DART GROUP PLC

REPORT AND ACCOUNTS 2005

DART GROUP PLC

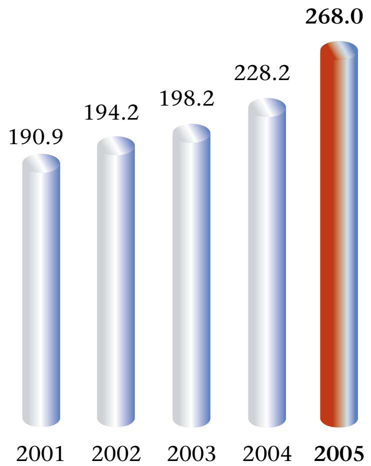
Dart Group PLC is an aviation services and distribution group specialising in:

- **the operation of cargo and passenger aircraft on charter contracts and 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.**

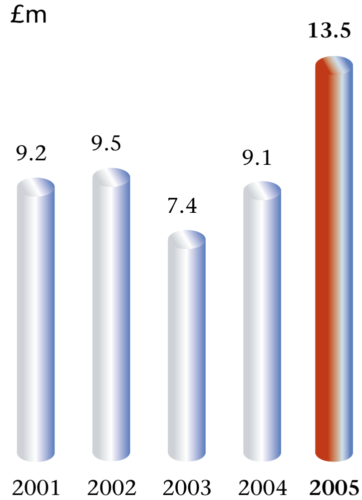
***Jet2.com** commenced flights from Manchester Airport 1 December 2004*

Financial Highlights

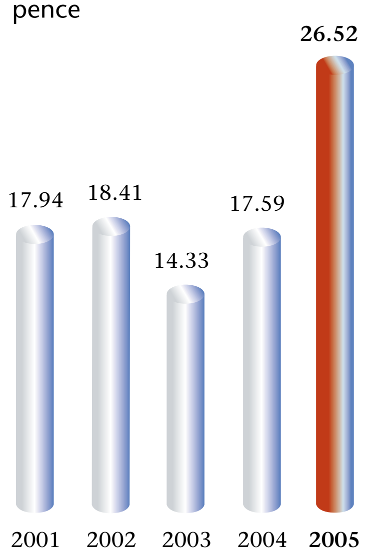
Turnover
£m



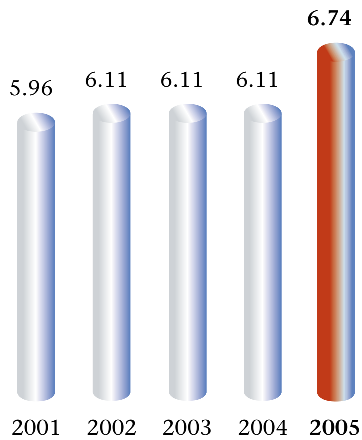
Profit before tax and exceptional items and after goodwill amortisation
£m



Basic earnings per share before exceptional items
pence



Dividend per share
pence



Chairman's Statement


I am pleased to report on the Group's trading for the year ended 31 March 2005.

Profit before tax, goodwill amortisation and exceptional items, amounted to £14.0m (2004 restated – £9.6m) whilst profit before tax but after goodwill amortisation and exceptional items amounted to £8.5m (2004 restated – £11.3m). Turnover was £268m (2004 – £228.2m). Earnings per share before the amortisation of goodwill and exceptional items were 27.96p (2004 restated – 19.04p). The Board is recommending a final dividend of 4.70p (2004 – 4.26p), taking the total dividend for the year to 6.74p (2004 – 6.11p), an increase of 10.3%. The dividend, if approved, will be payable on 19 August 2005 to shareholders on the register on 24 June 2005.

Capital expenditure for the year amounted to £51.6m (2004 – £28.4m) and mainly related to the acquisition, maintenance and upgrade of the Boeing 737-300 fleet. At 31 March 2005 the Group had net cash on deposit of £2.4m (net borrowings at 31 March 2004 of £15.0m).

In excess of 90% of the 2005/06 ***Jet2.com*** fuel requirements have been hedged at average rates lower than the current market price. No fuel has yet been hedged in respect of the 2006/07 requirement. Neither the Aviation Services Division's contract charter operations nor the Distribution Division currently has any material exposure to oil price risk as this is substantially covered in our commercial contracts.

In my letter to shareholders, dated 22 March 2005, I indicated that a full review of the Group's aircraft intercompany leasing and maintenance arrangements would be undertaken with KPMG. This exercise has now been completed and has resulted in some accounting policy changes.

In previous years, the Group's policy has been to borrow US Dollars to finance US Dollar assets, namely Boeing 737-300 aircraft. We have reviewed this policy and the Board has taken advantage of the relative weakness of the US Dollar against Sterling and bought US $161m in order to pay off its US Dollar denominated debt. Accordingly, the Board will now account for all of its aircraft in £ Sterling and, where necessary, finance them in £ Sterling.

This policy change has given rise to a substantial realised currency gain on our US Dollar borrowings which has been offset by additional depreciation charges and an impairment charge on the carrying value of our Boeing 737 fleet, when translated into Sterling. A number of detailed changes have also been made to our internal aircraft maintenance accounting arrangements.

The total financial effect of these changes, including the exceptional gain on the disposal of our Fokker F27 aircraft and the incremental Boeing 737 impairment in 2005, is a cumulative increase in pre-tax profit of £1.3m. The changes have resulted in a current year exceptional charge of £5.0m and a prior year exceptional credit of £2.3m. In addition, the policy changes contributed £0.6m to the "2005 profit before exceptional items" and £0.5m to the "2004 profit before exceptional items restated". The balance of £2.9m relates to 2003 and earlier years.

After careful consideration, the Board has concluded that the interests of the Company are best served by a move from the Official List to AIM, a market operated by the London Stock Exchange. Whilst the Company will continue to be subject to the regulatory and disciplinary controls of the London Stock Exchange, the Board believes that AIM's less onerous regulatory framework is more suited to the

entrepreneurial style of the Company. The transfer to AIM should also reduce the Company's annual costs associated with having its shares quoted and the potential future costs of some capital transactions. In addition, shares traded on AIM are deemed to be unlisted for the purpose of certain areas of taxation law, which may be of benefit to shareholders.

The Board has commenced the process to effect this transfer to AIM. Notice is being given of our intention to cancel the listing of the Company's shares on the Official List and application will be made as soon as practicable for the shares to be admitted to trading on AIM. Cancellation of the listing and admission to trading on AIM are expected to be effected on 15 August 2005. On the transfer to AIM, Collins Stewart Limited will continue to be our stockbroker and Smith & Williamson Corporate Finance Limited will also continue to advise the Company, becoming nominated adviser under the AIM Rules.

The Group has continued to build its business-to-business services and to develop ***Jet2.com*** – our low cost passenger airline business. The activities of the Group's two divisions are more fully described in the Review of Operations that follows this statement on pages 6 to 9.

Aviation Services

The Group currently operates 24 Boeing 737-300 aircraft (20 owned) and three Airbus A300 "Eurofreighters" (two owned). The recent Boeing 737-300 passenger to freighter "Quick Change" conversion programme is now complete, with our Quick Change aircraft operating night-time postal flights for Royal Mail and charters and scheduled passenger services during the day.

We are very pleased to be a prime provider of aircraft services to the Royal Mail Postal Air Network and value our longstanding contractual relationship. At the same time our Airbus A300 "Eurofreighters" give reliable and economical contract services to the overnight express parcels industry, a business in which the Group has a long-standing reputation.

Jet2.com (a trading name of **Channel Express (Air Services)**) continues to develop its low cost services from Leeds Bradford International and Belfast International Airports. In December 2004 it also commenced operations from Manchester International Airport where seven aircraft now operate 13 UK domestic and European city break, sun and ski routes. Competition at Manchester is considerable, however, we believe that there are opportunities for profitable development. ***Jet2.com*** carried over 1.3m passengers in the financial year and made a useful contribution to the Group's profits.

On 16 May, the Group announced the purchase of two Boeing 757-200 aircraft which will enter into service this autumn. These aircraft, which will carry 235 passengers as opposed to the 148 passenger capacity of the Boeing 737-300, will be utilised on our most popular routes.

Benair Freight International, the Group's freight forwarder experienced an excellent year of record sales and profits. The company's performance has benefited from growth in its air and sea freight business with its key overseas partners, particularly in the USA, and an increased focus on costs. The business also continues to develop its niche sectors especially the importation of ornamental and tropical fish and its other time-sensitive services.

Chairman's Statement

continued

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

Distribution

After two years of rationalisation and re-organisation by the management team, **Fowler Welch-Coolchain**, the Group's temperature-controlled transport and distribution operation, has during the year gained substantial additional business from both existing and new customers. The company is particularly pleased to have recently won storage, picking and distribution contracts that efficiently increase the utilisation of both its temperature-controlled storage facilities and the distribution network.

