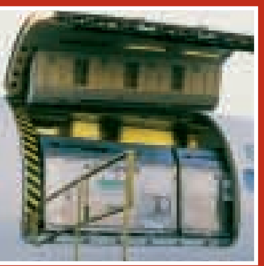

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DART GROUP PLC

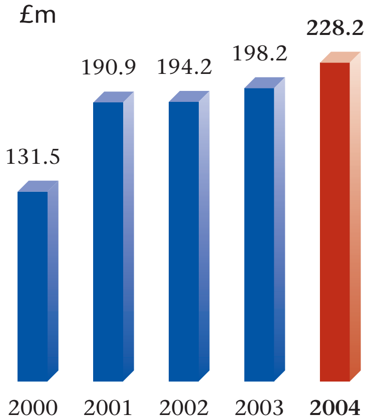
REPORT AND ACCOUNTS 2004

DART GROUP PLC

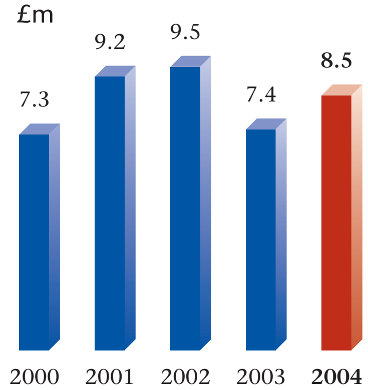
REPORT AND ACCOUNTS 2004

Financial Highlights

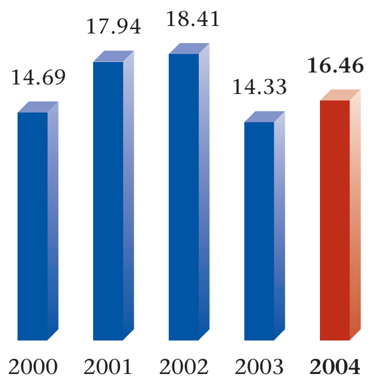
Turnover
£m



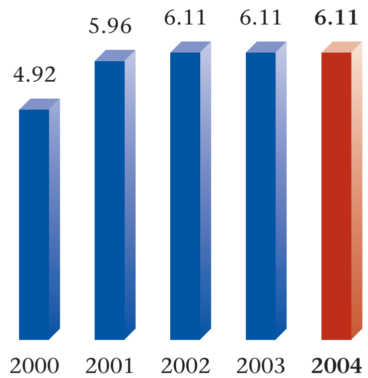
Profit before tax and after goodwill amortisation
£m



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 2004.

Profit before tax, excluding goodwill amortisation, amounted to £9.0m (2003 – £7.9m). Turnover was £228.2m (2003 – £198.2m). Earnings per share before the amortisation of goodwill were 17.91p (2003 – 15.78p). The Board is recommending an unchanged final dividend of 4.26p, taking the total dividend for the year to 6.11p (2003 – 6.11p). The dividend, if approved, will be payable on 20 August 2004 to shareholders on the register on 25 June 2004.

Capital expenditure amounted to £28.4m (2003 – £36.4m) and mainly related to the expansion and upgrade of the Boeing 737-300 fleet.

Net borrowings at 31 March 2004 were £15.0m (2003 – £28.2m) which represents gearing of 37% (2003 – 76%). The Group continues with its policy of matching long-term US Dollar assets, namely Boeing 737-300 aircraft, with US Dollar liabilities. Interest cover was 25.1 times (2003 – 8.5 times). The Group has negligible exposure to rising fuel prices in the year to 31 March 2005 as its fuel requirements are either substantially hedged or subject to pricing adjustments with its contract customers.

The Group has continued to build its business-to-business services in both its Aviation Services and Distribution Divisions. At the same time, considerable energy is being put into the development of ***Jet2.com*** – our low cost scheduled passenger airline business. The activities of the Group's two divisions are more fully described in the Review of Operations that follows this statement.

Aviation Services

The Group now owns 14 Boeing 737-300 aircraft and is currently negotiating to acquire further aircraft of the type for operation by Channel Express (Air Services). Four of these are being converted to "Quick Change" (QC) configuration which allows the aircraft to be transformed from a passenger carrier to a containerised freighter in less than 40 minutes. By the autumn these aircraft will be operating for Royal Mail at night whilst flying passenger charters during the day.

Seven Boeing 737-300 passenger aircraft are operating ***Jet2.com*** (a trading name of Channel Express) low cost services to 11 European business and leisure destinations primarily from Yorkshire's Leeds Bradford International Airport. The company expects to carry in excess of one million passengers on these services during the coming financial year and to progressively add further aircraft to this fleet.

The low cost airline market is competitive and no doubt there will be some fall out amongst the less experienced carriers. However, we believe that with Channel Express' low operating cost base and our careful aircraft acquisition policy, ***Jet2.com*** should succeed in this market. Our immediate focus is to continue to build our operations in the North of England.

The agreement to operate Boeing 737-300QCs at night for Royal Mail also gives the to long-term stability needed to enable Channel Express to develop its daytime passenger charter business. These modern jet aircraft are replacing smaller turboprop aircraft that the company has operated for Royal Mail for many years and will, we believe, provide an efficient and reliable air service to this important customer.

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

Channel Express also operates four Airbus A300B4 "Eurofreighters" primarily on behalf of express parcel companies, flying packages nightly from the UK, Ireland and Italy to and from these customers' European hubs. Three Fokker F27s operate on behalf of freight forwarders and newspaper publishers. This is a successful business which we are always seeking to develop.

I am also delighted to report the continued growth of Benair Freight International, the Group's freight forwarder. The company continues to make a valuable contribution to the Group's operations and its progress is encouraging.

Distribution

The Group's produce and horticulture distribution company, Fowler Welch-Coolchain, based in Spalding, Lincolnshire, and Teynham, Kent, has had a challenging year during which it has continued its restructuring in order to reduce its operating costs. Unfortunately, the company was recently unsuccessful in a re-tender by Sainsbury's for its UK primary produce and horticulture distribution (from supplier to regional distribution centre). The loss of the Sainsbury's business, which was carried out on a shared user basis, together with pricing pressures in the Division's European and Channel Islands' businesses will lower the Distribution Division's profits for the current year. However, I am pleased to report that Fowler Welch-Coolchain's management is enthusiastically working to replace the turnover, endeavouring to both increase business with other existing customers and win new contracts.

The collection, sorting, storing and delivery of fresh produce and horticulture remains an attractive, staple business and is important to the overall strength of the Group. The resilience and experience of the Distribution Division's management and operational teams gives us confidence that, despite these difficulties, the longer term outlook for the division is encouraging and we look forward to brighter days ahead.

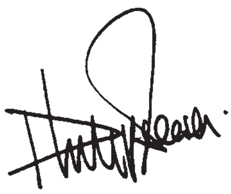
Our Staff

Throughout the Group's operations, we are fortunate to have excellent teams of hardworking and enthusiastic staff. The Group particularly prides itself on its high standard of operations in demanding service businesses. Training and health and safety are regarded as particularly important and we are fortunate to have excellent support in both these areas from which we all benefit. I would like to thank every member of our staff for their continuing contribution to the Group's development and growth.

Outlook

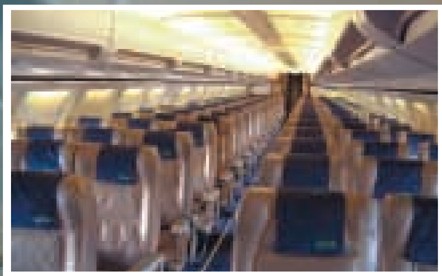
As I stated last year, the business-to-business trading environment is very price sensitive with each of our customers under their own profit pressures. However, I believe that both the Aviation Services and Distribution Divisions, with their increasingly competitive cost bases, are well placed to win new business and improve profits.

