DART GROUP PLC

# Report & Accounts 2012

jet2.com


jet2holidays


FOWLER · WELCH


Dart Group PLC ("the Group") is a Leisure Airline, Package Holidays and Distribution & Logistics group specialising in:

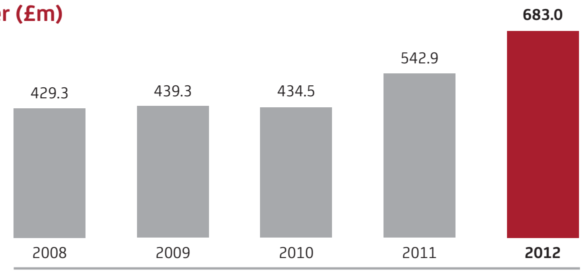
- the operation of scheduled and charter flights by ***Jet2.com*** to leisure destinations throughout Europe;
- the provision of ATOL protected package holidays by its tour operator ***Jet2holidays***; and
- the distribution, by ***Fowler Welch***, of fresh produce, temperature-controlled and ambient products to supermarkets and wholesale markets throughout the United Kingdom.





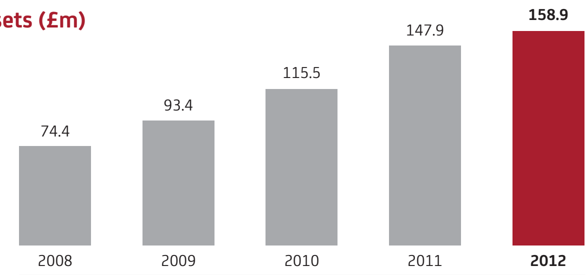

# Highlights

**Turnover (£m)**

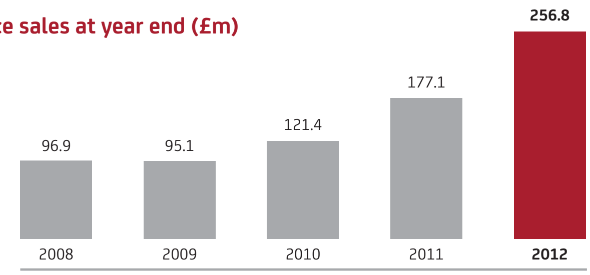



**EBITDA (£m)**


**Net assets (£m)**




**Advance sales at year end (£m)**




# Contents

# Chairman's Statement

I am pleased to report on the Group's trading for the year ended 31 March 2012. Turnover grew by 26% to £683m (2011: £543m) and profit before tax amounted to £28.1m (2011: £26.2m). Earnings per share increased 31% to 16.01p (2011: 12.20p).

In consideration of the Group's current trading performance, the Board recommends a final dividend of 0.89p per share (2011: 0.83p). If approved at the Annual General Meeting to be held on 6 September 2012, this dividend will be payable on 19 October 2012 to shareholders on the register at the close of business on 14 September 2012. The associated ex dividend date will be 12 September 2012.

The significant growth in turnover reflects expansion in both ***Jet2.com***, the Group's Leisure Airline, and ***Jet2holidays***, our package holiday business, which more than doubled its passenger numbers in the year. Profits in the Leisure Airline fell, despite capacity and load factor growth, mainly due to increased jet fuel prices which we were not able to pass on to our customers. ***Jet2holidays***, which goes from strength to strength, recorded a profit before tax of £2.5m on the back of a 140% increase in turnover. Our important and long-established Distribution & Logistics business, ***Fowler Welch***, improved operating margins after a year of investment and restructuring in 2010/11 and returned a profit before tax of £3.9m.

Capital expenditure for the year was £47.3m (2011: £68m), which related principally to long term maintenance spend on aircraft and engines, the acquisition of five 737-300 aircraft, and investment in refrigerated trailers and site infrastructure at ***Fowler Welch***. Net cash flow from operating activities amounted to £94.5m (2011: £113.8m), reflecting principally lower growth in ***Jet2.com*** forward bookings, in line with lower 2012 capacity increases.

As at 31 March 2012, the Group's cash balance, including money market deposits, was £152m (2011: £106.8m), at which point ***Jet2.com*** and ***Jet2holidays*** had received circa £180m (2011: £135m) of advance payments from customers in respect of future trips.

## Leisure Airline & Package Holidays

Times are tough and money is short, but it seems that our Northern UK customers are still keen to take their family holidays and visit great leisure cities.

Over the past year we have carefully concentrated on building our services to high volume leisure destinations, focusing on commercial and political risk-free Mediterranean and Canary Island resorts and leading leisure break cities. Over 60 summer routes are now operated to Spain alone; the number one destination for UK holiday makers.

In the year to 31 March 2012, ***Jet2.com*** operated 145 routes from our eight Northern bases, to 49 destinations. We flew 4.3 million scheduled service passengers and sold over 200,000 package holidays. We expect to increase our passenger numbers by approximately 10% and to double the number of package holidays sold in the current financial year. On 31 March 2011 we opened our eighth base at Glasgow airport, flying seven routes for that summer. This has now grown to 14 routes for summer 2012. We also added an additional aircraft to both our East Midlands and Newcastle bases and our first two 189 seat 737-800s into Manchester, enabling capacity growth.

Our high volume, seat-only business gives us a great platform on which to develop our package holiday product. ***Jet2holidays*** packages together the flight, transfer and hotel into one great value product, with over 65% of these packages sold on an "all inclusive" (which includes all meals and beverages) or "half board" basis.