With a 660 vehicle temperature-controlled fleet and an experienced management team and workforce, committed to the provision of quality but cost effective services for its customers, we believe that our Distribution operations are now well positioned for future growth. Operations from Maasland (The Netherlands), Portsmouth, Teynham (Kent), Spalding (Lincs) and Gateshead (Tyne & Wear) are strategically located to provide temperature-controlled international transportation and nationwide storage and distribution services. Opportunities are being vigorously pursued and there is reason for considerable optimism for the future.

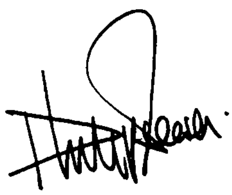
The Group's Channel Islands' based business, **Channel Express (CI),** has had a successful year but, subsequently, has lost some turnover. However, the company has a good base for future development and opportunities for growth are being explored.

Our Staff

The overall growth in the volume and profitability of the Group's activities is a reflection of the enthusiasm and drive of our management and staff. We are fortunate to have the services of excellent employees at every level and are grateful to each of them for their individual contributions to our success.

Outlook

Whilst our businesses are generally buoyant, the longer term exposure of our low cost airline to the uncertainty of fuel prices is cause for some concern. However, I am pleased to report that current trading remains in line with our budgets and expectations.



Philip Meeson
Chairman

16 June 2005

A Review of Operations follows on pages 6 to 9.


FOWLER • WELCH
COOLCHAIN

Review of Operations – Aviation Services

The Group now owns 20 Boeing 737-300 aircraft, six of which have been converted to Quick Change (QC) configuration by the installation of a large cargo door and a floor system that allows their rapid transformation from passenger aircraft to freighters in under 40 minutes. Our QCs fly at night for the Royal Mail Postal Air Network. During the day, Stansted aircraft operate charter flights for a wide range of customers, our Edinburgh aircraft fly scheduled services for a local airline as well as ***Jet2.com***'s Manchester to Edinburgh service whilst the aircraft in Belfast flies services to Prague and Barcelona.

The operation of our QC aircraft both by day and by night enables us to give a very competitively priced product to both Royal Mail and our charter and scheduled passenger customers. The company holds a number of further QC conversion options with Israel Aircraft Industries for use in the future.

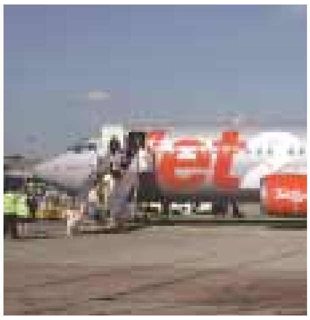
With the growth of the Boeing 737-300 fleet, it was decided to cease operating the turboprop Fokker F27s which had traditionally flown our scheduled cargo services to the Channel Islands and UK domestic night mail services. Arrangements were made for continued services to the Channel Islands by another airline who also employed a number of our operating staff. Our last Fokker F27 was sold in January 2005 resulting in a book profit on the disposal of the fleet.

The company continues its successful operation of its 45 tonne payload Airbus A300 "Eurofreighters" on behalf of international express parcel companies. Four aircraft, two of which are owned by the company, have been in service throughout the year. However, one aircraft will shortly be returned to its lessor following the termination of a contract.

Jet2.com, a trading name of ***Channel Express (Air Services)***, expanded its low cost passenger services during the year. An increased schedule was flown from Leeds Bradford International Airport with Alicante, Amsterdam, Barcelona, Belfast, Faro, Malaga, Murcia, Nice, Palma, Paris, Prague and Venice being served at least daily over the summer. Increases in frequency included three flights daily to Malaga and two to Alicante, Murcia and Palma this summer. Two new destinations, Ibiza and Tenerife, have also been introduced with services to Ibiza commencing in May 2005 and to Tenerife due to start in October 2005. Services to Leeds Bradford, Barcelona and Prague are flown from Belfast International Airport, with a daily flight to Bournemouth operating for the summer of 2005.

An increased schedule of eight ski flights per week to Geneva was flown between December 2004 and April 2005 which was well supported. To build on this success, a new ski destination, Chambery, has been announced for the coming winter.

On 29 September 2004, ***Jet2.com*** announced a new base at Manchester International Airport. Over 22 million passengers pass through Manchester International each year and, whilst there are established services to many European destinations, we believe there are opportunities for ***Jet2.com***'s low cost product. Daily services are now being flown to Alicante, Faro, Malaga, Murcia, Nice, Pisa, Valencia and Venice, with Budapest being served at a lesser frequency. Amsterdam, Edinburgh and Gatwick are served either two or three times per day. Geneva was served daily during the ski season and Chambery has been added for the coming ski season.



In order to publicise the start of services from Manchester, an extensive advertising campaign was mounted in the greater Manchester area which has resulted in an overall load factor of over 70% on the European routes. We are encouraged with the results of our first six months of operation at Manchester International Airport and look forward to developing our services further for this large catchment area.

On 16 May 2005, Dart Group announced the acquisition of two Boeing 757-200 aircraft with a 235 passenger capacity which will be brought into service during the autumn, initially on the company's flights from Leeds Bradford International to Tenerife. Thereafter, the Boeing 757s will fly on the higher passenger volume sun routes from Leeds Bradford International delivering a lower seat cost and increased efficiency of operation.

The introduction of the 20 Boeing 737-300s and the start-up of ***Jet2.com*** in a little over two years has been a considerable challenge for the company, with all areas of the operation contributing to its success. There has, of course, been a very large expansion in the numbers of aircrew, cabin crew and engineers trained and employed and everyone's contribution and hard work has been very much appreciated. Our Engineering operation is also greatly assisted by our **Parts Trading** organisation which is a profit centre in its own right, successfully trading in aircraft parts, as well as efficiently procuring parts for the airline and selling the airline's surplus equipment, such as the Fokker F27s.

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 network. Benair, with its expertise in air, sea and road freight enjoyed a second consecutive year of record sales and profits. Progress was made in both the UK and Singapore operations and the company continued to invest in its Information Technology infrastructure to generate improved management information which has contributed to the growth in profits. The business with the USA grew significantly during the year through the development of Benair's relationship with its agent who has branches located throughout America. Further growth was also seen in both the Manchester and London niche ornamental and tropical fish importing operations and the freight business broadened its customer base with a number of new good quality accounts.

Review of Operations – Distribution

Fowler Welch-Coolchain is one of the UK's leading temperature-controlled distribution operations. The company has over 280,000 sq ft of refrigerated cold stores, primarily at its two main sites at Spalding, Lincs and Teynham, Kent. These are supported by satellite operations at Paddock Wood, Kent, Portsmouth and Gateshead, Tyne & Wear. The international operation is based at Maasland, The Netherlands, adjacent to the Dutch Flower Auctions and Schipol International Airport.

Fowler Welch-Coolchain was formed by the amalgamation of the Group's UK produce distribution business and the substantial distribution businesses of Fowler Welch, based in the produce growing area of Spalding, and Coolchain, based in the fruit growing area of Teynham. These two businesses were acquired by the Group in 1994 and 1999 respectively. The company has over 750 staff and 660 temperature-controlled vehicles distributing over five million pallets of time-sensitive chilled products annually on behalf of leading supermarkets, growers, importers and manufacturers.

Much work has been done over the past two years to fully integrate the distribution operations of Fowler Welch and Coolchain and to reduce costs wherever possible. This has now largely been achieved and the resulting organisation is very competitively placed in its market. Tesco and suppliers to Safeway (now Wm Morrison) are substantial customers and Tesco, in particular, has rewarded the company's efforts with additional business. We are undertaking increasing numbers of deliveries both to Tesco distribution centres and to their stores, whilst also gaining a closer involvement with their inter-depot trunking network, thereby reducing unladen mileage and increasing overall efficiency. A further innovation is the introduction of double-decked trailers able to carry 40 pallets as opposed to the 26 pallets carried by traditional vehicles.

Fowler Welch-Coolchain was very pleased to recently be awarded Somerfield Stores' national produce and horticulture business. This will entail the collection, consolidation and delivery of approximately 225,000 pallets to their seven regional distribution centres. Operations successfully commenced in April 2005. The company has also won other substantial storage, picking and distribution business, primarily for its Teynham site in Kent. This calls for approximately 6 million cases to be stored, picked and distributed annually.

Fowler Welch-Coolchain is also distributing growing volumes for Kerry Foods – primarily from the Gateshead depot. Kerry Foods manufacture ready prepared meals at their factory in Durham and have been increasingly using the company's distribution network. Significantly, on 25 June 2005, the Spalding depot commences the storage, picking and delivery of chilled prepared products for Bernard Matthews Foods. This is an important contract with another leading brand.

Further growth has also been experienced in the company's international business and its ports operations particularly at Southampton and Bristol. The international business, based in Holland, operates a temperature-controlled road feeder network between Holland and Heathrow and Gatwick Airports for a leading international airline as well as transporting large volumes of produce and flowers to the UK for domestic distribution on behalf of our supermarket customers.

