shares from 21 July 2001 and on all the shares from 21 July 2004. The options expire on 21 July 2008.
87,500	178.5p per share	On 37,500 shares from 14 December 2001 and on all the shares from 14 December 2004. The options expire on 14 December 2008.
45,000	210.0p per share	On half of the shares from 12 July 2002 and on all the shares from 12 July 2005. The options expire on 12 July 2009.
69,280	210.0p per share	On half of the shares from 3 December 2002 and on all the shares from 3 December 2005. The options expire on 3 December 2009.
102,000	257.5p per share	On half of the shares from 19 July 2003 and on all the shares from 19 July 2006. The options expire on 19 July 2010.
124,483	302.5p per share	On 62,242 shares from 17 November 2003 and on all the shares from 17 November 2006. The options expire on 17 November 2010.
36,000	355.0p per share	On half of the shares from 25 June 2004 and on all the shares from 25 June 2007. The options expire on 25 June 2011.
79,600	290.5p per share	On half of the shares from 19 November 2004 and on all the shares from 19 November 2007. The options expire on 19 November 2011.
59,300	263.5p per share	On half of the shares from 3 July 2005 and on all shares from 3 July 2008. The options expire on 3 July 2012.
60,180	190.0p per share	On half of the shares from 18 November 2005 and on all the shares from 18 November 2008. The options expire on 18 November 2012.

The Company has granted options to employees under the Dart Group 2002 Unapproved Share Option Scheme in respect of 300,000 (2002 – Nil) ordinary shares of 5p each. At 31 March 2003 the following options had not been exercised:

Number of shares	*Option price*	*Option exercisable*
300,000	190.0p per share	On half of the shares from 18 November 2005 and on all the shares from 18 November 2008. The options expire on 18 November 2012.

20. Reserves

	Group		Company	
	Share premium £'000	Profit & loss £'000	Share premium £'000	Profit & loss £'000
At 1 April 2002	7,659	24,921	7,659	2,447
Issue of shares under share option schemes	**15**	**–**	**15**	**–**
Retained profit for the year	**–**	**2,825**	**–**	**263**
Currency translation differences	**–**	**8**	**–**	**5**
At 31 March 2003	**7,674**	**27,754**	**7,674**	**2,715**

The Company has taken advantage of the provisions of Section 230 of the Companies Act 1985 and has not published its own Profit and Loss Account. Of the profit on ordinary activities after taxation for the year a profit of £2,357,000 (2002 – £2,688,000) is dealt with in the accounts of the holding company, including dividends from subsidiaries of £2,787,000 (2002 – £2,681,000). The cumulative goodwill written off against reserves as at 31 March 2003 amounted to £2,279,000 (2002 – £2,279,000).

21. Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Profit for the year	**4,919**	6,308	**2,357**	2,688
Dividends	**(2,094)**	(2,094)	**(2,094)**	(2,094)
	2,825	4,214	**263**	594
Currency translation differences	**8**	(18)	**5**	–
Issue of shares under share option schemes	**15**	114	**15**	114
Net addition to shareholders' funds	**2,848**	4,310	**283**	708
Opening shareholders' funds	**34,296**	29,986	**11,822**	11,114
Closing shareholders' funds	**37,144**	34,296	**12,105**	11,822

22. Commitments

(a) Capital commitments:

	2003		2002	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Contracted for but not provided	**1,446**	**1,446**	279	–

(b) Annual commitments under non-cancellable operating leases:

	2003		2002	
Group	**Land & buildings £'000**	**Plant & machinery £'000**	Land & buildings £'000	Plant & machinery £'000
Operating leases which expire:				
within one year	**46**	**6,007**	186	1,225
between two and five years	**334**	**3,652**	145	2,062
over five years	**349**	**–**	628	310
	729	**9,659**	959	3,597

23. Contingent liabilities

The Group has issued various guarantees in the ordinary course of business, none of which are expected to lead to a financial gain or loss.

The Company has cross guarantees in respect of the banking arrangements of certain of its subsidiary undertakings.