I am pleased to report that current trading is in line with our budgets and that I am cautiously optimistic for the year ahead.



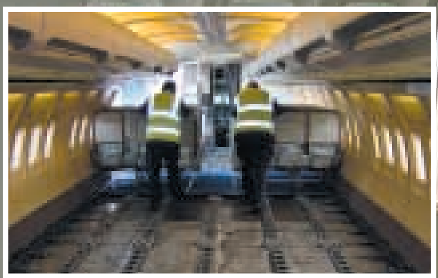
Philip Meeson
Chairman

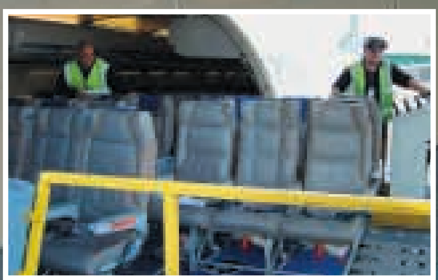
17 June 2004

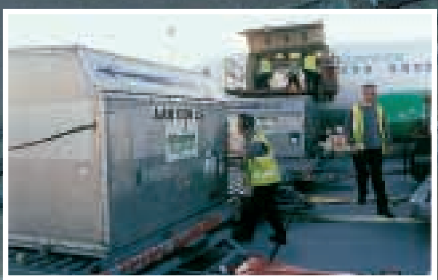


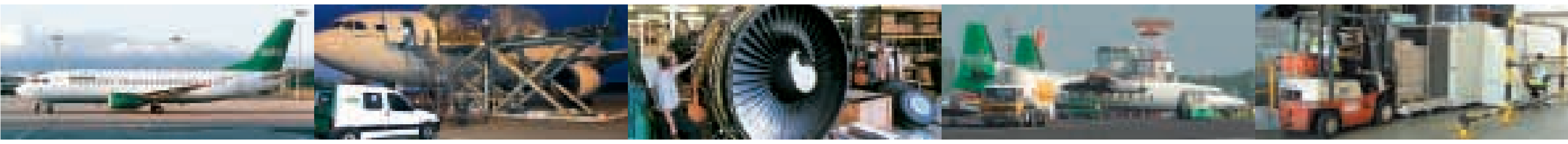
Review of Operations – Aviation Services

B737-300QC rôle change from passenger carrier to containerised freighter in less than 40 minutes









Aviation Services

The Group has now taken delivery of 12 ex-Ansett Airlines of Australia Boeing 737-300 series passenger aircraft which have joined the two Boeing 737-300 Quick Change (QC) aircraft previously purchased from Lufthansa. The ex-Ansett aircraft were purchased at post-September 11, 2001 prices and should represent excellent long-term investments.

Arrangements have been made with Israel Aircraft Industries (IAI) of Tel Aviv for, initially, four of the ex-Ansett aircraft to be converted to freighter or QC configuration. The Group holds options for a number of further conversions. The remarkable QC concept allows the aircraft to be transformed from a very smart passenger carrier to a containerised freighter in less than 40 minutes. Two of these converted aircraft have now been re-delivered to us by IAI and have joined our existing QC aircraft on nightly Royal Mail services.

The Royal Mail aircraft will be based at Stansted, Edinburgh, Belfast, Exeter and Leeds Bradford airports allowing the company to build upon its already successful daytime passenger programmes. The Stansted-based aircraft has a well-established charter schedule whilst the two aircraft based in Edinburgh fly on behalf of a Scottish airline. The Belfast and Leeds Bradford aircraft will be flying ***Jet2.com*** services – the Belfast aircraft already operates services to Prague. There is a growing demand from charterers for these attractive aircraft and it is our belief that this is a good long-term business for the company.

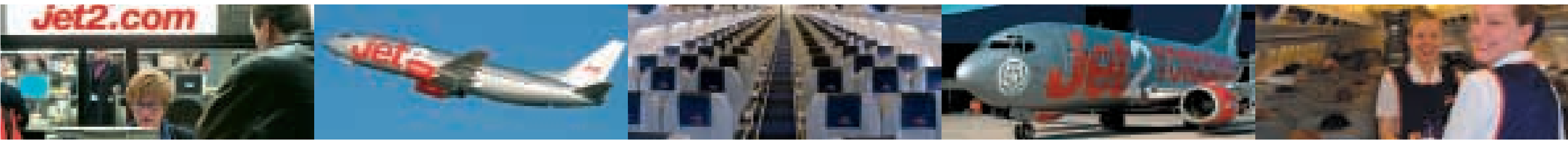
The Boeing 737-300 is proving to be efficient and reliable and is able to meet all current environmental legislation. The commonality of one type materially improves aircrew and engineering efficiency and is certainly one of the keys to delivering cost-effective and competitive services. We intend to expand the Boeing 737 fleet to meet the demands of the freight and passenger contract charter business and ***Jet2.com***. We will take the opportunity to purchase where pricing is attractive, or will lease aircraft from lessors if the costings work for us.

Channel Express has, for some time, successfully operated four 45 tonne payload Airbus A300B4 "Eurofreighters", two of which are owned by the Group, with two leased in. These aircraft fly on behalf of two leading European overnight express parcel delivery companies from Ireland, the UK and Italy to these companies' hubs in Germany and Belgium. The two leased aircraft are contracted by us from their owners on flexible terms to coincide with our commitments to our customers. The aircraft currently meet existing noise regulations; however, some airports are indicating that they will require operators to meet more stringent noise standards, not yet generally in force, for night operations.

To achieve these, Channel Express has been working with the aircraft's manufacturer, Airbus Industrie, and the engine manufacturer, General Electric Aircraft Engines, to improve the aircraft's performance in this respect. The outcome of this will be important to the company and should be known in the fourth quarter of this year.

Channel Express also operates Fokker F27 freighter aircraft on behalf of Royal Mail, newspaper publishers and on the company's scheduled services to the Channel Islands. The Royal Mail requirement for containerised jet aircraft and increased competition on freight services to the Channel Islands has led to the retirement of two Fokker F27s during

Review of Operations – Aviation Services (continued)



the year. The remaining aircraft provide a valuable return to the company and it is hoped that they will continue in service for a considerable time to come.

Channel Express, trading as ***Jet2.com***, commenced low cost scheduled services to Amsterdam from Leeds Bradford International Airport, Yorkshire, in February 2003. Services were increased that summer to include Alicante, Barcelona, Malaga, Milan, Nice, Palma, Prague, and, in the winter, Geneva for skiing. Reduced frequencies were operated during the winter with services to Milan discontinued. Belfast, Faro, Murcia and Venice have been added this year with all destinations being served daily or twice daily except Faro and Venice which are served four times per week. On 29 April 2004, a service to Prague from Belfast commenced using the Belfast-based Boeing 737 QC aircraft.

Jet2.com aims to give a comfortable, friendly service at the lowest possible price with seating allocated at check-in. The market is competitive with low cost services also currently offered by other airlines from Newcastle, Teesside, Manchester, Liverpool and East Midlands all of which are within reach of our customers in the North of England. Additionally, from 2005, low cost services will be available from the former Finningley Air Force base near Doncaster. Faced with this competitive market place, it is important that we make every effort to give our customers a really low cost, friendly service from their convenient local airport. Sales are supported by large-scale price led promotions via the company's website, on local radio and poster sites, and in regional and national press.

Jet2.com achieved a satisfactory load factor for the year to 31 March 2004 and made a positive contribution to Channel Express after all costs and expenses. Currently, 94% of the company's bookings are made via its website – please view this at www.jet2.com.

The Group intends to build on this successful start to low cost services from Leeds Bradford by increasing frequencies and destinations from that airport and, thereby, consolidating ***Jet2.com***'s position in the North of England.