Each of these business gains is a reflection of the success of the company's two year integration and cost reduction programme. We look forward to continued growth in the coming year.

Channel Express (CI) provides air and sea transportation links to and from the UK mainland and the Islands of Guernsey and Jersey. Increasing amounts of horticultural products, health foods and other goods are exported to the UK and the company has been successful in gaining a considerable market share of these. Large volumes of temperature-controlled products and general freight are delivered to the Islands on behalf of manufacturers and retailers.

The Channel Islands business has always been much valued by the Group as a consistent contributor to its profits. Recently, the trading environment has experienced a period of some volatility but the longer term outlook for the company remains for positive future trading.

Financial Review

Capital structure

The Group's capital structure is as follows:–

	2005	2004 (restated)
	£'000	£'000
Net debt		
Loans	**24,965**	28,369
Cash and short-term deposits, net of bank overdrafts	**(27,404)**	(13,337)
	(2,439)	15,032
Shareholders' funds		
Equity interests	**48,346**	44,666
	45,907	59,698

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.

Accounting policy changes and impairment review

US Dollar branch financing structure

Previously the policy of the Company was to hold Boeing 737 aircraft in the balance sheet in US Dollars and to finance these US Dollar denominated assets also in US Dollars thereby creating a balance sheet hedge.

The Board has reviewed this policy during the year and concluded it was in the best interests of the company to purchase US Dollars in the foreign exchange market and to pay off the US Dollar borrowings and hold the aircraft in the balance sheet in £ Sterling. As a result of the decline in the

US Dollar exchange rate versus Sterling a substantial reduction in the Sterling value of our US Dollar borrowings had occurred. In total, the value of the debt has declined by £11.04m compared to having purchased US Dollar and borrowed Sterling to finance aircraft at the date of acquisition.

As a result of translating the US Dollar assets into Sterling at the historic exchange rates prevailing at the time the aircraft were originally acquired, it has been necessary to undertake an impairment review of the Boeing 737 fleet to write the aircraft to current market values. In total the aircraft have been impaired by £13.43m.

Maintenance accounting
During the year, the Board reviewed the accounting policies being applied in respect of maintenance accounting.

A number of changes have been made to the accounting policies in this area. The changes are more fully described in note 1 to the accounts.

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. All of the Group's Sterling interest rate risk is floating.

As at 31 March 2005 there were two outstanding US Dollar interest rate swaps as detailed below.

Amount US$ m	Rate	Maturity date
10.0	4.61%	12 December 2005
15.0	2.36%	23 July 2006

Aviation fuel price risk
The Group's current policy is to forward cover future fuel requirements with up to 100% up to two years in advance. The magnitude of the aviation fuel swaps held is given in Note 18. For year ending 31 March 2006 the Group has hedged in excess of 90% of its current forecast fuel requirements. No hedges have yet been put in place for the year ending 31 March 2007.

Foreign currency risk
The Group has significant transactional foreign currency exposure, the most significant being the US Dollar.

Transactional currency exposures primarily arise as a result of purchases in foreign currency undertaken in the ordinary course of business. The Group's current policy is to cover all material transactional risks for a minimum period of six months using forward foreign exchange contracts. For the year ending 31 March 2006, the Group has hedged 100% of its forecast foreign exchange requirements. It has also hedged 100% of its forecast US Dollar requirement for the year ending 31 March 2007, and 20% for the year ending 31 March 2008. 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.

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.

Financial Review

continued

Liquidity

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

	2005	2004 (restated)
	£'000	£'000
Operating profit	5,344	5,043
Depreciation and impairment	31,206	22,759
Amortisation of goodwill	497	497
EBITDA	37,047	28,299
Movement in working capital	31,376	8,237
Capital expenditure, net of disposals	(49,310)	(26,384)
Net interest paid	(97)	(551)
Taxation paid	(1,365)	(506)
Issue of share capital	317	30
	17,968	9,125
Dividends paid	(2,165)	(2,099)
Decrease in net debt resulting from cash flows	15,803	7,026
Exchange differences	1,668	6,109
Decrease in net debt	17,471	13,135

Bank and other facilities

Bank and other facilities, as at 31 March 2005, are disclosed in Note 18 to the accounts.

Dividend

The dividend for the year has been increased by 10.3% to 6.74p per share. It is the Company's policy to follow a progressive dividend policy taking in to account the future capital spending requirements of the Company.

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% (2004 restated – 31.4%).

International Financial Reporting Standards

As a result of the Group moving its share listing to the Alternative Investment Market (AIM), the implementation of International Financial Reporting Standards has been delayed for two years.

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
15 June 2005

Directors and Senior Management

DART GROUP PLC

Philip Meeson (57) : Group Chairman and Chief Executive
Michael Forder BA(Hons), FCMA, MCT (51) : Group Finance Director
Trevor Crowley FCA (60) : Senior Independent Non-Executive Director
Brian Templar BA(Hons), MILT (53) : Independent Non-Executive Director
Nigel Lawrence BA(Hons) (50) : 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
Philip Ward: Passenger Sales Director
Hilary Shaw BA(Hons), MIPD: Personnel 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
John Peall: Deputy Managing Director
Stephen King ACMA: Finance Director
Lee Juniper: European Operations Director
Andrew Senior MILT: Operations Director, North
Gordon Howell: Business Development 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 2005.

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 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.

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 £5,613,000 (2004 restated – £7,632,000).

An interim dividend of 2.04p (2004 – 1.85p) per share was paid on 6 January 2005.

Subject to shareholders' approval, the directors recommend the payment of a final dividend of 4.70p (2004 – 4.26p) per share, which will be paid on 19 August 2005.

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. His training and experience in exercising independent judgement in his capacity as an audit Partner in Levy Blair, a London based firm of Chartered Accountants, ensures his continuing independence despite his length of service with the Company.

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. As Chairman of logistics consultants Davies & Robson, Brian continues to advise the Boards of both national and international clients on all aspects of supply chain management. His knowledge and understanding of changing market needs brings a valuable insight and independent view to the Board.

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 2005	Ordinary shares 31 March 2004
P H Meeson	14,060,000	14,070,000
M E Forder	9,409	3,000
T P Crowley	12,047	12,047
B S Templar	33,678	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 2005.

(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.

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 10 June 2005:

Schroder Capital Management Inc.	11.35%
Aberforth Partners	9.25%
Framlington Group PLC	6.64%
Barclays PLC	4.29%

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 180,730 five pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

22 July 1996	6,550	3 December 1999	5,000
19 December 1996	55,200	19 July 2000	3,000
26 June 1997	15,000	17 November 2000	21,920
12 December 1997	3,000	19 November 2001	3,000
21 July 1998	5,000	3 July 2002	5,760
14 December 1998	40,800	18 November 2002	3,000
12 July 1999	7,500	5 December 2003	6,000

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 4 August 2005 resolutions numbered 7, 8 and 9 will be special business. Ordinary Resolution number 7 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 3 August 2010. Special Resolution number 8 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 number 9 deals with authority for the Company to buy back its own shares – further explanatory notes in respect of Special Resolution number 9 are included with the Annual General Meeting notice on pages 50 and 51.

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 2005 the Group's creditor days were 46.

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 five 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 gender, 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.

Political and charitable donations
The Group did not make any political or charitable donations during the year.

Auditors
On 10 March 2005 Ernst & Young LLP resigned as auditors to the Company, and on 24 March 2005 KPMG Audit Plc were appointed.

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

By order of the Board

N A Lawrence
Secretary

15 June 2005

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.

In 2004, 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. When required, KPMG Audit Plc (the Company's auditor and tax service provider), will provide 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 2005/06 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 (subject to available headroom) 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.

Report on Directors' Remuneration

continued

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, but not non-executive directors, of Dart Group PLC, selected at the discretion of the Board. The full details of the scheme are summarised below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   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

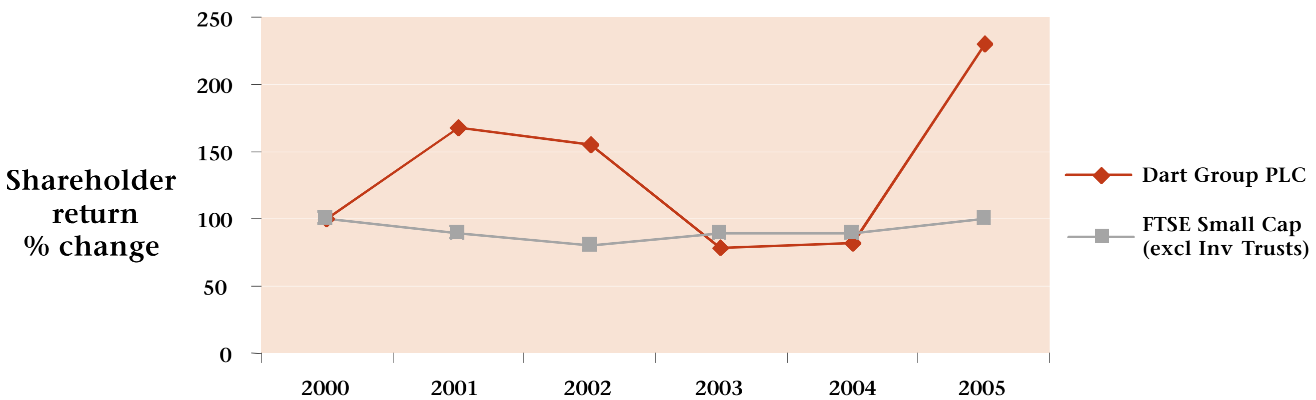
The non-executive directors do not have formal fixed term contracts or notice periods but must retire and, having been directors of the Company for more than 9 years, be re-appointed by rotation at the Annual General Meeting every year.