Our average package holiday price is around £500 per person, a relatively large family purchase for a sophisticated product which engenders a connection with the customer and hopefully loyalty to the brand.

The certainty of spend that a fully inclusive package holiday gives is very attractive in these difficult times. Our product continues to evolve with the introduction of new family friendly hotels and free child places. We directly contract, and therefore have a relationship with, over 1,200 hotels. We have holiday reps in resorts – great service is an essential ingredient in growing our customer focused business.

Our flights offer "friendly low fares" with family friendly departure times, allocated seating, a 22kg baggage allowance and loyalty points for free flights – we want a flight with ***Jet2.com*** to be a great start to the leisure break.

Our research tells us that whether a customer buys a seat-only or takes a package holiday with us they generally return very satisfied and are likely to recommend us to their family and friends. This enables us to grow repeat business from our existing customers, as well as welcoming new customers through recommendation.

We devote great effort to knowing and better understanding our customers, their needs and their future travel intentions. Using a bespoke data management system, we've created a single customer view that enables us to target and personalise our direct marketing campaigns and ensure they are timely and relevant. Using the latest e-mail and print technology, as well as a programme of intelligent data mining and modelling, we've enhanced all of our direct customer communications to ensure they resonate, and we've seen the success of this investment with much improved conversion rates.

And, whilst a customer's previous travel history is always a great indicator of what they may do next, we've gone a step further by enriching our data with a robust insight programme. This captures customer feedback on their booking, ground and in-flight experience, as well as destinations, hotels and future travel plans, all of which is used to help us further refine and enhance our customer proposition.

Whilst the summer leisure business thrives, the winter has grown progressively quieter as the economy has tightened. This has resulted in 80% of our leisure travel turnover occurring in the seven months from April – October. Ski destinations provide important winter utilisation for our aircraft. However, volumes in this sector have decreased, so our strategy of reducing our ski flight frequencies and concentrating on weekend flights has proved sensible. We are pleased to introduce Grenoble as our fourth dedicated ski destination for this winter.

Our innovative passenger charter sales group makes an important commercial contribution to winter aircraft utilisation. They organise shopping trips to New York, fly pilgrims to Jeddah for the Hajj and arrange flights for cruise, sports, ski and corporate charter customers from across Europe. This year we operated charters to destinations as far afield as Brazil, Canada, Florida and Sri Lanka.

The Company has flown night mail flights for Royal Mail since 1980, helping them to ensure First Class mail achieves next day delivery throughout the UK. Under our current contract, which commenced in 2004, we have operated 16 night mail flights each weekday night with our Boeing 737 "Quick Change" aircraft, which have been specially converted to be able to carry mail in containers, following the day's passenger flights. Our last flight under the present contract is in October 2014. Royal Mail is tendering the contract during this financial year, with the result expected in the first quarter of 2013.

We take a careful and considered view of expansion in our Leisure Airline business, especially in the current economic climate. However, we are certainly optimistic for our continued growth in the holiday market. We hope to renew our contract with Royal Mail but, should that not be possible, we believe that organic growth will compensate in terms of maintaining the current level of employment and profitability.

# Chairman's Statement

## Distribution & Logistics

In both good times and hard times ***Fowler Welch***, our important Distribution & Logistics business, is always busy ensuring that chilled and fresh foods are on supermarket shelves.

The business is one of the UK's leading, long established companies in this field. It operates from approximately 850,000 sq ft of owned temperature-controlled and ambient distribution centres in Spalding, Lincolnshire; Teynham, Kent; and Bury, Greater Manchester, with smaller sites at Washington, Tyne and Wear; Newton Abbot, Devon; Alconbury, Cambridgeshire; and Portsmouth, Hampshire. In Holland, our European operation is our gateway for produce and flowers from around the world.

***Fowler Welch*** is a specialist business with long term relationships with leading supermarkets and their suppliers, for whom we are proud to provide a dependable and flexible logistics service.

Following a degree of reorganisation in the previous financial year, I am pleased to say that turnover for the year to 31 March 2012 grew by 6%. Continuing operating efficiencies have led to an improvement in operating margins, which is ongoing in the current year. Our container haulage operations have been successfully downsized – the Felixstowe site was closed and let out, with the business now being centred on a new site at Alconbury, Cambridgeshire. These operations are now making a positive contribution.

Our 50,000 pallet ambient consolidation centre ("the Hub") at Heywood near Bury, Greater Manchester had a difficult period of initial trading and operations when it was opened in 2010. The operations at the site have now been streamlined, resulting in a considerable improvement in operational and financial performance over the last 12 months.

This successful turnaround culminated with the award from ASDA of "carrier of the year" in February 2012; a great achievement. Considerable new business has been secured and in addition, there is a strong pipeline of new clients for the future.

A new, small distribution centre at Newton Abbot, Devon, was opened in July for TESCO, replicating a similar operation performed by ***Fowler Welch*** at its Washington, Tyne and Wear site. We transport TESCO's products in double deck trailers to Newton Abbot, where they are redistributed in smaller loads for delivery to TESCO express stores in the South West. This operation has consistently delivered high service levels, although we need to gain additional customers in order to build volumes and achieve significant profitability. Encouragingly, we believe that the region offers good potential for future further growth.

Our 25 acre Spalding distribution centre is the largest in our business, with a long history of service in this key produce area. The site specialises in the storing, picking and consolidation of fresh produce on behalf of importers and packers, as well as major food processors and manufacturers. During the year there was a substantial increase in warehouse capacity through redevelopment, and this is now fully occupied, following both contract wins and increased business from existing customers.