Through its Parts Trading division, Channel Express also supplies aircraft parts both for its own operations and to other operators. Previously focusing on the Airbus A300, the introduction of the Boeing 737-300 has given Parts Trading new opportunities to support the type and it has played an invaluable rôle in the aircraft's successful introduction into service.

Benair Freight International, the Group's freight forwarder, has offices located at London Heathrow, Manchester, East Midlands, Newcastle and Singapore airports together with a worldwide agency partner network. Benair, with its expertise in air, sea and road freight, had a successful year with record sales and profits. Progress was made in both the general freight and ornamental fish importing and distribution businesses and in increasing its USA business with the appointment of a dynamic new agent, with offices throughout the USA. It is also encouraging to note the growth in the company's aircraft spare parts logistics business where Benair has an increasing number of aviation customers.

Review of Operations – Distribution

Distribution

The temperature-controlled distribution market continues to grow with the volumes of produce, horticulture, chilled foods and beverages expected to increase faster than frozen foods for the foreseeable future.

The Group's temperature-controlled distribution business, Fowler Welch-Coolchain, was formed by the merger of Fowler Welch, based in Spalding in Lincolnshire, and Coolchain, based in Teynham and Paddock Wood in Kent. The Lincolnshire region is largely a produce growing area within which several leading chilled prepared foods suppliers, who are customers of the company, are also based, whilst Kent is, of course, traditionally the centre of the country's fruit growing and packing industry. Today, both are also focal points for the importation, storage, packing and distribution of produce and fruit.

Fowler Welch-Coolchain is well positioned to serve these markets. The company has extensive temperature-controlled facilities at both Spalding and Teynham, a large fleet of modern distribution vehicles and an experienced workforce.

During the 1990s, the supermarkets progressively took control of their logistics supply chains from their suppliers in order to gain economies of scale and greater distribution efficiency. Consequently, whilst in the early 1980s up to 20 companies might tender for supermarket distribution contracts – today, following a period of consolidation in the temperature-controlled distribution industry, this has reduced to three or four. Fowler Welch-Coolchain's main customers have been Tesco, Sainsbury's and Safeway. We hope that the acquisition of Safeway by Morrisons earlier this year will offer Fowler Welch-Coolchain new opportunities with this highly successful retailer whose business has, thereby, dramatically expanded.

Fowler Welch-Coolchain's services are operated on a shared user basis with common collections from suppliers and common use of its facilities, thereby providing a cost-effective UK distribution service to the supermarkets' regional distribution centres and sometimes direct to store.

Needless to say, there are continual pricing pressures when working for these competitive customers, although volumes handled have also progressively increased. Service levels are demanding, with peaks at Easter, during the summer months, when the consumption of salads and fruit is at its highest, and pre-Christmas. Servicing such peaks is, of course, challenging and expensive, particularly at Christmas. Consequently, the control of costs has been and continues to be a major challenge to the company, whilst delivering promised standards throughout the year. During the past financial year, Fowler Welch-Coolchain has increased its business with Tesco, entered into formal contracts with Safeway for produce distribution in the UK and to the Channel Islands and has been in a continuous dialogue about the level of and terms under which future business with Sainsbury's would be undertaken.

Unfortunately, having recently been awarded considerable extra Sainsbury's business in the Cambridgeshire area, this customer re-tendered its national produce and horticulture distribution and Fowler Welch-Coolchain was unsuccessful in retaining it. Regrettably, therefore, our business with Sainsbury's for the distribution of their produce and horticulture products will cease on 3 July 2004.

Review of Operations – Distribution

continued

Fowler Welch-Coolchain has also seen increasing competition in its European division which resulted in the loss of a major customer. However, this has largely been offset in volume terms by the gain of significant business from American Airlines. This leading airline has contracted Fowler Welch-Coolchain to transport large volumes of produce and horticulture from Holland to its main hubs at London's Heathrow and Gatwick airports from where it is flown to the USA for onward distribution. We are very pleased to be working with American Airlines and hope to grow our business with them and other leading importers of produce in the years ahead.

The distribution of imported fresh produce is likely to be of increasing importance to the company as its supermarket customers progressively source from abroad, either direct from growers or via co-operatives. Considerable opportunities exist for Fowler Welch-Coolchain to build upon the volumes of produce and fruit that it transports direct from the major growing areas in mainland Europe. This European capability, together with the company's strategically positioned UK storage facilities and distribution network, offers real opportunities for growth in this sector.

Fowler Welch-Coolchain has taken the opportunity to expand its services from UK deep water ports with the haulage of containers of produce to supermarket suppliers, who import, process and package produce and fruit. This is seen as an important area for growth for the company. An office has recently been opened at the port of Bristol to service its increasing number of inbound fruit ships. The company has also recently renewed its contract to distribute Canary Islands fresh produce imported through the port of Southampton. This represents a considerable volume of business between October and May.

Channel Express (CI) provides air and sea services to and from Guernsey and Jersey. The traditional Channel Islands industries of flower and produce growing are in decline and, consequently, volumes in these sectors are reducing. However, they are being replaced by increasing amounts of horticultural products, health foods and other goods exported as a result of the Islands' vibrant mail order business. It is also encouraging to report that Channel Express (CI) is working closely with its sister company, Benair, to provide a one stop shop for the import and export of international freight to and from the Islands.

Financial Review

Capital structure

The Group's capital structure is as follows:–

	2004 £'000	2003 £'000
Net debt		
Loans	**28,369**	35,096
Cash and short-term deposits, net of bank overdrafts	**(13,337)**	(6,929)
	15,032	28,167
Shareholders' funds		
Equity interests	**40,664**	37,144
	55,696	65,311

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.

Outstanding derivative transactions at the year end relate to forward currency contracts, interest rate swaps, cross currency swaps and aviation fuel swaps as detailed in Note 18. The purpose of these is to manage the interest rate, fuel price and currency risks arising from the Group's operations and sources of finance. The Group's treasury policy permits the use of such instruments to manage interest, fuel price and currency 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, fuel price, 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 2004, 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 and floating rate debt subject to interest rate swaps of US$15m with a maturity date of July 2006 at a rate of 3.34% . On 15 July 2003 the Group entered into a cross currency swap depositing with the bank £20m and borrowing US$32.7m. The swap reverses in September 2006. The interest differential between Sterling and USD has been fixed at 1.55% for the duration of the swap, payable to Dart Group PLC. All other interest bearing financial instruments are at floating rates of interest.

Aviation fuel price risk

The Group's policy is to forward cover future fuel requirements for a minimum period of six months using aviation fuel swaps. The magnitude of the aviation fuel swaps held is given in Note 18. For the year ending 31 March 2005 the Group has hedged in excess of 95% of its current forecast fuel requirements.

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 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.

Financial Review

continued

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:

	2004 **£'000**	2003 £'000
Operating profit	**8,508**	8,325
Depreciation	**18,759**	15,341
Amortisation of goodwill	**497**	497
EBITDA	**27,764**	24,163
Movement in working capital	**8,347**	9,550
Capital expenditure, net of disposals	**(26,019)**	(36,209)
Net interest paid	**(551)**	(989)
Taxation paid	**(506)**	(2,283)
Issue of share capital	**30**	15
	9,065	(5,753)
Dividends paid	**(2,099)**	(2,094)
Decrease/(increase) in net debt resulting from cash flows	**6,966**	(7,847)
Exchange gain on opening net debt	**6,169**	2,183
Decrease/(increase) in net debt	**13,135**	(5,664)

Bank and other facilities

Bank and other facilities, as at 31 March 2004, are disclosed in Note 18 to the accounts.

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 31.8% (2003 – 31.6%).