T P Crowley and B S Templar retire from the Board at the Annual General Meeting and, being eligible, offer themselves 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 2005 £*	*Total 2004 £*
Executive directors:					
P H Meeson	**171,688**	**17,286**	**85,850**	**274,824**	209,424
M E Forder	**143,500**	**11,344**	**71,750**	**226,594**	166,916
Non-executive directors:					
T P Crowley *(2)*	**18,000**	–	–	**18,000**	18,000
B S Templar	**18,000**	–	–	**18,000**	18,000
	351,188	**28,630**	**157,600**	**537,418**	412,340

(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 £nil (2004 – £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.

Pension entitlement

In respect of 2005 the employer contributed to one of the Group's money purchase schemes an amount of £24,036 (2004 – £23,451) in respect of P H Meeson and £19,460 (2004 – £17,344) 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 2004 No.*	*Awarded during the year No.*	*Exercised during the year No.*	*Expired unexercised during the year No.*	*At 31 March 2005 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 above on page 18.

The mid-market price of the Company's shares on 31 March 2005 was 380 pence per five pence ordinary share. The highest and lowest closing mid-market prices during the year were 398.5 pence and 121 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 *15 June 2005*

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.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 July 2003 Combined Code ("the Combined Code").

Statement by the Directors on compliance with the provisions of the July 2003 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 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, the Board does not consider that performance evaluation would add value and has not undertaken a formal review process. The Board, as a matter of course, would seek the resignation of any non-performing director.

With regard to provision A.7.2 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. In respect of provision A.3.1 of the Code, although the non-executives have each served for longer than the indicative period of nine years stated within the Combined Code, the Board believes that they both remain independent because of their characters and personalities and the absence of any other relationships or circumstances which could otherwise compromise that independence. The Board is further satisfied that independence is displayed by the judgements and contributions of these non-executives.

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 C.2.1 of the July 2003 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 40.7% 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.

Performance evaluation

The Board has noted the requirement for a performance evaluation of Directors in the latest version of the Combined Code. As the Company will shortly be moving its share listing to AIM, where this is not a mandatory requirement, this evaluation will not be undertaken.

The Board does not believe said evaluation would add value. The Board, as a matter of course, would seek the resignation of any non-performing director.

Board committees

The number of full Board Meetings and Committee Meetings attended by each Director during the year was as follows:-

	Scheduled Board meetings	*Remuneration Committee meetings*	*Audit Committee meetings*
Philip Meeson, Chairman and Chief Executive	4	1*	–
Mike Forder, Group Finance Director	4	–	2*
Trevor Crowley, Senior Independent Non-Executive Director	4	1	2
Brian Templar, Non-Executive Director	4	1	2

* By invitation

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.

Corporate Governance
continued

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.

In 2005 the Audit Committee, operating under its previous terms of reference, discharged its responsibilities by:

- reviewing the Group's draft 2005 financial statements and 30 September 2004 interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing and approving the 2005 audit fee and reviewing non-audit fees payable to the Group's external auditors in 2005;
- reviewing the external auditor's plan for the audit of the Group's 2005 accounts, including key risks on the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- reviewing an annual report on the Group's systems of internal control and its effectiveness and reporting to the Board on the results of the review.

The Committee meets with Executive Directors and management, as well as privately with the external auditors. It also undertook a detailed review of the Group's accounting policies and oversaw the change of auditors to KPMG Audit Plc.

The Company does not have an independent internal audit department capable of performing a full and regular monitoring role of the Company's procedures. Despite this, it is felt that the financial record keeping is robust and capable of highlighting significant departures from procedures. Other areas of risk which may normally be carried out by an internal audit department are, in the main, covered by the Board either as a whole or within the various meetings highlighted.

Relations with shareholders

Communications with shareholders are given high priority. The Review of Operations and Financial Review on pages 6 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 4 August 2005 can be found in the Notice of the Meeting on pages 50 and 51.

Independent Auditor's Report

To The Members of Dart Group PLC

We have audited the financial statements on pages 26 to 48. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 21, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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 regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement on pages 22 to 24 reflects the company's compliance with the nine provisions of the 2003 FRC 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 the other information contained in the Annual Report, including the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with the 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 and the part of the Directors' Remuneration Report to be audited. 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's 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 and the part of the Directors' Remuneration Report to be audited 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 2005 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.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Southampton
28 June 2005

Group Profit and Loss Account

for the year ended 31 March 2005

	Note	2005 Before exceptional items £'000	2005 Exceptional items (note 5) £'000	2005 Total £'000	2004 Before exceptional items (restated) £'000	2004 Exceptional items (note 5) £'000	2004 Total (restated) £'000
Turnover							
Continuing operations	2	**267,996**	**–**	**267,996**	228,200	–	228,200
Net operating expenses							
Continuing operations, excluding goodwill amortisation		**(253,949)**	**(8,206)**	**(262,155)**	(218,275)	(4,385)	(222,660)
Goodwill amortisation	10	**(497)**	**–**	**(497)**	(497)	–	(497)
Total continuing operations	3	**(254,446)**	**(8,206)**	**(262,652)**	(218,772)	(4,385)	(223,157)
Operating profit							
Continuing operations, excluding goodwill amortisation		**14,047**	**(8,206)**	**5,841**	9,925	(4,385)	5,540
Goodwill amortisation		**(497)**	**–**	**(497)**	(497)	–	(497)
Total continuing operations		**13,550**	**(8,206)**	**5,344**	9,428	(4,385)	5,043
Profit on disposal of fixed assets (continuing operations)	5	**–**	**795**	**795**	–	–	–
Net interest (including exchange gains)	4	**(78)**	**2,400**	**2,322**	(353)	6,658	6,305
Profit on ordinary activities before taxation	5	**13,472**	**(5,011)**	**8,461**	9,075	2,273	11,348
Taxation	7	**(4,351)**	**1,503**	**(2,848)**	(3,034)	(682)	(3,716)
Profit on ordinary activities after taxation		**9,121**	**(3,508)**	**5,613**	6,041	1,591	7,632
Dividends	8	**(2,324)**	**–**	**(2,324)**	(2,099)	–	(2,099)
Retained profit for the year		**6,797**	**(3,508)**	**3,289**	3,942	1,591	5,533
Earnings per share							
– basic	9	**26.52p**		**16.32p**	17.59p		22.22p
– basic, excluding the amortisation of goodwill	9	**27.96p**		**17.76p**	19.04p		23.67p
– diluted	9	**26.34p**		**16.21p**	17.56p		22.18p

Statement of Total Recognised Gains and Losses

	2005 £'000	2004 (restated) £'000
Profit on ordinary activities after taxation	**5,613**	7,632
Exchange gain/(loss) on foreign equity investment	**74**	(63)
Total recognised gains and losses relating to the year	**5,687**	7,569
Prior year adjustments (note 20):		
– Foreign currency branch	**739**	
– Aircraft maintenance costs	**3,263**	
Total recognised gains and losses since previous annual report	**9,689**	

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

Balance Sheets

at 31 March 2005

	Note	Group 2005 £'000	Group 2004 (restated) £'000	Company 2005 £'000	Company 2004 (restated) £'000
Fixed assets					
Intangible assets	10	**7,283**	7,780	**–**	–
Tangible assets	11	**99,292**	80,393	**104,075**	79,971
Investments	12	**–**	–	**20,671**	20,671
		106,575	88,173	**124,746**	100,642
Current assets					
Stock	13	**4,616**	2,216	**–**	–
Debtors	14	**25,532**	31,221	**4,946**	3,731
Cash at bank and in hand		**27,404**	13,362	**3**	3,004
		57,552	46,799	**4,949**	6,735
Current liabilities					
Creditors: amounts falling due within one year	15	**(90,204)**	(59,326)	**(89,887)**	(63,614)
Net current liabilities		**(32,652)**	(12,527)	**(84,938)**	(56,879)
Total assets less current liabilities		**73,923**	75,646	**39,808**	43,763
Creditors: amounts falling due after more than one year	16	**(19,420)**	(25,093)	**(19,270)**	(24,943)
Provisions for liabilities and charges	17	**(6,157)**	(5,887)	**(6,394)**	(5,869)
		(25,577)	(30,980)	**(25,664)**	(30,812)
Net assets		**48,346**	44,666	**14,144**	12,951
Capital and reserves					
Called up share capital	19	**1,727**	1,718	**1,727**	1,718
Share premium account	20	**8,010**	7,702	**8,010**	7,702
Profit and loss account	20	**38,609**	35,246	**4,407**	3,531
Shareholders' funds - equity interests	21	**48,346**	44,666	**14,144**	12,951