As a supplier to the fast moving consumer goods ("FMCG") sector, ***Fowler Welch*** has to react to significant changes in volumes constantly and sometimes within lead times of just a few hours. The business has a reputation for its ability to deliver in these circumstances and its IT systems play a vital part in facilitating the necessary speed of decision making. We are committed to continually investing in and developing our operational IT systems to ensure they are leading edge.

During the year, we both selected and implemented a new fleet management software solution and upgraded our warehouse management systems and associated hardware to ensure we have a robust and dependable IT infrastructure.

***Fowler Welch*** is a great logistics business in a demanding but vital market place. Our ability to invest, coupled with excellent facilities and long industry experience, and a determined management team, puts the Company in good shape for future profitable growth.

## Outlook

We plan to grow each of our businesses in the year ahead. ***Fowler Welch*** has a number of business development opportunities throughout its network and is benefiting from recent wins in the North West. ***Jet2holidays*** is set for further growth in the current year, with forward bookings at encouraging levels. We have expanded ***Jet2.com***'s flying programme by 10% for summer 2012, although margins remain challenging in this sector.

We are encouraged both by these business opportunities and by the start we have made to the current year but in the current economic environment we are cautious in respect of profit growth.

Philip Meeson

Chairman

23 July 2012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# Business and Financial Review


The Group comprises three principal operating businesses; Leisure Airline, Package Holidays and Distribution & Logistics. The Package Holidays and Leisure Airline operations work closely together to provide a range of leisure travel services to our Northern customers.

## 2011/12 performance

The Group's financial performance for the year to 31 March 2012 is reported in line with International Financial Reporting Standards ("IFRS"), as adopted by the EU, which were effective at 31 March 2012.

| Summary income statement | 2012 £m | 2011 £m |
|---|---|---|
| Revenue | 683.0 | 542.9 |
| Net operating expenses | (654.5) | (516.0) |
| **Operating profit** | 28.5 | 26.9 |
| Net financing costs | (0.4) | (0.7) |
| **Group profit before tax** | 28.1 | 26.2 |
| Net financing costs | 0.4 | 0.7 |
| Depreciation | 34.4 | 37.1 |
| Impairment of goodwill | – | 0.2 |
| **EBITDA** | 62.9 | 64.2 |

Overall Group turnover increased by 26% to £683m (2011: £543m), with growth in all segments, including a 140% rise in Package Holiday revenues. However, despite improved trading in both Distribution & Logistics and Package Holidays, Group profit before tax grew by only 7% to £28.1m (2011: £26.2m). This decrease in the Group's profit margins was driven by reduced profitability in the Leisure Airline business, principally as a result of fuel cost rises. Group EBITDA was similarly impacted, falling by 2% to £62.9m (2011: £64.2m).

The Group's effective tax rate of 19% (2011: 34%) was lower than the headline figure, as the reduction in the corporation tax rate decreased the Group's deferred tax liability.

The Group generated net cash inflows[1] of over £45m in the year (2011: £54.6m), resulting in a positive net cash position, including money market deposits, of £152m (2011: £106.8m) as at 31 March 2012. Total cash received from ***Jet2holidays*** and ***Jet2.com*** customers in advance of their trips, amounted to £180m (2011: £135m) at year end. The Group's cash generation was principally driven by the Leisure Airline division, which continues to benefit from strong forward bookings, with Package Holidays also generating strong early season cash flows. The working capital related cash improvement reduced, year-on-year, in line with lower growth in the summer 2012 flying programme – a 10% increase in airline capacity relative to a 28% increase in summer 2011.

Capital expenditure reduced from £68m to £47.3m; the previous year's expenditure having included the acquisition of the Hub, ***Fowler Welch***'s North West distribution centre, and an above average number of Boeing 757 engine overhauls. This year's capital expenditure included the purchase of five Boeing 737-300s, enabling the fleet to be increased to 42 aircraft to meet the needs of the summer 2012 programme, and further investment in ***Fowler Welch*** infrastructure. Three leased aircraft were returned during the winter months.

The Group's balance sheet continues to strengthen, driven by both profit performance in the year and cash generation from advance bookings.


The resulting increase in shareholders' equity, the improved gross cash position and the increase in non-current assets are the principal changes in the balance sheet from the previous year end. The overall increase in shareholders' equity does not equate to the Group's post tax profit for the year, due to a reduction in the market value of outstanding fuel and currency hedges at the year-end relative to the previous year. The business continues to be funded in part by customer payments received in advance of travel from our leisure customers. Deferred revenue grew 45% year-on-year, as the Group's leisure travel businesses continue to enjoy strong forward bookings.