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

16 June 2004

Directors and Senior Management

DART GROUP PLC

Philip Meeson (56) : Group Chairman and Chief Executive

Michael Forder BA(Hons), FCMA, MCT (50) : Group Finance Director

Trevor Crowley FCA (59) : Senior Independent Non-Executive Director

Brian Templar BA(Hons), MILT (52) : Independent Non-Executive Director

Nigel Lawrence BA(Hons) (49) : 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 MBA: Director – Parts Trading

Ian du Cros: Operations Director

Rob Bradshaw: Flight Operations Director

Stephen Lee: Commercial Director – ***Jet2.com***

Richard Bodin MBA CIM: Business Director – ***Jet2.com***

Benair Freight International Limited

Dennis Mead FIFP: Managing Director

Brian Southern: Director

Distribution

Fowler Welch – Coolchain Limited

Jim Welch: President

Philip Meeson: Executive Chairman

David Inglis: Managing Director

David Cottam: Executive 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 2004.

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 flights throughout Europe;
- the distribution of fresh produce 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 £5,652,000 (2003 – £4,919,000).

An interim dividend of 1.85p (2003 – 1.85p) per share was paid on 8 January 2004.

Subject to shareholders' approval, the directors recommend the payment of a final dividend of 4.26p (2003 – 4.26p) per share, which will be paid on 20 August 2004.

Directors

Executive Directors

Philip Meeson is Chairman and Chief Executive of Dart Group PLC and Chief Executive of the Group's 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 London 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 2004	Ordinary shares 31 March 2003
P H Meeson	14,070,000	14,170,000
M E Forder	3,000	3,000
T P Crowley	12,047	12,047
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 20. There have been no changes to the directors' interests above in the period since 31 March 2004.

(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) P H Meeson, who has a contractual notice period of six months, retires by rotation and, being eligible, offers himself for re-election.

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 8 June 2004:

Aberforth Partners	11.99%
Framlington Group PLC	9.50%
Insight Investment Ltd	4.98%
Schroder Capital Management Inc.	3.71%
J O Hambro Capital Management Group	3.69%

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 30,000 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
26 June 1997	20,000

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 5 August 2004 resolutions numbered 6, 7 and 8 will be special business. Ordinary Resolution number 6 covers the directors' authority to allot ordinary shares pursuant to Section 80 of the Company's Act 1985 up to an aggregate nominal amount of £100,000, such authority to expire on 4 August 2009. Special Resolution 7 covers the directors' authority to allot equity securities for cash (up to an aggregate nominal amount equal to 5% of the issued share capital of the Company at the date the Resolution is passed) and dis-apply pre-emption rights. Special Resolution 8 deals with authority for the Company to buy back its own shares – further explanatory notes in respect of Resolution 8 are included with the Annual General Meeting notice on pages 46 and 47.

Directors' Report

continued

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 2004 the Group's creditor days were 41.

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 four 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

16 June 2004

Report on Directors' Remuneration

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, under the guidance of the Remuneration Committee, appointed Towers Perrin, a leading firm of executive remuneration consultants, to assess comparability to the marketplace. Towers Perrin does not provide any other advice. Ernst & Young LLP, (the Company's auditor and tax service provider), provides advice on 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 2004/05 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 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. Other than for share options granted on 5 December 2003, the details of which are given in paragraph 5.5 on page 18, there are no performance targets linked to the exercise of options once awarded.

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 either 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.

Report on Directors' Remuneration

continued

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 18 months of such cessation or 18 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.

   5.5 For options granted on 5 December 2003 earnings must increase by at least an average of 5% over RPI per annum from the adjusted base financial year 2002/03 net profit figure of £9.468m for the three and six consecutive years to the financial years 2005/06 and 2008/09 respectively.

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.

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 50% 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.

Neither 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:

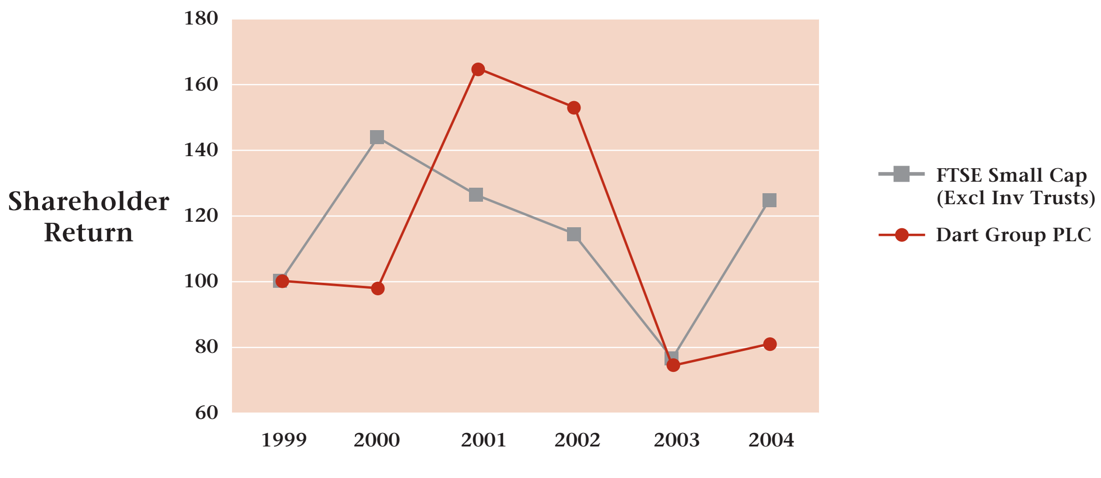
	Date of contract	*Notice period* (months)
Executive directors:		
P H Meeson	20 May 2003	6
M E Forder	6 October 1998	6

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

P H Meeson retires from the Board at the Annual General Meeting 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.



Report on Directors' Remuneration

continued

Information subject to audit

Directors' remuneration

The remuneration of the directors is as follows:

	Basic salary and fees £	*Benefits (1)* £	*Performance related bonuses* £	*Total 2004* £	*Total 2003* £
Executive directors:					
P H Meeson	**167,500**	**16,799**	**25,125**	**209,424**	210,243
M E Forder	**135,000**	**10,916**	**21,000**	**166,916**	142,314
J W Adams *(3)*	–	–	–	–	227,733
Non-executive directors:					
T P Crowley *(2)*	**18,000**	–	–	**18,000**	16,000
B S Templar	**18,000**	–	–	**18,000**	16,000
	338,500	**27,715**	**46,125**	**412,340**	612,287

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

(2) T P Crowley is a partner of Levy Blair, a firm of Chartered Accountants. The remuneration included above represents fees payable to Levy Blair for services of T P Crowley as a non-executive director. In addition, fees of £14,000 were paid to Levy Blair with regard to assistance with the finalisation of prior year tax computations (pre 2001). Since 2001 taxation advice services are no longer performed by Levy Blair.

(3) J W Adams resigned on 30 November 2002 and the prior year remuneration above included £132,333 compensation for loss of office.

Pension entitlement

In respect of 2004 the employer contributed to one of the Group's money purchase schemes an amount of £23,451 (2003 – £22,736) in respect of P H Meeson and £17,344 (2003 – £15,554) in respect of M E Forder.

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 2003 No.*	*Awarded during the year No.*	*Exercised during the year No.*	*Expired unexercised during the year No.*	*At 31 March 2004 No.*
M E Forder	Approved	210p	14,280	–	–	–	a) 14,280
	Unapproved	190p	25,000	–	–	–	b) 25,000
	Unapproved	125p	–	50,000	–	–	c) 50,000

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) 50 per cent between 5 December 2006 and 5 December 2013 and 50 per cent between 5 December 2009 and 5 December 2013 subject to performance conditions as described on page 18.

The mid-market price of the Company's shares on 31 March 2004 was 140 pence per five pence ordinary share. The highest and lowest mid-market prices during the year were 223.5 pence and 123.5 pence respectively.