The accounts on pages 26 to 48 were approved by the Board of Directors at a meeting held on 15 June 2005 and were signed on its behalf by:

P H Meeson
M E Forder
Directors

Group Cash Flow Statement

for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	25	**68,246**	36,171
Returns on investment and servicing of finance	24	**(97)**	(551)
Taxation	24	**(1,365)**	(506)
Capital expenditure and financial investment	24	**(49,133)**	(26,019)
Equity dividends paid		**(2,165)**	(2,099)
Cash inflow before financing		**15,486**	6,996
Financing	24	**(2,200)**	(2,471)
Increase in cash in the year	26	**13,286**	4,525

Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)

	Note	2005 £'000	2004 (restated) £'000
Increase in cash in the year		**13,286**	4,525
Cash outflow from decrease in net debt in the year	26	**2,517**	2,501
Change in net debt resulting from cash flows		**15,803**	7,026
Exchange differences		**1,668**	6,109
Net debt at 1 April	26	**(15,032)**	(28,167)
Net funds/(debt) at 31 March	26	**2,439**	(15,032)

Notes to the Accounts

1. Accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the consolidated financial statements of the Group. A number of changes have been made to the Group's previous accounting policies as explained below under *Prior year adjustments*. Except as noted below, the Group has applied consistent 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 consolidated financial statements in the financial statements of the Company and its subsidiary undertakings are made up to 31 March 2005. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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.

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.

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, and distribution revenues are recognised when invoiced.

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. Directly attributable 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.

Depreciation is calculated to write off the cost of fixed assets down to their estimated residual value 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 and engines	10 years
Plant, vehicles and equipment	3-7 years

Freehold land is not depreciated.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of its engines and airframe and is amortised over a period ranging from 1 to 10 years from the date of acquisition. Subsequent costs incurred which lend enhancement to future periods such as long-term scheduled maintenance and major overhaul of aircraft and engines are capitalised and amortised 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.

Notes to the Accounts

continued

1. Accounting policies – (continued)

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

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 outstanding capital obligation.

Lease contracts of an operating lease nature are accounted for as operating leases, where the rental charges are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

Aircraft maintenance
Short term maintenance
All maintenance expenditure relating to events expected to occur at least annually are expensed as incurred.

Leased aircraft
Provision is made for the estimated future costs of major overhauls of leased airframes, engines and auxiliary power units by making appropriate charges to the profit and loss account calculated by reference to the number of hours or cycles operated during the year as a consequence of aircraft rectification obligations arising from the operating lease agreements.

Owned aircraft
As set out above under *Tangible fixed assets,* maintenance expenditure on owned aircraft which lends enhancements to future periods is capitalised as incurred within tangible fixed assets. All other costs relating to maintenance are charged to the profit and loss account as incurred.

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.

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.

Financial instruments
The Group uses forward foreign currency contracts, currency option products 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.

1. Accounting policies – (continued)

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.

Liquid resources
For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

Prior year adjustments
The Group has undertaken a thorough review of its accounting policies in consultation with its new auditors, KPMG Audit Plc and its legal advisors. As a result of this review the Directors have adopted revised accounting policies and restated amounts previously reported as described below.

Foreign currency branch
The Group has previously treated aircraft purchased in foreign currency which are financed by foreign currency financial instruments as a foreign currency branch using the closing rate method. Having reviewed the Group's foreign currency exposures, the Directors consider that it is now more appropriate to treat such aircraft as Sterling denominated assets based on historic exchange rates. This change has been applied retrospectively with depreciation being charged based on the historic £ sterling cost and previous currency revaluations of the aircraft being eliminated. Where appropriate an accelerated depreciation/impairment charge has been made to ensure that each aircraft is carried at a book value which does not exceed the greater of its value in use and its market value at any point in time.

Exchange differences on financial instruments used to finance such aircraft have been included within *Net interest (including exchange gains)* within the Group's profit and loss account rather than being netted against equivalent exchange differences on retranslating fixed assets within reserves.

Aircraft maintenance costs
The Group has obtained legal advice to clarify the status of the maintenance arrangements, including intra-group arrangements, which Group companies have entered into. That advice has been taken into account by the Directors during their review of the Group's accounting policies.

Channel Express (Air Services) Limited (CEAS), a wholly-owned subsidiary undertaking, has a legal obligation to undertake specific periodic maintenance on the aircraft it operates whether those aircraft are leased from its parent company, Dart Group PLC (the Company), or from third party aircraft lessors. These obligations require CEAS to continue to maintain the aircraft and its engines in accordance with the aircraft manufacturer's published maintenance programmes during the term of the lease and to ensure that the aircraft is returned to the lessor in a satisfactory condition. As there is a legal and constructive obligation to return the aircraft in a specified condition, a monthly profit and loss charge is made by CEAS.

The Company receives a monthly security deposit from CEAS based on a monthly usage calculation. The deposit is refunded to CEAS once the maintenance activity has been completed by CEAS.

Within the consolidated accounts, expenditure on the maintenance of aircraft which lends enhancements to future periods is capitalised within *Tangible fixed assets* irrespective of which Group company incurs such expenditure. The amortisation of such expenditure (together with that part of the initial cost of the aircraft attributed to prepaid maintenance) closely equates to the maintenance charge arising on operating leased aircraft.

Previously the Company accounted for the above security deposits as *Deferred income* within Creditors. The Directors consider that it is more appropriate to classify these balances as *Amounts owed to Group undertakings* within Creditors. This change has had no impact on the Group's financial statements.

The monthly security deposit payment is set at a level which is estimated to cover the cost of future maintenance procedures when they occur, matching the initial monthly maintenance charges on operating leased aircraft and the amortisation of capitalised maintenance on owned aircraft. In the past the Group has not immediately adjusted such charges to reflect actual maintenance spend but instead maintained a charge in line with the security deposits which are gradually refined over a number of years. The Directors consider that it is more appropriate to immediately take into account any known increases or reductions in maintenance spend in calculating the Group's maintenance charge on operating leased aircraft and amortisation of capitalised maintenance or owned aircraft.

Previously all expenditure on maintenance has been treated in a similar way, irrespective of the nature of that expenditure. The Directors now consider that it is more appropriate to distinguish between short term maintenance activities (being those which are expected to occur at least annually) and long term maintenance (relating to less frequent procedures which lend enhancement to future periods). All short term maintenance is now expensed as incurred rather than being capitalised and depreciated (owned aircraft) or provided for in advance (leased aircraft).

Previously the Group has charged additional depreciation following the identification of a potential requirement to perform rectification work to address airframe non routine maintenance procedures on its aircraft fleet. The Directors now consider it more appropriate to account for any expenditure of this nature as incurred unless it gives rise to a need to make an immediate impairment provision against the carrying value of a particular aircraft.

Notes to the Accounts

continued

1. Accounting policies – (continued)

The impact of the above changes in accounting policies on the Group's results for the year ended 31 March 2004 is as follows:

	Year ended 31 March 2004				
	Net operating expenses £'000	Net interest £'000	Profit before taxation £'000	Taxation £'000	Profit after taxation £'000
As originally stated	(219,692)	(353)	8,520	(2,868)	5,652
Foreign currency branch	(5,190)	6,658	1,468	(440)	1,028
Aircraft maintenance costs	1,360	–	1,360	(408)	952
	(223,522)	6,305	11,348	(3,716)	7,632
Re-classification of profit on disposal of fixed assets	365	–	–	–	–
As restated	**(223,157)**	**6,305**	**11,348**	**(3,716)**	**7,632**

The effect of the prior year adjustments on reserves is shown in note 20. Net interest includes foreign exchange gains.

The impact of the above changes in accounting policies on the Group's results for the year ended 31 March 2005 is as follows:-

Foreign currency branch	–	(decrease) profit before tax by £(2,663,000)
Aircraft maintenance costs	–	Increase profit before tax by £1,273,000

The impact of the above changes in accounting policies on the Group's financial position as at 31 March 2004 is as follows:

	Year ended 31 March 2004			
	Tangible assets £'000 (Note 11)	Creditors due within one year £'000 (Note 15)	Provisions for liabilities and charges £'000 (Note 17)	Net assets £'000 (Note 21)
As originally stated	75,264	(55,793)	(8,293)	40,664
Foreign currency branch	1,056	(2,593)	2,276	739
Aircraft maintenance costs	4,073	(940)	130	3,263
As restated	**80,393**	**(59,326)**	**(5,887)**	**44,666**

The impact of the above changes in accounting policies on the Company's financial position as at 31 March 2004 is as follows:

	Year ended 31 March 2004			
	Tangible assets £'000 (Note 11)	Creditors due within one year £'000 (Note 15)	Provisions for liabilities and charges £'000 (Note 17)	Net assets £'000 (Note 21)
As originally stated	78,915	(61,021)	(8,145)	12,212
Foreign currency branch	1,056	(2,593)	2,276	739
As restated	**79,971**	**(63,614)**	**(5,869)**	**12,951**

2. Turnover

	2005 £'000	2004 £'000
Distribution	**100,074**	112,076
Aviation Services	**167,922**	116,124
	267,996	228,200
Turnover arising within:		
The United Kingdom and the Channel Islands	**261,430**	222,804
Mainland Europe	**5,555**	4,368
The Far East	**1,011**	1,028
	267,996	228,200

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 due to the highly competitive markets in which the Group's operations are conducted.