[1] Cash inflows are reported including money market deposits (cash deposits with maturity of more than three months) to give readers an understanding of total cash generation. The Consolidated Group Cash Flow Statement reports the net cash flow excluding these deposits.

| Summary cash flow | 2012 £m | 2011 £m |
|---|---|---|
| EBITDA | 62.9 | 64.2 |
| Other P & L adjustments | 0.4 | 0.4 |
| Movements in working capital | 36.3 | 55.8 |
| Financial derivative close out gains | – | (1.8) |
| Interest and taxes | (5.1) | (4.8) |
| **Net cash generated from operating activities** | 94.5 | 113.8 |
| Investing activities[1] | (47.0) | (67.9) |
| Other items | (2.3) | 8.7 |
| **Increase in net cash/money market deposits** | 45.2 | 54.6 |

Note 1: placement of money market deposits of £68.5m (2011: £8.5m) are presented as cash.

| Summary balance sheet | 2012 £m | 2011 £m |
|---|---|---|
| Non-current assets | 245.3 | 248.7 |
| Net current assets[1] | 73.1 | 22.5 |
| Deferred revenue | (256.8) | (177.1) |
| Other liabilities | (54.7) | (53.0) |
| Cash and money market deposits | 152.0 | 106.8 |
| **Shareholders' equity** | 158.9 | 147.9 |

Note 1: stated excluding money market deposits and deferred revenue.

# Business and Financial Review

## Segmental Performance

### Leisure Airline

The Leisure Airline division trades under the ***Jet2.com*** brand and operates scheduled flights to a range of leisure destinations from its home base at Leeds Bradford International Airport, and Belfast, Blackpool, East Midlands, Edinburgh, Glasgow, Manchester and Newcastle airports.

Total Leisure Airline turnover, including sales of seats to ***Jet2holidays***, increased by 25% to £461m (2011: £369m) as a result of a 27% growth in scheduled passengers to 4.3 million, with retail revenue growth (2012: £27.86 – 2011: £25.84) offsetting the per passenger decline in ticket revenue yield (2012: £51.47 – 2011: £52.42). Like-for-like Charter revenues increased year-on-year reflecting additional winter flying in part offset by the decision not to undertake passenger charter flights during the peak summer flying months.

Profitability declined by 10% to £21.7m (2010/11: £24.1m); this reduced margin was principally a result of cost increases which we were unable to pass on to our customers. Overall, costs grew by 21% as a result of a 24% per tonne increase in aviation fuel and volume driven increases.

During the year, ***Jet2.com*** continued its careful expansion of the scheduled airline network, adding Glasgow airport as a new base and extending its flying programme at East Midlands, Newcastle and Manchester airports, largely by adding flights to tried and trusted ***Jet2.com*** destinations. We operated a total of 145 routes in the year, adding the new destinations of Bodrum and Krakow.

Overall scheduled airline seat capacity was increased by 23% in the year. Despite this significant expansion, careful route scheduling and capacity management coupled with some improvement in customer demand, resulted in load factors increasing to 87% (2011: 85%). Load factor performance was underpinned by further development of the airline's yield management system and by the sale of seats both to ***Jet2holidays*** and third party tour operators.

Seat sales to ***Jet2holidays*** represented 10% of total scheduled flying in the year. Net ticket revenue reduced slightly to £51.47 from £52.42.

Retail revenue per passenger increased to £27.86 from £25.84. This was generated from a number of sources including hold baggage charges for a sector leading 22kg weight allowance, online seat assignment, extra leg room seats, onboard sales and commissions on car hire and insurance. New developments in the year included a redeveloped travel insurance product – the best value in the market, and further development of dynamic pricing for retail revenues.

In order both to improve customer service and increase efficiency, we brought passenger handling in-house at Blackpool airport and Newcastle airport for summer 2011 with Faro airport following for summer 2012, the fifth overseas base at which we self handle.

Revenues in ***Jet2.com***'s passenger and Royal Mail charter operations were up on the previous year. The passenger charter activity provides flights for many different customers, including tour operators, specialist holiday providers, the UK Government, and in support of promotional, sporting and other events, enabling the business to improve utilisation of aircraft outside peak periods. We operated approximately 600 passenger charter flights during the year including a series of regular flights during the winter months for the Emirate of Ras al-Khaimah, flying German holiday makers into this relatively new resort. We continue to undertake significant flying for Royal Mail, for whom night mail flights are undertaken every weekday from six UK airports, performed with industry leading punctuality levels, enabling Royal Mail to meet its universal service obligation.

***Jet2.com*** continues to improve its fuel efficiency by means of its wide-ranging "efficient flying" programme. This programme looks at all aspects of the airline's operation which can influence or directly impact upon the operational efficiency of its flying activities. The combined effects of all the elements of this scheme are estimated to have saved the airline over 34,000 tonnes of carbon emissions in the year.


***Jet2.com*** now operates a fleet of 42 aircraft having acquired five Boeing 737-300 aircraft and leased two Boeing 737-800s towards the end of the financial year. Three leased 737-300 aircraft were returned at the end of their leases during the year. ***Jet2.com*** will continue to add to its owned and leased fleet in line with customer demand from our Northern based seat-only and package holiday customers. Seat capacity has been increased by 10% for summer 2012, with growth focused on tried and trusted, good value destinations.

| Leisure Airline | 2012 £m | 2011 £m |
|---|---|---|
| Revenue | 461.3 | 369.5 |
| Operating expenses | (439.6) | (344.9) |
| **Operating profit** | 21.7 | 24.6 |
| Net financing income / (costs) | 0.0 | (0.5) |
| Profit on disposal of property, plant & equipment | 0.0 | 0.0 |
| **Profit before interest & tax** | 21.7 | 24.1 |
| Net financing (income) /costs | (0.0) | 0.5 |
| Depreciation | 32.0 | 35.2 |
| **Leisure Airline EBITDA** | 53.7 | 59.8 |
| **Profit margin** | 4.7% | 6.5% |
| **EBITDA margin** | 11.6% | 16.2% |

| KPIs | 2012 | 2011 |
|---|---|---|
| Number of owned aircraft at 31 March | 35 | 30 |
| Number of leased aircraft at 31 March | 7 | 8 |
| Passenger numbers | 4.3m | 3.4m |
| Load factor | 87% | 85% |
| Net ticket yield | £51.47 | £52.42 |
| Retail revenue per passenger | £27.86 | £25.84 |
| Average hedged price of fuel (US$ per tonne) | $927 | $870 |
| Percentage of estimated annual fuel requirement hedged for the next financial year | 100% | 91% |
| Capital expenditure | £40.8m | £50.1m |
| Advance sales made at year end date | £157m | £136m |
| Average staff numbers | 1,957 | 1,507 |