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

On behalf of the Board

B S Templar

Director, Chairman of the Remuneration Committee

16 June 2004

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 1998 Combined Code ("the Combined Code") prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

The Board is aware of the contents of the new Combined Code, issued in July 2003. The requirements of the new Code and its impact on the Group are currently under consideration.

Statement by the Directors on compliance with the provisions of the 1998 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 D.3.1 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 A.2.1 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 A.6.1 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 % 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.

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 5 August 2004 can be found in the Notice of the Meeting on pages 46 and 47.

Independent Auditors' Report

To The Members of Dart Group PLC

We have audited the Group's financial statements for the year ended 31 March 2004 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 27. 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 2004 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

16 June 2004

Group Profit and Loss Account

for the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover			
Continuing operations	2	**228,200**	198,176
Net operating expenses			
Continuing operations, excluding goodwill amortisation		**(219,195)**	(189,354)
Goodwill amortisation	10	**(497)**	(497)
Total continuing operations	3	**(219,692)**	(189,851)
Operating profit			
Continuing operations, excluding goodwill amortisation		**9,005**	8,822
Goodwill amortisation		**(497)**	(497)
Total continuing operations		**8,508**	8,325
Profit on disposal of fixed assets (continuing operations)		**365**	82
Net interest payable	4	**(353)**	(989)
Profit on ordinary activities before taxation	5	**8,520**	7,418
Taxation	7	**(2,868)**	(2,499)
Profit on ordinary activities after taxation		**5,652**	4,919
Dividends	8	**(2,099)**	(2,094)
Retained profit for the year		**3,553**	2,825
Earnings per share			
– basic	9	**16.46p**	14.33p
– basic, excluding the amortisation of goodwill	9	**17.91p**	15.78p
– diluted	9	**16.43p**	14.27p

Statement of Total Recognised Gains and Losses

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	**5,652**	4,919
Exchange (loss)/gain on foreign equity investment	**(63)**	8
	5,589	4,927

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

Balance Sheets

at 31 March 2004

	Note	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets					
Intangible assets	10	**7,780**	8,277	**–**	–
Tangible assets	11	**75,264**	73,484	**78,915**	66,264
Investments	12	**–**	–	**20,671**	18,279
		83,044	81,761	**99,586**	84,543
Current assets					
Stock	13	**2,216**	2,452	**–**	–
Debtors	14	**31,221**	31,043	**3,731**	5,783
Cash at bank and in hand		**13,362**	6,940	**3,004**	3
		46,799	40,435	**6,735**	5,786
Current liabilities					
Creditors: amounts falling due within one year	15	**(55,793)**	(48,496)	**(61,021)**	(42,082)
Net current liabilities		**(8,994)**	(8,061)	**(54,286)**	(36,296)
Total assets less current liabilities		**74,050**	73,700	**45,300**	48,247
Creditors: amounts falling due after more than one year	16	**(25,093)**	(30,444)	**(24,943)**	(30,364)
Provision for liabilities and charges	17	**(8,293)**	(6,112)	**(8,145)**	(5,778)
		(33,386)	(36,556)	**(33,088)**	(36,142)
Net assets		**40,664**	37,144	**12,212**	12,105
Capital and reserves					
Called up share capital	19	**1,718**	1,716	**1,718**	1,716
Share premium account	20	**7,702**	7,674	**7,702**	7,674
Profit and loss account	20	**31,244**	27,754	**2,792**	2,715
Shareholders' funds – equity interests	21	**40,664**	37,144	**12,212**	12,105

The accounts on pages 25 to 44 were approved by the Board of Directors at a meeting held on 16 June 2004 and were signed on its behalf by:

P H Meeson
M E Forder } *Directors*

Group Cash Flow Statement

for the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	25	**36,111**	33,713
Returns on investment and servicing of finance	24	**(551)**	(989)
Taxation	24	**(506)**	(2,283)
Capital expenditure and financial investment	24	**(26,019)**	(36,209)
Equity dividends paid		**(2,099)**	(2,094)
Cash inflow/(outflow) before financing		**6,936**	(7,862)
Financing	24	**(2,471)**	13,734
Increase in cash in the year	26	**4,465**	5,872

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2004 £'000	2003 £'000
Increase in cash in the year		**4,465**	5,872
Cash outflow/(inflow) from decrease/(increase) in net debt in the year	26	**2,501**	(13,719)
Change in net debt resulting from cash flows		**6,966**	(7,847)
Exchange differences		**6,169**	2,183
Net debt at 1 April	26	**(28,167)**	(22,503)
Net debt at 31 March	26	**(15,032)**	(28,167)

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 2004.

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.

Certain of the Group's activities are conducted through corporate interests which are accounted for as joint arrangements. The Group accounts for its own assets, liabilities and cash flows measured in accordance with the terms of the joint arrangement.

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. Revenues on aircraft operations are not recognised in turnover until the relevant flights have taken place.

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 2004 was £205,000 (2003 – £261,000).

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 taken to reserves.

Notes to the Accounts

continued

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 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 three years, 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

	2004 £'000	2003 £'000
Distribution	**112,076**	119,154
Aviation Services	**116,124**	79,022
	228,200	198,176
Turnover arising within:		
The United Kingdom and the Channel Islands	**222,804**	192,072
Mainland Europe	**4,368**	5,077
The Far East	**1,028**	1,027
	228,200	198,176

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

	2004 £'000	2003 £'000
Direct operating costs	**138,787**	114,305
Staff costs	**49,609**	48,267
Depreciation and amortisation:		
Own assets	**18,896**	15,341
Goodwill	**497**	497
Other operating charges	**13,056**	12,656
Other operating income:		
Rents receivable	**(740)**	(809)
Other	**(413)**	(406)
	219,692	189,851

4. Net interest payable

	2004 £'000	2003 £'000
On bank loans and overdrafts	**(21)**	(326)
On other loans	**(835)**	(967)
Other interest payable	**(5)**	(22)
	(861)	(1,315)
Interest receivable	**303**	65
Interest payable capitalised within tangible fixed assets	**205**	261
	(353)	(989)

5. Profit on ordinary activities before taxation

		2004 £'000	2003 £'000
Profit on ordinary activities before taxation is after charging:			
Auditors' remuneration:	for audit services	**99**	94
	for other services	**77**	68
Operating lease rentals:	land and buildings	**773**	1,268
	plant and machinery	**12,865**	8,708

Auditors remuneration paid by the Company for audit services amounted to £31,000 (2003 – £28,000).

6. Directors and employees

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

	2004 Number	2003 Number
Operations	**1,120**	1,215
Administration	**371**	348
	1,491	1,563

	2004 £'000	2003 £'000
Wages and salaries	**44,697**	43,731
Social security costs	**3,907**	3,566
Other pension costs	**1,005**	970
	49,609	48,267

Details of directors' remuneration are disclosed in the Report on Directors' Remuneration on page 20.

Notes to the Accounts

continued

7. Taxation

	2004 £'000	2003 £'000
Current taxation:		
UK Corporation Tax based upon the profits for the year	**500**	741
Adjustments in respect of previous periods	**(61)**	(25)
UK Corporation Tax	**439**	716
Foreign tax – current year	**248**	103
	687	819
Deferred taxation:		
Origination and reversal of timing differences		
– current year	**2,118**	1,598
– prior year	**63**	82
	2,181	1,680
	2,868	2,499

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

	2004 £'000	2003 £'000
Profit on ordinary activities	**8,520**	7,418
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	**2,556**	2,225
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	**395**	257
Capital allowances for period in excess of depreciation	**(2,118)**	(1,598)
Lower tax rates on overseas earnings	**(85)**	(40)
Adjustments to tax charge in respect of previous periods	**(61)**	(25)
Current tax charge for period (see above)	**687**	819

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

	2004 £'000	2003 £'000
Interim 1.85 pence (2003 – 1.85 pence) per share – paid	**635**	632
Final 4.26 pence (2003 – 4.26 pence) per share – proposed	**1,464**	1,462
	2,099	2,094

9. Earnings per share

The calculation of basic earnings per share is based on earnings for the year ended 31 March 2004 of £5,652,000 (2003 – £4,919,000) and on 34,344,692 shares (2003 – 34,323,441) 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 £6,149,000, as calculated below, for the year ended 31 March 2004 (2003 – £5,416,000) and on 34,344,692 shares (2003 – 34,323,441) being the weighted average number of shares in issue for the year.