3. Net operating expenses

	2005 £'000	2004 (restated) £'000
Direct operating costs	**158,499**	138,754
Staff costs (note 6)	**54,968**	49,609
Depreciation and amortisation:		
Depreciation of tangible fixed assets	**23,000**	18,374
Impairment of tangible fixed assets	**8,206**	4,385
Amortisation of intangible fixed assets	**497**	497
Other operating charges	**18,495**	13,056
Other operating income:		
Rents receivable	**(494)**	(740)
Other	**(342)**	(413)
Profit on disposal of fixed assets	**(177)**	(365)
	262,652	223,157

4. Net interest (including exchange gains)

	2005 £'000	2004 (restated) £'000
On bank loans and overdrafts	**–**	(21)
On other loans	**(504)**	(630)
Other interest payable	**(325)**	(5)
	(829)	(656)
Interest receivable	**751**	303
Realised foreign exchange gains	**2,400**	6,658
	2,322	6,305

Notes to the Accounts

continued

5. Profit on ordinary activities before taxation

		2005 £'000	2004 £'000
Profit on ordinary activities before taxation is after charging:			
Auditors' remuneration:	for audit services	**124**	99
	for other services	**78**	77
Operating lease rentals:	land and buildings	**935**	773
	plant and machinery	**15,331**	12,865

Auditors remuneration paid by the Company for audit services amounted to £38,000 (2004 – £31,000).

Exceptional items

	2005 £'000	2004 £'000
Operating items		
Impairment of fixed assets	**(8,206)**	(4,385)
Profit on disposal of fixed assets		
Gain on disposal of F27 fleet	**795**	–
Net interest (including exchange gains)		
Exchange gains on US$ borrowings	**2,400**	6,658
Net exceptional items before taxation	**(5,011)**	2,273

As noted in the Financial Review on pages 10 and 11 the Group has changed its policy of borrowing in US Dollars to finance the purchase of aircraft.

6. Directors and employees

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

	2005 Number	2004 Number
Operations	**1,192**	1,120
Administration	**375**	371
	1,567	1,491

	2005 £'000	2004 £'000
Wages and salaries	**49,609**	44,697
Social security costs	**4,261**	3,907
Other pension costs	**1,098**	1,005
	54,968	49,609

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

7. Taxation

	2005	2004
	£'000	£'000
Current taxation:		
UK Corporation Tax based upon the profits for the year	2,436	2,905
Adjustments in respect of previous periods	(8)	(61)
UK Corporation Tax	2,428	2,844
Foreign tax – current year	150	248
	2,578	3,092
Deferred taxation:		
Origination and reversal of timing differences		
– current year	272	561
– prior year	(2)	63
	270	624
	2,848	3,716

The current tax assessed for the year is higher (2004 – lower) than the standard rate of corporation tax in the UK. The differences are explained below:-

	2005	2004 (restated)
	£'000	£'000
Profit on ordinary activities	8,461	11,348
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 % (2004 – 30%)	2,538	3,404
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	399	395
Capital allowances for period in excess of depreciation	(272)	(561)
Lower tax rates on overseas earnings	(79)	(85)
Adjustments to tax charge in respect of previous periods	(8)	(61)
Current tax charge for period (see above)	2,578	3,092

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.

A number of Group companies have open tax positions over several years which have not been agreed with HM Revenue & Customs. In some instances HM Revenue & Customs has indicated that it considers higher amounts of Corporation Tax should have been paid in relation to earlier periods than the position calculated by the Group. The items being challenged by HM Revenue & Customs relate principally to the timing of tax charges and deductions rather than permanent differences in the tax position. As a result, any successful challenge by HM Revenue & Customs would give rise principally to a partial crystalisation of the Group's deferred tax provision at an earlier stage than is currently anticipated, rather than an overall increase in the Group's total tax liabilities. In such circumstances, there may be a liability to interest on overdue tax and HM Revenue & Customs could potentially seek penalties although these would be strongly resisted.

Notes to the Accounts
continued

8. Dividends

	2005 £'000	2004 £'000
Interim 2.04 pence (2004 – 1.85 pence) per share – paid	**701**	635
Final 4.70 pence (2004 – 4.26 pence) per share – proposed	**1,623**	1,464
	2,324	2,099

9. Earnings per share

The calculation of basic earnings per share is based on earnings for the year ended 31 March 2005 of £5,613,000 (2004 restated – £7,632,000). The calculation of basic earnings per share before exceptional items is based on earnings before exceptional items for the year ended 31 March 2005 of £9,121,000 (2004 restated – £6,041,000). Both calculations are based on 34,396,934 shares (2004 – 34,344,692) 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 for the year ended 31 March 2005 of £6,110,000 (2004 restated – £8,129,000). The calculation of basic earnings per share before exceptional items, excluding the amortisation of goodwill, is based on earnings before exceptional items of £9,618,000, as calculated below, for the year ended 31 March 2005 (2004 restated – £6,538,000). Both calculations are based on 34,396,934 shares (2004 – 34,344,692) being the weighted average number of shares in issue for the year.

	After exceptional items		Before exceptional items	
	2005 £'000	2004 (restated) £'000	2005 £'000	2004 (restated) £'000
Profit on ordinary activities after taxation	**5,613**	7,632	**9,121**	6,041
Amortisation of goodwill	**497**	497	**497**	497
	6,110	8,129	**9,618**	6,538

The calculation of diluted earnings per share is based on earnings for the year ended 31 March 2005 of £5,613,000 (2004 restated – £7,632,000). The calculation of diluted earnings per share before exceptional items is based on earnings before exceptional items for the year ended 31 March 2005 of £9,121,000 (2004 restated – £6,041,000). Both calculations are based on 34,628,280 ordinary shares (2004 – 34,403,760) calculated as follows:

	2005 000's	2004 000's
Basic weighted average number of shares	**34,397**	34,345
Dilutive potential ordinary shares:		
Employee share options	**231**	59
	34,628	34,404

10. Intangible assets

Group	Goodwill £'000
Cost	
At 1 April 2004 and 31 March 2005	**9,933**
Amortisation	
At 1 April 2004	(2,153)
Provided during the year	(497)
At 31 March 2005	**(2,650)**
Net Book Value	
At 31 March 2004	7,780
At 31 March 2005	**7,283**

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

11. Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Aircraft & engines £'000	Plant vehicles & equipment £'000	Total £'000
Cost					
At 1 April 2004 as previously reported	11,845	1,808	113,247	19,682	146,582
Prior year adjustments	–	–	8,642	–	8,642
At 1 April 2004 as restated	**11,845**	**1,808**	**121,889**	**19,682**	**155,224**
Additions	–	**9**	**49,940**	**1,642**	**51,591**
Disposals	–	–	**(10,406)**	**(3,128)**	**(13,534)**
At 31 March 2005	**11,845**	**1,817**	**161,423**	**18,196**	**193,281**
Depreciation					
At 1 April 2004 as previously reported	(1,745)	(1,374)	(53,899)	(14,300)	(71,318)
Prior year adjustments	–	–	(3,513)	–	(3,513)
At 1 April 2004 as restated	**(1,745)**	**(1,374)**	**(57,412)**	**(14,300)**	**(74,831)**
Charge for the year	**(308)**	**(79)**	**(20,242)**	**(2,371)**	**(23,000)**
Impairment	–	–	**(8,206)**	–	**(8,206)**
Disposals	–	–	**9,239**	**2,809**	**12,048**
At 31 March 2005	**(2,053)**	**(1,453)**	**(76,621)**	**(13,862)**	**(93,989)**
Net book value					
At 31 March 2004 as restated	10,100	434	64,477	5,382	80,393
At 31 March 2005	**9,792**	**364**	**84,802**	**4,334**	**99,292**

Aircraft and engine additions in the year include £54,000 (2004 – £205,000) of interest capitalised.