# Business and Financial Review


## Segmental Performance
## Package Holidays

***Jet2holidays*** is the Group's package holiday operator; it is an integral part of the Group's leisure travel activities, working closely with ***Jet2.com*** to provide ATOL protected holidays to a wide range of destinations from our eight Northern UK airports.

***Jet2holidays*** revenue increased by 140% to £115m (2011: £48m). This has been largely driven by growth in customer numbers, with over 216,000 customers travelling in the year (2011: 98,000). Revenue growth has also been driven by a move to "all inclusive" and "half board" holidays, and increased retail revenues for products sold through the ***Jet2holidays*** booking process, including in-flight meals and extra leg-room seats.

The increasing scale of the business has enabled us to improve both operating margins and profitability. Despite the challenging economic environment and competitive pressures, gross margins per holiday have been maintained through careful management and further enhancement of the Package Holidays yield management system. ***Jet2holidays*** moved into profitability this financial year, with operating profit improving to £2.5m (2011: loss £0.5m).

This growth is substantially a reflection of the successful further development of the ***Jet2holidays*** hotel product range and a fully integrated approach with ***Jet2.com***. During the year, the range of hotels on offer has increased to over 1,600 properties; 1,200 of which have been directly contracted by our in-house team. The product range is focused on "all inclusive" and "half board" holidays, meeting our customers' demand for great value. Our customers have also had the opportunity to select "5 star" accommodation under our "Indulgent Escapes" brand.

***Jet2holidays*** are sold over the internet, through high street and online travel agents, and from our UK based call centre. The ***Jet2holidays*** website is being continuously developed to improve the quality of both the customer and the trade booking experience. Both visits and conversion levels are significantly higher than the previous year. Sales through travel agents remain an important element of the business and ***Jet2holidays*** can now be booked through most major travel agent consortia, multiples, homeworker companies and key independents in the UK. Further investment was made in our UK based call centre to enable it to handle call volume growth, which has continued into the summer 2012 booking season.

Looking forward to the year ending 31 March 2013, the business expects further substantial growth in customer numbers. The product offering, which now includes free child places at hundreds of hotels, is very attractive in the current environment. We continue to invest significant sums in marketing, focusing in particular on TV and online media, to increase brand and product awareness. This continued investment in the product, together with the opportunity to cross sell to ***Jet2.com*** scheduled service customers, means that we remain confident in delivering continued growth. Our direct relationships with our hotels and the focus on ***Jet2holidays*** as part of ***Jet2.com***'s overall capacity planning will ensure that we have the product and capability to meet our predicted increases in demand.


| Package Holidays | 2012 £m | 2011 £m |
|---|---|---|
| Revenue | 114.5 | 47.7 |
| Operating expenses | (112.0) | (48.2) |
| **Profit before interest & tax** | 2.5 | (0.5) |
| Depreciation | 0.3 | 0.3 |
| **Package Holidays EBITDA** | 2.8 | (0.2) |
| **Profit margin** | 2.2% | (1.1%) |
| **EBITDA margin** | 2.5% | (0.4%) |

| KPIs | 2012 | 2011 |
|---|---|---|
| Passenger numbers | 216,524 | 97,414 |
| Advance sales made at year end date | £99.8m | £41.4m |
| Average staff numbers | 82 | 60 |

# Business and Financial Review


## Segmental Performance

### Distribution & Logistics

The Group's distribution business, ***Fowler Welch***, is one of the UK's leading logistics providers serving UK retailers, importers and manufacturers. The business operates from 13 regional distribution centres and offers a range of logistics solutions, including storage, case pick-to-order, and national distribution of both temperature-controlled and ambient products.

The business successfully completed a number of significant changes in the year, whilst maintaining growth in revenue of 6% to £152.4m. Operating profit increased by £1.5m to £4.3m. The business faced a number of cost challenges, in particular related to energy and insurance rates, as well as continued price pressure from customers.

Key network developments included the successful streamlining of operations at the Hub in Heywood (Greater Manchester) from a challenging implementation in the previous year; the successful start-up of the Newton Abbot (Devon) site; and the rationalisation of our Container operations as a result of choosing to cease trading at Felixstowe. These changes, together with continued, customer focused, quality service at our established sites, give ***Fowler Welch*** the platform for a period of continued organic growth.

Our key Spalding site achieved lower gross margins in the year due to lower revenues and reduced sub-contractor availability. However, the outlook for the site is very positive for the coming year. Investment in the site has increased our capacity by 250,000 cases per week, all of which has already been sold to existing and new customers.

The successful implementation in July 2011 of a new 15,000 sq ft cross-dock distribution site in Newton Abbot, to extend our TESCO express store distribution model, will act as a platform for growth in the South West region in the coming year.

Washington, Kent and the South Coast all enjoyed good gross margins, with operations experiencing high utilisation throughout the year, on the back of strong revenues.