24. Gross cash flows

	2003 £'000	2002 £'000
Returns on investment and servicing of finance		
Interest paid: bank and other loans	**(1,054)**	(1,360)
Interest element of finance lease rental payments	**–**	(20)
Interest received: bank	**65**	123
	(989)	(1,257)
Taxation		
Corporation and overseas tax paid	**(2,283)**	(2,343)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(36,398)**	(37,221)
Disposal of tangible fixed assets	**189**	957
Disposal of investments	**–**	59
	(36,209)	(36,205)
Financing		
Ordinary share capital issued	**15**	114
Other loans repaid	**(3,103)**	(14,518)
Bank loans repaid	**(1,594)**	(345)
Other loans advanced	**18,612**	28,816
Capital elements of finance lease rental payments	**(196)**	(262)
	13,734	13,805

25. Reconciliation of operating profit to net cash flow from operating activities

	2003 £'000	2002 £'000
Operating profit	**8,325**	10,512
Depreciation	**15,341**	12,527
Amortisation of goodwill	**497**	497
Decrease/(increase) in stock	**55**	(751)
(Increase)/decrease in debtors	**(1,164)**	148
Increase/(decrease) in creditors	**10,651**	(1,349)
Exchange differences	**8**	(18)
Net cash inflow from operating activities	**33,713**	21,566

26. Analysis of net debt

	At 31 March 2003 £'000	Cashflow £'000	Exchange differences £'000	At 1 April 2002 £'000
Bank loans due within one year	**–**	**346**	**–**	(346)
Bank loans due after one year	**–**	**1,248**	**–**	(1,248)
Other loans due within one year	**(4,732)**	**(1,074)**	**–**	(3,658)
Other loans due after one year	**(30,364)**	**(14,435)**	**1,701**	(17,630)
Finance leases	**–**	**196**	**–**	(196)
Total debt	**(35,096)**	**(13,719)**	**1,701**	(23,078)
Cash at bank and in hand, net of bank overdrafts	**6,929**	**5,872**	**482**	575
Net debt	**(28,167)**	**(7,847)**	**2,183**	(22,503)

Short-term deposits are included within cash at bank and in hand on the balance sheet.

27. Related party transactions

There are no related party transactions, except those as disclosed in the Report on Directors' Remuneration on page 17.

28. Post balance sheet event

On 30 May 2003 the company exchanged contracts for the purchase of six Boeing 737-300 passenger aircraft. The company expects the total cost of the aircraft purchase, together with the associated costs of conversion to freighter or Quick Change configuration and introduction into service, to be approximately US$44m which will be met from existing and new facilities which are now in place.

Secretary and Advisers

Secretary and Registered Office	Nigel Lawrence BA(Hons) Building 470 Bournemouth International Airport Christchurch Dorset BH23 6SE	
Auditors	Ernst & Young LLP Wessex House 19 Threefield Lane Southampton SO14 3QB	
Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers	Barclays Corporate Banking Centre Barclays Bank PLC P.O. Box 612 Ocean Way Ocean Village Southampton SO14 2ZP	Danske Bank 75 King William Street London EC4N 7DT
Stockbrokers	Collins Stewart Limited 9th Floor, 88 Wood Street London EC2V 7QR	
Solicitors	Addleshaw Goddard 150 Aldersgate Street London EC1A 4EJ	
Financial Advisers	Smith & Williamson Corporate Finance No 1 Riding House Street London W1A 3AS	
Market Makers in Company Shares	Collins Stewart Limited London	Winterflood Securities Limited London
	Merrill Lynch International Limited London	

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 9.30 a.m. on 7 August 2003 at 107 Cheapside, London EC2V 6DT, for the transaction of the following business:

Ordinary business

(1) To receive and consider the Directors' Report and Accounts for the year ended 31 March 2003, together with the Auditors' Report.

(2) To receive and consider the Report on Directors' Remuneration for the year ended 31 March 2003.

(3) To declare a final dividend for the year ended 31 March 2003 of 4.26 pence per ordinary share.

(4) To re-elect Mr T P Crowley as a director.

(5) To re-elect Mr M E Forder as a director.

(6) To re-appoint Ernst & Young LLP as auditors and authorise the directors to fix their remuneration.