Notes to the Accounts

continued

11. Tangible assets – (continued)

Prior year adjustments (notes 20 and 21)	£'000
Cost	
– Foreign currency branch	8,642
Depreciation	
– Foreign currency branch	(7,586)
– Aircraft maintenance cost	4,073
	(3,513)
Net Book Value	
– Foreign currency branch	1,056
– Aircraft maintenance cost	4,073
	5,129

Company	Short leasehold property £'000	Aircraft & engines £'000	Plant, vehicles & equipment £'000	Total £'000
Cost				
At 1 April 2004 as previously reported	865	98,849	1,420	101,134
Prior year adjustments	–	8,642	–	8,642
At 1 April 2004 as restated	**865**	**107,491**	**1,420**	**109,776**
Additions	**–**	**40,628**	**325**	**40,953**
Disposals	**–**	**(6,507)**	**(13)**	**(6,520)**
At 31 March 2005	**865**	**141,612**	**1,732**	**144,209**
Depreciation				
At 1 April 2004 as previously reported	(467)	(20,636)	(1,116)	(22,219)
Prior year adjustments	–	(7,586)	–	(7,586)
At 1 April 2004 as restated	**(467)**	**(28,222)**	**(1,116)**	**(29,805)**
Charge for the year	**(26)**	**(5,661)**	**(221)**	**(5,908)**
Impairment	**–**	**(8,206)**	**–**	**(8,206)**
Disposals	**–**	**3,778**	**7**	**3,785**
At 31 March 2005	**(493)**	**(38,311)**	**(1,330)**	**(40,134)**
Net book value				
At 31 March 2004 as restated	398	79,269	304	79,971
At 31 March 2005	**372**	**103,301**	**402**	**104,075**

Prior year adjustments (notes 20 and 21)	£'000
Cost	
– Foreign currency branch	8,642
Depreciation	
– Foreign currency branch	(7,586)
Net Book Value	
– Foreign currency branch	1,056

Aircraft and engines having an original cost of £131,096,887 (2004 – £88,495,405) and accumulated depreciation of £28,054,940 (2004 – £10,539,888) are held for use in operating leases by a subsidiary company.

Aircraft and engine additions in the year include £54,000 (2004 – £205,000) of interest capitalised.

12. Investments

Group	**2005 £'000**
Shares in joint venture entity:	
At 1 April 2004 and 31 March 2005	–

Investments represent the Group's investment in a 50:50 joint venture entity, Postal Air Network Limited, through its subsidiary undertaking, Channel Express (Air Services) Limited, and with an external party. This is accounted for in the Group accounts as a joint arrangement. The cost of the investment was £50. The Group's share of gross assets of the joint venture entity at 31 March 2005 is £1,875,000 (2004 – £2,247,000). The Group's share of gross liabilities at 31 March 2005 is £1,875,000 (2004 – £2,247,000).

Company	**2005 £'000**
Shares in subsidiary undertakings at cost, and net investment:	
At 1 April 2004 and 31 March 2005	20,671

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

	2005 £'000	2004 £'000
Group		
Aircraft parts	**4,366**	1,989
Sundries	**250**	227
	4,616	2,216

14. Debtors

	2005		2004	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade debtors	**22,322**	**5**	26,693	88
Amounts owed by Group undertakings	**–**	**4,882**	–	3,040
Other debtors and prepayments	**3,210**	**59**	4,528	603
	25,532	**4,946**	31,221	3,731

Notes to the Accounts

continued

15. Creditors: amounts falling due within one year

	2005 Group £'000	2005 Company £'000	2004 Group (restated) £'000	2004 Company (restated) £'000
Bank overdraft	–	47,473	25	14,273
Other loans	5,695	5,695	3,426	3,426
Trade creditors	30,688	482	21,359	482
Amounts owed to Group undertakings	–	30,857	–	39,860
Corporation Tax	5,607	2,674	4,232	2,966
Other taxation and social security	1,794	119	2,483	350
Deferred income	37,813	–	17,316	–
Other creditors and accruals	6,984	964	9,021	793
Dividend proposed	1,623	1,623	1,464	1,464
	90,204	89,887	59,326	63,614

	Group £'000	Company £'000
Prior year adjustments – increase/(decrease)		
Corporation Tax	4,122	2,593
Other creditors and accruals	(589)	–
Amounts owed to Group undertakings	–	18,863
Maintenance fees received in advance	–	(18,863)
	3,533	2,593

Included in amounts owed to Group undertakings are maintenance security deposits repayable to Channel Express (Air Services) Limited of £18,044,000 (2004 restated – £14,357,000).

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

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Other loans	19,270	19,270	24,943	24,943
Overseas taxation	150	–	150	–
	19,420	19,270	25,093	24,943

Loans and finance leases are repayable as follows:

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Within one year:				
Other loans	5,695	5,695	3,426	3,426
Between one and two years:				
Other loans	2,695	2,695	3,461	3,461
Between two and five years:				
Other loans	8,086	8,086	11,453	11,453
Over five years:				
Other loans	8,489	8,489	10,029	10,029
	24,965	24,965	28,369	28,369

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

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

	2005		2004	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Secured loan of US$7,492,000 (2004 – $8,874,000) repayable by monthly amounts until August 2008 with a balloon payment payable in August 2008	**3,965**	**3,965**	4,828	4,828
Secured loan of £1,500,000 (2004 – £nil) repayable by quarterly instalments with a balloon payment in August 2013	**1,500**	**1,500**	–	–
Secured loan of £1,500,000 (2004 - £nil) repayable by quarterly instalments with a balloon payment payable in March 2013	**1,500**	**1,500**	–	–
Secured loan of £15,000,000 (2004 - £nil) repayable by quarterly instalments with a balloon payment payable in May 2012	**15,000**	**15,000**	–	–
Secured US$ loans (2004 – US$43,263,000) repaid during the year	–	–	23,541	23,541
Unsecured loan of £3,000,000 (2004 - £nil) repayable in full on 24th June 2005	**3,000**	**3,000**	–	–
	24,965	**24,965**	28,369	28,369

Included in the total loans of £24,965,000 (2004 – £28,369,000) are loans totalling £3,965,000 (2004 – £5,441,000) which bear interest at a fixed rate of 5.56%. The remaining loan balances of £21,000,000 (2004 – £22,928,000) bear interest at variable rates of less than 1% over LIBOR. The loans are secured over certain of the Group's aircraft.

17. Provision for liabilities and charges

	2005		2004	
Deferred tax	**Group £'000**	**Company £'000**	Group £'000	Company £'000
Accelerated capital allowances				
Provision at start of period as previously reported	**8,293**	**8,145**	6,112	5,778
Prior year adjustment (notes 20 and 21)	**(2,406)**	**(2,276)**	(849)	(719)
Provision at start of period as restated	**5,887**	**5,869**	5,263	5,059
Deferred tax charge in profit and loss account	**270**	**525**	624	810
Provision at end of period	**6,157**	**6,394**	5,887	5,869

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 10 to 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.

	2005		2004	
	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	**(5,695)**	**(5,768)**	(3,451)	(3,487)
Long-term borrowings	**(19,148)**	**(19,148)**	(24,943)	(25,168)
Cash and short-term deposits	**27,404**	**27,404**	13,362	13,362
Derivative financial instruments held to hedge the exposure on future costs				
Forward foreign currency contracts	–	**(1,875)**	–	(671)
Fuel derivatives	–	**11,889**	–	1,440
Cross currency swap	–	–	–	(584)
Interest rate swap	–	**93**	–	(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
2005			
Sterling	–	**21,000**	**21,000**
US Dollar	**3,965**	–	**3,965**
	3,965	**21,000**	**24,965**
2004			
Sterling	–	–	–
US Dollar	13,603	14,791	28,394
	13,603	14,791	28,394

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% (2004 – 4.23%). This rate is fixed for a remaining weighted average period of 1 year.

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

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

18. Financial instruments – (continued)

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
2005				
Sterling	–	**3,610**	**1,612**	**5,222**
US Dollar	–	**17,902**	**2,628**	**20,530**
Singapore Dollar	–	**202**	**245**	**447**
Other	–	–	**1,205**	**1,205**
	–	**21,714**	**5,690**	**27,404**
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

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 in 2004 consisted 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 was to mature in September 2006. This swap was terminated in February 2005.

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

Currency exposure

The table below shows the Group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved. As at 31 March 2005 these exposures were as follows:

Net foreign currency monetary assets/(liabilities)

	US Dollar £'000	Euros £'000	SGD £'000	Other £'000	Total £'000
2005					
Sterling	**(1,407)**	**(1,754)**	**(213)**	**(156)**	**(3,530)**
2004					
Sterling	(1,772)	(823)	(246)	(182)	(3,023)

As at 31 March 2005 the Group also held open various forward exchange contracts taken out to hedge expected foreign currency requirements.

Hedges

Gains and losses on instruments used for hedging currency, interest and fuel price risk are not recognised until the instruments mature. Unrecognised gains at 31 March 2005 amounted to £10,108,000 (2004 – £134,000) of which £7,719,000 (2004 – £371,000) are expected to be recognised in the profit and loss account in the year ended 31 March 2006. Gains included in the profit and loss account that arose in previous years amounted to £134,000 (2004 – £1,221,000).