The Ambient operation at the Hub in Heywood saw slower than planned revenue growth, but gross margin performance improved significantly year-on-year. Emphasis on service has been a high priority, following the site's challenging implementation in 2010; the growing reputation of ***Fowler Welch*** in the Ambient sector will enable continued growth in the coming years. This success was underlined by being awarded the ASDA "carrier of the year" award for 2012.

In June 2011, ***Fowler Welch*** reduced the scale of its container business, closing its Felixstowe operation. Key customers were, however, retained and these are now serviced from a new site, located at Alconbury on the A1 in Cambridgeshire.

The new business model for distributing containers contributed to the overall improvements in miles per truck and an overall reduction in tractor unit numbers. This has also been a tactical approach, to ensure that increased fleet flexibility is maintained in this difficult trading environment.

Investment in both IT and management infrastructure continues as a high priority. A new transport management system has been selected for implementation in the current financial year and the management team has been strengthened with a number of key appointments. These investments are focused on improving operational efficiency in order to improve gross margins.

***Fowler Welch*** is looking forward to a successful year, with a number of new contracts with a variety of temperature-controlled and ambient customers already underway. This includes Winterbotham Darby in Teynham (Kent) and new volume awarded by an existing Blue Chip client at the Desborough (Northamptonshire) operation. Growth will be carefully managed to ensure all synergies with our existing customers and operations are fully exploited.


| Distribution & Logistics | 2012 £m | 2011 £m |
|---|---|---|
| Revenue | 152.4 | 144.2 |
| Operating expenses | (148.1) | (141.4) |
| Operating profit | 4.3 | 2.8 |
| Net financing costs | (0.4) | (0.2) |
| **Profit before interest & tax** | 3.9 | 2.6 |
| Net financing costs | 0.4 | 0.2 |
| Depreciation | 2.1 | 1.8 |
| **Distribution & Logistics EBITDA** | 6.4 | 4.6 |

| KPIs | 2012 | 2011 |
|---|---|---|
| Warehouse space (square feet) | 847,000 | 847,000 |
| Number of tractor units in operation | 380 | 391 |
| Number of trailer units in operation | 811 | 798 |
| Mileage per gallon | 8.6 | 8.4 |
| Fleet mileage per annum | 42.8m | 39.8m |
| Average staff numbers | 1,280 | 1,265 |

# Business & Financial Review

## Principal risks and uncertainities

The Group's strategy is to grow its business through a combination of organic expansion and, if appropriate, carefully planned acquisitions in areas related to its existing businesses and markets. The principal risks and uncertainties facing the business include the following:

### Competition

The Group is impacted by competitor activity in each of its business areas. In the Distribution business, the market has seen some consolidation as smaller players either exit the market or are taken over. The loss of a substantial customer is the largest financial risk facing the company. This risk is mitigated by ***Fowler Welch's*** focus on service levels and cost control, both of which are critical to success in this sector.

The Leisure Airline and Package Holidays sectors continue to be intensely competitive market places. Headline fare price competition remains very strong at every base from which ***Jet2.com*** flies. The Group will continue to focus on customer driven scheduling on popular routes in order to maximise its load factor, yield, and retail revenue on its aircraft. The operation will continue to benefit from non-scheduled flight aircraft utilisation through its passenger and freight charter activities and from a broad distribution base for its scheduled seats via the web, through travel agencies, via tour operator seat allocations and to its in-house tour operator. ***Jet2holidays*** competes effectively through the provision of a broad range of great value package holidays accessible from all of our eight Northern bases

### Fuel prices

The cost of fuel will continue to be a very significant element of the Leisure Airline and Package Holidays cost bases, and the effective management of fuel price variation will continue to be important to the businesses. The Group's fuel price risk management strategy aims to limit the exposure of both businesses to sudden and significant increases in oil prices, whilst ensuring the businesses remain competitive.

The Distribution & Logistics business is not directly affected by such price rises, since contracts allow for increases to be passed on to its customers.

### Economic conditions

Ultimately, economic conditions will have an impact on the level of consumer demand for the Group's Leisure Airline and Package Holidays services. Whilst we believe that UK consumers regard their summer holiday as a very important element of the household budget, it is clear that there has been a reduction in discretionary travel in recent years due to continuing economic uncertainty. To mitigate this risk, the Group will continue to plan its flying programme carefully to take account of trends in demand. Expanding the ***Jet2holidays*** offering also enables the Group to increase revenues from our ***Jet2.com*** customers.

### Political risks

The Leisure Airline and Package Holidays businesses can be impacted by political uncertainty, both directly through reduced demand for travel to countries to which ***Jet2.com*** flies, and indirectly through the impact of such political uncertainty on fuel prices and exchange rates. This risk is mitigated through careful management of the route network and through the Group's approach to hedging fuel and foreign exchange risk.

### Environmental risks

As evidenced in recent years, the Leisure Airline and Package Holidays businesses are at potential risk from the force of nature, such as extreme weather conditions and volcanic activity. The business mitigates against this risk by establishing and regularly updating a carefully planned response to be implemented by a team of experts, should there be significant disruption to our flying activity. The Group maintains prudent levels of liquid funds to enable the business to continue to operate through a period of sustained disruption to the flying programme.