	2004	2003
	£'000	£'000
Profit on ordinary activities after taxation	**5,652**	4,919
Amortisation of goodwill	**497**	497
	6,149	5,416

The diluted earnings per share is based on earnings for the year ended 31 March 2004 of £5,652,000 (2003 – £4,919,000) and on 34,403,760 ordinary shares (2003 – 34,464,530) calculated as follows:

	2004	2003
	000's	000's
Basic weighted average number of shares	**34,345**	34,323
Dilutive potential ordinary share:		
Employee share options	**59**	142
	34,404	34,465

10. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2003 and 31 March 2004	**9,933**
Amortisation	
At 1 April 2003	(1,656)
Provided during the year	**(497)**
At 31 March 2004	**(2,153)**
Net book value	
At 31 March 2003	8,277
At 31 March 2004	**7,780**

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

Notes to the Accounts

continued

11. Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Aircraft & engines £'000	Plant vehicles & equipment £'000	Total £'000
Cost					
At 1 April 2003	13,461	1,832	98,929	20,005	134,227
Currency revaluation	–	–	**(6,841)**	**(17)**	**(6,858)**
Additions	**60**	**4**	**26,601**	**1,696**	**28,361**
Disposals	**(1,676)**	**(28)**	**(5,442)**	**(2,002)**	**(9,148)**
At 31 March 2004	**11,845**	**1,808**	**113,247**	**19,682**	**146,582**
Depreciation					
At 1 April 2003	(1,453)	(1,287)	(44,572)	(13,431)	(60,743)
Currency revaluation	–	–	**812**	**3**	**815**
Charge for the year	**(370)**	**(92)**	**(15,581)**	**(2,716)**	**(18,759)**
Disposals	**78**	**5**	**5,442**	**1,844**	**7,369**
At 31 March 2004	**(1,745)**	**(1,374)**	**(53,899)**	**(14,300)**	**(71,318)**
Net book value					
At 31 March 2003	12,008	545	54,357	6,574	73,484
At 31 March 2004	**10,100**	**434**	**59,348**	**5,382**	**75,264**

Aircraft and engine additions in the year include £205,000 (2003 – £261,000) of interest capitalised.

Company	Short leasehold property £'000	Aircraft & engines £'000	Plant, vehicles & equipment £'000	Total £'000
Cost				
At 1 April 2003	865	84,684	1,267	86,816
Currency revaluation	–	**(6,701)**	–	**(6,701)**
Additions	–	**22,563**	**216**	**22,779**
Disposals	–	**(1,697)**	**(63)**	**(1,760)**
At 31 March 2004	**865**	**98,849**	**1,420**	**101,134**
Depreciation				
At 1 April 2003	(438)	(19,155)	(959)	(20,552)
Currency revaluation	–	**265**	–	**265**
Charge for the year	**(29)**	**(3,443)**	**(208)**	**(3,680)**
Disposals	–	**1,697**	**51**	**1,748**
At 31 March 2004	**(467)**	**(20,636)**	**(1,116)**	**(22,219)**
Net book value				
At 31 March 2003	427	65,529	308	66,264
At 31 March 2004	**398**	**78,213**	**304**	**78,915**

Aircraft and engines having an original cost of £88,495,405 (2003 – £74,330,844) and accumulated depreciation of £10,539,888 (2003 – £9,059,424) are held for use in operating leases by a subsidiary company.

Aircraft and engine additions in the year include £205,000 (2003 – £261,000) of interest capitalised.

12. Investments

Group	2004 £'000
Shares in joint venture entity:	
At 1 April 2003	–
Additions (see below)	–
At 31 March 2004	–

During the year the Group, through its subsidiary undertaking, Channel Express (Air Services) Limited, and with an external party, established a 50:50 joint venture entity, Postal Air Network Limited. This is accounted for in the Group accounts as a joint arrangement. The cost of the investment was £50.

Company	2004 £'000
Shares in subsidiary undertakings at cost, and net investment:	
At 1 April 2003	**18,279**
Additions	**2,392**
At 31 March 2004	**20,671**

On 31 March 2004 the Company acquired, at cost, the entire issued share capital of Fowler Welch-Coolchain Limited from Coolchain Group Limited, which is also a wholly owned subsidiary undertaking of the Company.

The principal subsidiary undertakings 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
Fowler Welch-Coolchain Limited	Temperature controlled distribution	England
Fowler Welch-Coolchain 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 Fowler Welch-Coolchain BV which is owned by Fowler Welch Limited, a dormant wholly owned subsidiary undertaking of the Company. The issued share capital of each subsidiary undertaking consists entirely of ordinary shares.

13. Stock

Group	2004 £'000	2003 £'000
Aircraft parts	**1,989**	2,201
Sundries	**227**	251
	2,216	2,452

14. Debtors

	2004 Group £'000	2004 Company £'000	2003 Group £'000	2003 Company £'000
Trade debtors	**26,693**	**88**	25,674	–
Amounts owed by Group undertakings	–	**3,040**	–	5,023
Other debtors and prepayments	**4,528**	**603**	5,369	760
	31,221	**3,731**	31,043	5,783

Notes to the Accounts
continued

15. Creditors: amounts falling due within one year

	2004		2003	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Bank overdraft	**25**	**14,273**	11	10,814
Other loans	**3,426**	**3,426**	4,732	4,732
Trade creditors	**21,359**	**482**	24,969	1,078
Amounts owed to Group undertakings	**–**	**20,997**	–	12,399
Corporation Tax	**110**	**373**	–	–
Other taxation and social security	**2,483**	**350**	1,857	40
Deferred income	**17,316**	**–**	7,535	–
Other creditors and accruals	**9,610**	**793**	7,928	385
Dividend proposed	**1,464**	**1,464**	1,464	1,464
Maintenance fees received in advance	**–**	**18,863**	–	11,170
	55,793	**61,021**	48,496	42,082

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

	2004		2003	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Other loans	**24,943**	**24,943**	30,364	30,364
Overseas taxation	**150**	**–**	80	–
	25,093	**24,943**	30,444	30,364

Loans are repayable as follows:

	2004		2003	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Within one year:				
Other loans	**3,426**	**3,426**	4,732	4,732
Between one and two years:				
Other loans	**3,461**	**3,461**	6,231	6,231
Between two and five years:				
Other loans	**11,453**	**11,453**	5,906	5,906
Over five years:				
Other loans	**10,029**	**10,029**	18,227	18,227
	28,369	**28,369**	35,096	35,096

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

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

	2004		2003	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Secured loan of US$8,874,000 (2003 – US$10,255,000) repayable by monthly amounts until August 2008 with a balloon payment payable in August 2008	**4,828**	**4,828**	6,488	6,488
Secured loan of US$10,488,000 (2003 – US$5,900,000) repayable by quarterly instalments with a balloon payment payable in March 2013	**5,707**	**5,707**	3,733	3,733
Secured loan of US$30,775,000 (2003 – US$31,575,000) repayable by quarterly instalments with a balloon payment payable in May 2012	**16,746**	**16,746**	19,976	19,976
Secured loan of US$2,000,000 (2003 – US$Nil) repayable by quarterly instalments with a balloon payment in August 2013	**1,088**	**1,088**	–	–
	28,369	**28,369**	30,197	30,197

Included in the total loans of £28,369,000 (2003 – £35,096,000) are loans totalling £5,441,000 (2003 – £6,326,000) which bear interest at a fixed rate of 5.56%. The remaining loan balances of £22,928,000 (2003 – £28,770,000) bear interest at variable rates of less than 1% over LIBOR. However, £8,162,000 (2003 – £Nil) of this is subject to a fixed interest rate swap arrangement at 3.34% which expires in July 2006. The loans are secured over certain of the Group's aircraft.