Notes to the Accounts

continued

18. Financial instruments – (continued)

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 2005 in respect of which all conditions precedent had been met at that date are as follows:-

	Amounts drawndown		Facilities available	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Committed facilities:				
Amortising flexible aircraft mortgages	**21,965**	28,369	**39,027**	45,254
Bank overdrafts	**–**	25	**5,000**	5,000
Total committed facilities	**21,965**	28,394	**44,027**	50,254
Uncommitted facilities:				
Multi option facility	**3,000**	–	**5,000**	10,000
Bank overdrafts	**–**	–	**–**	–
Total uncommitted facilities	**3,000**	–	**5,000**	10,000
	24,965	28,394	**49,027**	60,254

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

19. Called up share capital

	Number of shares	**2005 £'000**	2004 £'000
Authorised ordinary shares of 5p each	40,000,000	**2,000**	2,000
Allotted, called-up and fully paid			
As at 1 April 2004	34,356,222	**1,718**	1,716
Options exercised	180,730	**9**	2
As at 31 March 2005	34,536,952	**1,727**	1,718

The Company received the sum of £317,645 (2004 – £29,450) 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 900,898 (2004 – 1,012,868) ordinary shares of 5p each. At 31 March 2005 the following options had not been exercised:

Number of shares	*Option price*	*Option exercisable*
76,070	115.5p per share	On all shares before the options expire on 22 July 2006.
36,000	123.75p per share	On all shares before the options expire on 19 December 2006.
6,940	107.75p per share	On all shares before the options expire on 26 June 2007.
7,000	138.75p per share	On all the shares before the options expire on 12 December 2007.
10,000	225.0p per share	On all shares before the options expire on 21 July 2008.
41,700	178.5p per share	On all shares before the options expire on 14 December 2008.
27,500	210.0p per share	On 12,500 shares from 12 July 2002 and on all the shares from 12 July 2005. The options expire on 12 July 2009.
39,280	210.0p per share	On 17,140 from 3 December 2002 and on all the shares from 3 December 2005. The options expire on 3 December 2009.
60,000	257.5p per share	On 28,500 shares from 19 July 2003 and on all the shares from 19 July 2006. The options expire on 19 July 2010.
81,646	302.5p per share	On 35,586 shares from 17 November 2003 and on all the shares from 17 November 2006. The options expire on 17 November 2010.
18,000	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.
56,600	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.
33,252	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.
48,810	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.
54,000	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.
187,100	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.
48,000	148.5p per share	On half of the shares from 21 June 2007 and on all the shares from 21 June 2010. The options expire on 21 June 2014.
69,000	315.0p per share	On half of the shares from 19 November 2007 and on all the shares from 19 November 2010. The options expire on 19 November 2014.

The Company has granted options to employees under the Dart Group 2002 Unapproved Share Option Scheme in respect of 565,000 (2004 – 565,000) ordinary shares of 5p each. At 31 March 2005 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 (restated) Share premium £'000	Group (restated) Profit & loss £'000	Company (restated) Share premium £'000	Company (restated) Profit & loss £'000
At 1 April 2004 as previously reported	7,702	31,244	7,702	2,792
Prior year adjustments	–	4,002	–	739
At 1 April 2004 as restated	7,702	35,246	7,702	3,531
Issue of shares under share option schemes	**308**	–	**308**	–
Retained profit for the year	–	**3,289**	–	**876**
Currency translation differences	–	**74**	–	–
At 31 March 2005	**8,010**	**38,609**	**8,010**	**4,407**

	Group £'000	Company £'000
Prior year adjustments		
– Foreign currency branch	739	739
– Aircraft maintenance cost	3,263	–
	4,002	739

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 £3,200,000 (2004 restated – £3,206,000) is dealt with in the accounts of the Company. The cumulative goodwill written off against reserves as at 31 March 2005 amounted to £2,279,000 (2004 – £2,279,000).

21. Reconciliation of movements in shareholders' funds

	Group **2005** **£'000**	Group 2004 (Restated) £'000	Company **2005** **£'000**	Company 2004 (Restated) £'000
Profit for the year	**5,613**	7,632	**3,200**	3,206
Dividends	**(2,324)**	(2,099)	**(2,324)**	(2,099)
	3,289	5,533	**876**	1,107
Currency translation differences	**74**	(63)	–	(3)
Issue of shares under share option schemes	**317**	30	**317**	30
Net addition to shareholders' funds	**3,680**	5,500	**1,193**	1,134
Opening shareholders' funds as previously reported	**40,664**	37,144	**12,212**	12,105
Prior year adjustments	**4,002**	2,022	**739**	(288)
Opening shareholders' funds as restated	**44,666**	39,166	**12,951**	11,817
Closing shareholders' funds	**48,346**	44,666	**14,144**	12,951

22. Commitments

(a) Capital commitments:

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Contracted for but not provided	–	–	1,088	1,088

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

Group	2005 Land & buildings £'000	2005 Plant & machinery £'000	2004 Land & buildings £'000	2004 Plant & machinery £'000
Operating leases which expire:				
within one year	587	11,371	186	6,810
between two and five years	746	15,392	248	12,001
over five years	235	–	347	–
	1,568	26,763	781	18,811

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

	2005 £'000	2004 £'000
Returns on investment and servicing of finance		
Interest paid: bank and other loans	(827)	(853)
Interest received: bank	730	302
	(97)	(551)
Taxation		
Corporation and overseas tax paid	(1,365)	(506)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(51,591)	(28,156)
Disposal of tangible fixed assets	2,458	2,137
	(49,133)	(26,019)
Financing		
Ordinary share capital issued	317	30
Other loans repaid	(31,957)	(18,553)
Other loans advanced	29,440	16,052
	(2,200)	(2,471)

Notes to the Accounts

continued

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

	2005 £'000	2004 Restated £'000
Operating Profit	**5,344**	5,043
Depreciation and impairment	**31,206**	22,759
Amortisation of goodwill	**497**	497
Profit on disposal of fixed assets	**(177)**	(365)
(Increase)/Decrease in stock	**(2,400)**	236
Decrease/(Increase) in debtors	**5,689**	(309)
Increase in creditors	**28,087**	8,310
Net cash inflow from operating activities	**68,246**	36,171

26. Analysis of net funds/(debt)

	At 31 March 2005 £'000	Cashflow £'000	Exchange differences £'000	At 1 April 2004 £'000
Other loans due within one year	**(5,695)**	**(2,269)**	**–**	(3,426)
Other loans due after one year	**(19,270)**	**4,786**	**887**	(24,943)
Total Debt	**(24,965)**	**2,517**	**887**	(28,369)
Cash at bank and in hand, net of bank overdrafts	**27,404**	**13,286**	**781**	13,337
Net funds/(debt)	**2,439**	**15,803**	**1,668**	(15,032)

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

27. Related party transactions

During the year the Group has not entered into transactions, in the ordinary course of business, with other related parties.

Secretary and Advisers

Secretary and Registered Office

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Dukes Keep
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Registrars

Capita Registrars
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19 Whiteladies Road
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Stockbrokers

Collins Stewart Limited
9th Floor
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London EC2V 7QR

Solicitors

Addleshaw Goddard
150 Aldersgate Street
London EC1A 4EJ

Financial Advisers

Smith & Williamson Corporate Finance
No 1 Riding House Street
London W1A 3AS

Market Makers in Company Shares

Collins Stewart Limited
London

Winterflood Securities Limited
London

Merrill Lynch International Limited
London

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 9.30 a.m. on 4 August 2005 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 2005, together with the Auditor's Report.

(2) To receive and consider the Report on Directors' Remuneration for the year ended 31 March 2005.

(3) To declare a final dividend for the year ended 31 March 2005 of 4.70 pence per ordinary share.

(4) To re-elect Mr B S Templar as a director.

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

(6) To appoint KPMG Audit Plc as auditors and authorise the directors to fix their remuneration.

Special business

(7) To consider and, if thought fit, approve the following resolution which it is intended to propose as 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 £200,000 (in substitution for and to the exclusion of all previous allotment authorities granted prior to this meeting) provided that this authority shall expire on 3 August 2010 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.

(8) 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 equity securities 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.

(9) 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 3,455,019 (representing 10% of the Company's issued ordinary share capital at 8 July 2005);
- 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 or AIM (as applicable at the time the proposed purchase is to be contracted) 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 4 November 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 8 July 2005
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 9

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 3,455,019 ordinary shares of 5 pence each in the market. The authority will lapse at the earlier of the next Annual General Meeting or 4 November 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 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 1,465,898 ordinary shares. This represents 4.2% 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 4.7% of the Company's issued share capital. There are currently no outstanding warrants to subscribe for equity shares in the Company.

In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company's register of members at 9.30 a.m. on 2 August 2005 (or, in the case of an adjournment, no later than 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries on the register of members after 9.30 a.m. on 2 August 2005 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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' interests 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	4 August 2005
Final dividend payment	19 August 2005
Results for the six months to 30 September 2005	November 2005
Interim dividend payment	January 2006
Results for the twelve months to 31 March 2006	June 2006

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