### Government policy

It is stated UK and EU policy to apply additional taxes to the aviation industry, and it is foreseeable that the tax burden will continue on the road haulage sector also. It is clear that the increases in Airline Passenger Duty had an impact on flights to Egypt, prior to the subsequent political uncertainty which caused ***Jet2.com*** to suspend flying to Sharm el Sheikh and Hurghada in February 2011. The EU Emissions Trading Scheme commenced in 2012, as did further increases in Airline Passenger Duty. There is a continuing risk that the imposition of these taxes, at levels in excess of the economic cost of emissions, may result in reduced passenger demand.

## Treasury management

### Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient funds to meet its financial obligations as they fall due. As at the year end, the Group had significant cash balances, together with a range of unutilised banking facilities, and had met all banking covenants. The Group's strategy for managing liquidity risk is to maintain cash balances in appropriately liquid form and in accordance with approved counterparty limits, whilst securing the continuity and flexibility of funding through the use of committed bank facilities. Additionally, short term cash flow volatility risk in relation to margin calls in respect of fuel and foreign exchange hedge positions is minimised through diversification of counterparties and appropriate credit thresholds. The Group seeks to match long term assets with long term liabilities wherever possible. In addition, a regular assessment is made of future covenant compliance and headroom

### Fuel, currency and carbon hedging

The Group utilises foreign exchange and fuel forward contracts to hedge its exposure to movements in US dollar and euro exchange rates, and to jet fuel prices arising as a result of its Leisure Airline activities. The Group's treasury policy permits the use of such instruments to manage fuel price and currency risk only. The Board reviews and agrees this policy for managing each of these risks at least annually; these policies have been consistent during the year. It is the Group's policy that no trading in financial instruments shall be undertaken.

Details on derivative transactions outstanding at the year end relating to forward currency contracts, cross currency swaps and aviation fuel swaps are detailed in note 22 to the Consolidated financial statements.

The policy in relation to fuel and foreign currency hedging is summarised below:

**Aviation fuel price risk**

The Group's policy is to forward cover future fuel requirements up to 100% and up to three years in advance. The magnitude of the aviation fuel swaps held is given in note 22 to the Consolidated financial statements. As at 31 March 2012, the Group had hedged substantially all of its forecast fuel requirements for the 2012/13 year and a proportion of its requirements for the subsequent two years, in line with the Board's policy.

**Foreign currency risk**

The Group has significant transactional foreign currency exposure, the most significant being the US dollar and the euro.

Transactional currency exposures primarily arise as a result of purchases in foreign currency undertaken in the ordinary course of business, in particular related to expenditure on aviation fuel, aircraft maintenance, air traffic control, airport charges and hotel accommodation. The Group's policy is to cover all material transactional risks for a minimum period of six months, using forward foreign exchange contracts. As at 31 March 2012, the Group had hedged a large proportion of its forecast foreign exchange requirements for the 2012/13 year. The magnitude of the foreign currency exchange risk is given in note 22 to the Consolidated financial statements.

Structural currency exposures exist where the Group has a small euro exposure in respect of net overseas investment. However, as these exposures are not material, no hedging has taken place.

The Group also hedges its carbon exposure given the commencement in 2012 of the EU Emissions Trading Scheme. It has acquired all of its requirement for the year ending 31 December 2012 and approximately 60% of the following year's requirement.

### Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern whilst providing a return to shareholders. The Group maintains a conservative approach to dividend policy, ensuring funds are retained to support further business growth. Our multi-year planning process ensures that we have clear visibility of earnings and liquidity to ensure we continue to operate well within bank covenant levels.

Andrew Merrick

Group Finance Director

23 July 2012

# Directors and Senior Management

## Dart Group PLC

| | |
|---|---|
| Philip Meeson | Group Chairman and Chief Executive |
| Andrew Merrick | Group Finance Director and Group Company Secretary |
| Trevor Crowley | Senior Independent Non-Executive Director |
| Brian Templar | Independent Non-Executive Director |
| Mark Laurence | Independent Non-Executive Director |

## Leisure Airline and Package Holidays

| | |
|---|---|
| Philip Meeson | Chief Executive |
| Stephen Heapy | Chief Commercial Officer<br>and Managing Director ***Jet2holidays*** |
| Ian Doubtfire | Managing Director ***Jet2.com*** |
| Andrew Merrick | Finance Director |
| Richard Chambers | HR Director |
| Ashley Cowen | Operations Director |
| Robin Evans | Flight Operations Director |
| Christopher Hubbard | Engineering Director (appointed 12 June 2012) |
| Stephen Lee | Commercial Director |
| Andrew Menzies | Technical Director |
| Antony Sainthill | Fleet Director |
| Philip Ward | Passenger Sales Director |

## Distribution & Logistics

| | |
|---|---|
| Philip Meeson | Executive Chairman |
| Nicholas Hay | Managing Director |
| John Peall | Deputy Managing Director |
| David Inglis | Non-Executive Director |
| David Cottam | Executive Director |
| John Davies | Business Development Director (appointed 14 November 2011) |
| John Kerrigan | National Operations Director |
| Lynda Hulme | HR Director (appointed 1 January 2012) |
| Matthew Downes | IT Director (appointed 1 January 2012) |
| Stephen King | Finance Director |
| Andrew Merrick | Director |

# Directors' Report

The Directors present their Annual Report on the affairs of the Group together with the financial statements and Auditor's Report for the year ended 31 March 2012. The corporate governance statement set out on pages 26 to 27 forms part of this report.