17. Provision for liabilities and charges

	2004		2003	
	Group	**Company**	Group	Company
Deferred Tax	**£'000**	**£'000**	£'000	£'000
Accelerated capital allowances	**8,293**	**8,145**	6,112	5,778
Provision at start of period	**6,112**	**5,778**	4,432	3,987
Deferred tax charge in profit and loss account for period	**2,181**	**2,367**	1,680	1,791
Provision at end of period	**8,293**	**8,145**	6,112	5,778

There are no un-provided deferred taxation liabilities.

Notes to the Accounts

continued

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.

	2004		2003	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Primary financial instruments				
Short-term borrowings and current portion of long-term borrowings	**(3,451)**	**(3,487)**	(4,743)	(4,802)
Long-term borrowings	**(24,943)**	**(25,168)**	(30,364)	(30,733)
Cash and short-term deposits	**13,362**	**13,362**	6,940	6,940
Derivative financial instruments held to hedge the exposure on future costs				
Forward foreign currency contracts	–	**(671)**	–	1,147
Fuel derivatives	–	**1,440**	–	74
Cross currency swap	–	**(584)**	–	–
Interest rate swap	–	**(51)**	–	–

The amounts shown in the above table take into account fixed interest rate loans, the fair value of which is determined using market values.

Forward foreign currency, fuel derivative contracts, interest rate and cross currency swaps are measured at market value and all relate to exercise dates within three years of the balance sheet date, in accordance with the Group's risk management policy.

Interest risk – financial liabilities

	Fixed rate financial liabilities **£'000**	Floating rate financial liabilities **£'000**	Total **£'000**
2004			
Sterling	–	–	–
US Dollar	**13,603**	**14,791**	**28,394**
	13,603	**14,791**	**28,394**
2003			
Sterling	–	4,900	4,900
US Dollar	6,326	23,881	30,207
	6,326	28,781	35,107

The amounts shown in the above table take into account interest rate and cross currency swaps used to manage the interest rate profile of financial liabilities.

The fixed rate liabilities comprise certain aircraft mortgages and interest rate swaps, as detailed in Note 16, which bear interest at a total weighted average rate of 4.23% (2003 – 5.56%). This rate is fixed for a remaining weighted average period of 2 years.

18. Financial instruments – (continued)

The floating rate liabilities comprise aircraft mortgages and bank overdrafts which bear interest at rates of less than 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

	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets on which no interest is payable £'000	Total £'000
2004				
Sterling	**20,000**	**13,068**	**(990)**	**32,078**
US Dollar	**(17,793)**	**(5,959)**	**4,491**	**(19,261)**
Singapore Dollar	**–**	**204**	**110**	**314**
Other	**–**	**–**	**231**	**231**
	2,207	**7,313**	**3,842**	**13,362**
2003				
Sterling	–	15,152	2,278	17,430
US Dollar	–	(12,652)	53	(12,599)
Singapore Dollar	–	330	175	505
Other	–	497	1,107	1,604
	–	3,327	3,613	6,940

The floating rate financial assets comprise cash on 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.

The fixed rate financial asset consists of a cross currency swap with a Sterling value of £20m and a US Dollar value of US$32.7m with an interest rate differential of 1.55%, which matures in September 2006.

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

Currency exposure
The US Dollar loan and overdraft balances noted above have been used to finance the purchase of aircraft, and are accounted for within a US Dollar branch. Accordingly, any currency exposure on the loan and overdraft balances is largely hedged against the currency movement on the aircraft assets.

The table below shows the Group's net 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
2004					
Sterling	**(1,772)**	**(823)**	**(246)**	**(182)**	**(3,023)**
2003					
Sterling	(1,259)	(175)	(84)	(49)	(1,567)

As at 31 March 2004 the Group also held open various forward exchange contracts taken out to hedge expected foreign currency requirements.

Notes to the Accounts

continued

18. Financial instruments – (continued)

Hedges

Gains and losses on instruments used for hedging currency, interest and fuel price risk are not recognised until the instruments mature. Unrecognised gains at 31 March 2004 amounted to £134,000 (2003 – £1,221,000) of which £371,000 (2003 – £1,221,000) are expected to be recognised in the profit and loss account in the year ended 31 March 2005. Gains included in the profit and loss account that arose in previous years amounted to £1,221,000 (2003 – losses £19,000).

Maturity of financial liabilities

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

Borrowing facilities

The Group has various borrowing facilities available to it. The total borrowing facilities available at 31 March 2004 in respect of which all conditions precedent had been met at that date are as follows:-

	Amounts drawndown		Facilities available	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Committed facilities:				
Amortising flexible aircraft mortgages	**28,369**	35,096	**45,254**	40,577
Bank overdrafts	**25**	–	**5,000**	5,000
Total committed facilities	**28,394**	35,096	**50,254**	45,577
Uncommitted facilities:				
Multi option facility	**–**	–	**10,000**	10,000
Bank overdrafts	**–**	11	**–**	4,000
Total uncommitted facilities	**–**	11	**10,000**	14,000
	28,394	35,107	**60,254**	59,577

The committed facilities relating to amortising flexible aircraft mortgages expire in the periods from 2008 to 2013 (2003 – 2005 to 2012). The committed bank overdraft facility is renewed annually, with the next review in August 2004.

19. Called up share capital

	Number of shares	**2004 £'000**	2003 £'000
Authorised ordinary shares of 5p each	40,000,000	**2,000**	2,000
Allotted, called-up and fully paid			
As at 1 April 2003	34,326,222	**1,716**	1,716
Options exercised	30,000	**2**	–
As at 31 March 2004	34,356,222	**1,718**	1,716

The Company received the sum of £29,450 (2003 – £15,000) in respect of options exercised during the year.

19. Called up share capital – (continued)

The Company has granted options to employees under the Dart Group Company Share Option Schemes in respect of 1,012,868 (2003 – 934,103) ordinary shares of 5p each. At 31 March 2004 the following options had not been exercised:

Number of shares	*Option price*	*Option exercisable*
82,620	115.5p per share	On all shares before the options expire on 22 July 2006.
91,200	123.75p per share	On all shares before the options expire on 19 December 2006.
21,940	107.75p per share	On all shares before the options expire on 26 June 2007.
10,000	138.75p per share	On all shares before 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.
82,500	178.5p per share	On 35,000 shares from 14 December 2001 and on all the shares from 14 December 2004. The options expire on 14 December 2008.
40,000	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.
44,280	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.
69,000	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.
103,566	302.5p per share	On half of the shares from 17 November 2003 and on all the shares from 17 November 2006. The options expire on 17 November 2010.
30,000	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.
62,600	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.
39,252	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.
54,810	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.
57,000	148.5p per share	On half of the shares from 3 July 2006 and on all the shares from 3 July 2009. The options expire on 3 July 2013.
209,100	125.0p per share	On half of the shares from 5 December 2006 and on all the shares from 5 December 2009. The options expire on 5 December 2013.

The Company has granted options to employees under the Dart Group 2002 Unapproved Share Option Scheme in respect of 565,000 shares (2003 – 300,000) ordinary shares of 5p each. At 31 March 2004 the following options had not been exercised:

270,000	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.
295,000	125.0p per share	On half of the shares from 5 December 2006 and on all the shares from 5 December 2009. The options expire on 5 December 2013.