Special business

(7) To consider and, if thought fit, approve the following resolution which it is intended to propose as a Special Resolution:

That the directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash, as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment provided that this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, and shall be limited to:

(a) the allotment of equity securities in connection with a rights issue or open offer to ordinary shareholders in proportion (or as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements, record dates, or other legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise howsoever); and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount equal to 5% of the issued share capital at the time of the passing of this resolution,

save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

(8) To consider and, if thought fit, approve the following resolution which it is intended to propose as an Ordinary Resolution:

That the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £100,000 (in substitution for and to the exclusion of all previous allotment authorities granted prior to this meeting) provided that this authority shall expire on 6 August 2008 save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

Dated 11 July 2003
By order of the Board

N A Lawrence
Secretary

Registered Office
Building 470
Bournemouth International Airport
Christchurch
Dorset BH23 6SE

Note: Please turnover for notes about the Annual General Meeting and use of proxy forms.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and a proxy need not be a member of the Company.

The register of directors' shareholdings and copies of directors' service contracts will be available for inspection at the registered office during normal business hours on any weekday excluding Saturdays and public holidays from the date of this notice until the date of the meeting and at the place of the meeting from 9.15 a.m. until the conclusion of the meeting.

A form of proxy is enclosed on page 47 and attention is directed to the guidance in the footnotes thereon. To be valid, forms of proxy must be returned to Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR so as to be received not later than 48 hours before the time of the meeting.

Completion and return of a form of proxy does not preclude a member entitled to attend and vote at the meeting from doing so if he so wishes.

Financial Calendar

Annual General Meeting	**7 August 2003**
Final dividend payment	**22 August 2003**
Results for the six months to 30 September 2003	**November 2003**
Interim dividend payment	**January 2004**
Results for the twelve months to 31 March 2004	**June 2004**

DART GROUP PLC Form of Proxy

I/We, ...

(Block letters please)

of ....

being (a) member(s) of the above-named Company, hereby appoint the Chairman of the Meeting

or* ....

as my/our proxy to vote and act for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 9.30 am on 7 August 2003, and at any adjournment thereof.

*If any other proxy is desired, delete "Chairman of the Meeting" and insert the name of the proxy desired and initial the alteration. Such other proxy need not be a member of the Company but must attend the meeting in person to represent the member.

Please indicate with an 'X' in the space below how you wish your votes to be cast. In the absence of any specific directions, the proxy will abstain or vote at his discretion.

ORDINARY BUSINESS

Ordinary Resolutions	For	Against
1.		
2.		
3.		
4.		
5.		
6.		

SPECIAL BUSINESS

Special Resolution		
7.		
Ordinary Resolution		
8.		

Signature .... Dated 2003

Notes:

1. This Form of Proxy must be deposited with the Company's registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for the meeting.
2. In the case of a Corporation, this Form of Proxy should be either under its common seal or signed by its duly authorised attorney or by an officer on behalf of the Corporation.
3. In the case of joint holdings, the first named should sign.
4. If this Form of Proxy is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
5. Completion and return of a form of proxy does not preclude a member entitled to attend and vote at the meeting from doing so if he so wishes.

SECOND FOLD

BUSINESS REPLY SERVICE
LICENCE No. MB 122

1

Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD

Training

Dart Group PLC is committed to staff training and development to achieve and maintain the highest standards of safety, customer service and both individual and team performance. Our dedicated aviation trainers offer the highest standards of training to aircrew, cabin crew and engineers. Furthermore, a wide range of development programmes are offered to all Group staff, using the NVQ system, as well as our own comprehensive in-house courses, tailored to our specific needs. Coaching and mentoring are used extensively in the training process. External course providers are also used for specialist training.

In the Distribution Division, our newly established Driver Training School, based in Spalding, offers on-going training to our drivers and LGV training to both non-driving staff and new recruits. This can be carried out at any of our locations, using our mobile Driver Development Unit. Our aim is to reinforce a strong safety culture, as well as ensuring the most efficient use of our vehicles.

The Group's commitment to Health and Safety has been reinforced in recent months, through a series of intensive Health and Safety seminars, attended by all managers and supervisors from both divisions.

DART GROUP PLC

BUILDING 470

BOURNEMOUTH INTERNATIONAL AIRPORT

CHRISTCHURCH

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