Notes to the Accounts

continued

20. Reserves

	Group		Company	
	Share premium £'000	Profit & loss £'000	Share premium £'000	Profit & loss £'000
At 1 April 2003	7,674	27,754	7,674	2,715
Issue of shares under share option schemes	**28**	–	**28**	–
Retained profit for the year	–	**3,553**	–	**80**
Currency translation differences	–	**(63)**	–	**(3)**
At 31 March 2004	**7,702**	**31,244**	**7,702**	**2,792**

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 £2,179,000 (2003 – £2,357,000) is dealt with in the accounts of the Company. The cumulative goodwill written off against reserves as at 31 March 2004 amounted to £2,279,000 (2003 – £2,279,000).

21. Reconciliation of movements in shareholders' funds

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Profit for the year	**5,652**	4,919	**2,179**	2,357
Dividends	**(2,099)**	(2,094)	**(2,099)**	(2,094)
	3,553	2,825	**80**	263
Currency translation differences	**(63)**	8	**(3)**	5
Issue of shares under share option schemes	**30**	15	**30**	15
Net addition to shareholders' funds	**3,520**	2,848	**107**	283
Opening shareholders' funds	**37,144**	34,296	**12,105**	11,822
Closing shareholders' funds	**40,664**	37,144	**12,212**	12,105

22. Commitments

	2004		2003	
(a) Capital commitments:	**Group £'000**	**Company £'000**	Group £'000	Company £'000
Contracted for but not provided	**1,088**	**1,088**	1,446	1,446

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

	2004		2003	
Group	**Land & buildings £'000**	**Plant & machinery £'000**	Land & buildings £'000	Plant & machinery £'000
Operating leases which expire:				
within one year	**186**	**6,810**	46	6,007
between two and five years	**248**	**12,001**	334	3,652
over five years	**347**	–	349	–
	781	**18,811**	729	9,659

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

	2004 £'000	2003 £'000
Returns on investment and servicing of finance		
Interest paid: bank and other loans	**(853)**	(1,054)
Interest received: bank	**302**	65
	(551)	(989)
Taxation		
Corporation and overseas tax paid	**(506)**	(2,283)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(28,156)**	(36,398)
Disposal of tangible fixed assets	**2,137**	189
	(26,019)	(36,209)
Financing		
Ordinary share capital issued	**30**	15
Other loans repaid	**(18,553)**	(3,103)
Bank loans repaid	**–**	(1,594)
Other loans advanced	**16,052**	18,612
Capital elements of finance lease rental payments	**–**	(196)
	(2,471)	13,734

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

	2004 £'000	2003 £'000
Operating Profit	**8,508**	8,325
Depreciation	**18,759**	15,341
Amortisation of goodwill	**497**	497
Decrease in stock	**236**	55
(Increase) in debtors	**(309)**	(1,164)
Increase in creditors	**8,480**	10,651
Exchange differences	**(60)**	8
Net cash inflow from operating activities	**36,111**	33,713

Notes to the Accounts

continued

26. Analysis of net debt

	At 31 March 2004 £'000	Cashflow £'000	Exchange differences £'000	At 1 April 2003 £'000
Other loans due within one year	(3,426)	1,306	–	(4,732)
Other loans due after one year	(24,943)	1,195	4,226	(30,364)
Total debt	(28,369)	2,501	4,226	(35,096)
Cash at bank and in hand, net of bank overdrafts	13,337	4,465	1,943	6,929
Net debt	(15,032)	6,966	6,169	(28,167)

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 Directors' Report on page 15.

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 Merrill Lynch International Limited London	Winterflood Securities 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 5 August 2004 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 2004, together with the Auditors' Report.

(2) To receive and consider the Report on Directors' Remuneration for the year ended 31 March 2004.

(3) To declare a final dividend for the year ended 31 March 2004 of 4.26 pence per ordinary share.

(4) To re-elect Mr P H Meeson as a director.

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

Special business

(6) 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 4 August 2009 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.

(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 Sections 94(2) and 94(3A) 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. References in this resolution to the power to allot security for cash otherwise than on a pro rata basis shall include the power to sell or allot treasury shares under Section 162D(1) of the Companies Act 1985.

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

That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 5 pence each in the capital of the Company, and where shares are held as treasury shares, the Company may use them for the purpose of its employee share schemes, provided that

- the maximum number of ordinary shares hereby authorised to be purchased is 3,435,622 (representing 10% of the Company's issued ordinary share capital at 9 July 2004);
- the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 5 pence;

- the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;
- the authority hereby conferred shall expire on the earlier of 5 January 2006 or the close of the next Annual General Meeting of the Company; and
- the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

Dated 9 July 2004
By order of the Board

N A Lawrence
Secretary

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

Explanatory Notes on Special Resolution 8

Section 162 of the Companies Act 1985 permits a company to purchase its own shares provided it is authorised to do so by its Articles of Association and the purchase has been authorised by the shareholders in General Meeting. Your directors consider that there may be occasions when it would be desirable for the Company to purchase its own shares in the market for cancellation or to be held in treasury.

The purpose of this special resolution is to seek authority for the Company to make purchases of up to 3,435,622 ordinary shares of 5 pence each in the market. The authority will lapse at the earlier of the next Annual General Meeting or 5 January 2006.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the Regulations) came into force on 1 December 2003. The effect of the Regulations is to allow companies the choice of either holding their own shares acquired by the way of market purchase as treasury stock or cancelling them. No dividends will be paid on, and no voting rights will attach to, shares while they remain in treasury. The Companies Act 1985, which has been amended to incorporate the changes introduced by the Regulations, allows companies to either sell treasury shares for cash, transfer them for the purposes of its employee share schemes or cancel them. The directors believe that it is desirable for the Company to have the choice of either cancelling or holding in treasury, shares which it purchases as it gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company added flexibility in managing its share capital base.

Authorisation is sought for the Company to use any shares repurchased and held in treasury for the purposes of its employee share schemes. If any such shares are used the Company will, so long as required under the guidelines of the Association of British Insurers Investment Committee, count them towards the limits in the schemes on the number of new shares which may be issued under them.

This proposal should not be taken as an indication that the Company will purchase its ordinary shares at any particular price or, indeed, at all or to imply any opinion on the part of your directors as to the market or other value of the Company's shares. Your directors will only exercise the power to effect the purchase by the Company of its own shares at price levels and in circumstances which they consider to be in the interests of the Company, after taking into account its investment opportunities and overall financial position, and which, in particular, would lead to a beneficial impact on the earnings per share of the remaining issued ordinary shares. In any event, no purchase will be made which would effectively alter the control of the Company without the prior approval of shareholders in General Meeting.

The total number of employee options and purchase rights to subscribe for equity shares currently outstanding is 1,577,868 ordinary shares. This represents 4.6% of the Company's current issued share capital. If the Company bought back the maximum number of shares permitted pursuant to the passing of this special resolution and all such shares were cancelled, the total number of options outstanding would represent 5.1% of the Company's issued share capital. There are currently no outstanding warrants to subscribe for equity shares in the Company.

Note: Please turn over for notes about the Annual General Meeting and use of proxy form.

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 herewith and attention is directed to the guidance in the footnotes thereon. To be valid, forms of proxy must be returned to Capita Registrars (Proxies), The Registry, P.O. Box 25, Beckenham, Kent, BR3 4TU 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	5 August 2004
Final dividend payment	20 August 2004
Results for the six months to 30 September 2004	November 2004
Interim dividend payment	January 2005
Results for the twelve months to 31 March 2005	June 2005

DART GROUP PLC

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 services throughout Europe;**
- **the distribution of fresh produce 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.**

*A300B4 "**Eurofreighter**" – loading containerised freight at East Midlands Airport, bound for Cologne Airport, on behalf of a leading express parcels company*