## Principal activities

Dart Group PLC ("the Group") is a Leisure Airline, Package Holidays and Distribution & Logistics group specialising in:

- the operation of scheduled and charter flights by ***Jet2.com*** to leisure destinations throughout Europe;
- the provision of ATOL protected package holidays by its tour operator ***Jet2holidays***;
- the distribution, by ***Fowler Welch***, of fresh produce, temperature-controlled and ambient products to supermarkets and wholesale markets throughout the United Kingdom.

## Business review

The Company is required by the Companies Act to include a business review in this report. The information that fulfils the requirements of the business review can be found in the following sections of the Annual Report, which are incorporated into this report by cross-reference:

- Business and Financial Review: pages 6 to 15;
- Current Directors' details and Directors who served through the year: pages 16 to 18;
- Directors' remuneration: pages 22 to 25; and
- Details of financial instruments and exposure to relevant risks: note 22 to the Consolidated financial statements.

## Results and dividends

The results for the year are set out in the consolidated income statement and show a profit, after taxation, of £22.7m (2011: £17.3m).

An interim dividend of 0.43p per share was paid on 27 January 2012 (2011: 0.40p).

The Directors recommend the payment of a final dividend for the year ended 31 March 2012 of 0.89p per share (2011: 0.83p per share), given the satisfactory trading performance of the Group in the year.

## Directors

### Executive Directors

**Philip Meeson** is Chairman and Chief Executive of Dart Group PLC; Chief Executive of the Leisure Airline and Package Holidays businesses; and Executive Chairman of the Distribution & Logistics business.

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 has developed the Group into a leading logistics operator, and Northern UK based leisure airline and package holiday provider.

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 before moving to AIM in 2005.

**Andrew Merrick**, Group Finance Director, joined the Group in July 2007. He previously held a number of senior financial management positions at both Bradford & Bingley plc and Thomas Cook Group Limited. He is a non-executive director of Incommunities Group Limited. Andrew graduated from The City University in 1983 and is a Fellow of the Chartered Institute of Management Accountants. As Group Finance Director, Andrew is responsible for all finance matters, treasury activities, and for the maintenance and development of the Group's IT infrastructure.

### 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 valuable contribution to all financial aspects of the Group. His training and experience in exercising independent judgement in his former capacity as an audit partner for over thirty years in Levy Blair, a London-based firm of Chartered Accountants, ensures his continuing independence, despite his length of service with the Company. He retired as a partner in Levy Blair in April 2007 when the firm merged with another London-based firm, Rayner Essex Chartered Accountants LLP, after which he acted as a consultant to the combined firm until April 2010.

# Directors' Report

**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 (now part of DHL), 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. He is also a member of an advisory group to the British Army. His wide experience, knowledge and understanding of changing market needs brings a valuable insight and independent view to the Board of the Group.

**Mark Laurence** joined the Company on 28 May 2009 as a non-executive Director. Mark began his career as a transport sector investment analyst at Kitcat and Aitken in 1988 before moving to WI Carr and then Smith New Court (taken over by Merrill Lynch in 1995) where the team was ranked No.1 in the 1995 Extel Financial Survey of U.K. Investment Analysts. In 1995 he joined the highly ranked UK Equity Strategy Team. In 1997 he joined Collins Stewart as a special situations analyst before helping establish Collins Stewart Inc. in New York and the Group's move into UK private client broking, with the acquisition of NatWest Private Clients from RBS in 2001. Following the sale of Collins Stewart in 2001, Mark has pursued a career in fund management, most recently as a founding partner of Fundsmith. Mark is a Governor of Bryanston School in Dorset and a member of the Endowment Investment Committee of King's College University, London.

## Directors' interests

(a) The Directors who held office at 31 March 2012 had the following interests in the ordinary shares of the Company:

| | Ordinary shares 31 March 2012 | Ordinary shares 31 March 2011 |
|---|---|---|
| Philip Meeson | 56,240,000 | 56,240,000 |
| Andrew Merrick | 83,000 | 83,000 |
| Trevor Crowley | 48,188 | 48,188 |
| Brian Templar | 134,712 | 134,712 |
| Mark Laurence | 175,000 | 100,000 |

(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 25. There have been no changes to the Directors' interests above in the period since 31 March 2012.

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

## Material holdings

Apart from the interest of Philip Meeson in the capital of the Company, the Directors are aware that the following entities were interested, directly or indirectly, in 3% or more of the issued share capital of the Company as at 29 June 2012:

| | |
|---|---|
| Schroder Investment Management (Institutional Group) | 25.1% |
| J.O. Hambro Capital Management Limited | 7.0% |

## Issued share capital

The issued share capital was increased by 749,823 1.25 pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

| Date | Number of options | Scheme |
|---|---|---|
| 3 July 2002 | 14,832 | Approved |
| 18 November 2002 | 50,000 | Unapproved |
| 3 July 2003 | 8,000 | Approved |
| 5 December 2003 | 20,000 | Approved |
| 5 December 2003 | 180,000 | Unapproved |
| 18 December 2007 | 2,500 | Approved |
| 4 September 2008 | 420,003 | Approved |
| 4 September 2008 | 32,702 | Unapproved |
| 10 September 2009 | 21,786 | Approved |

Details of the increases in issued share capital are given in note 23 to the Consolidated financial statements.

## Special business at the Annual General Meeting

At the Annual General Meeting to be held on 6 September 2012, resolutions 8 to 9 will be special business. Ordinary Resolution 7 covers the Directors' authority to allot ordinary shares pursuant to section 551 of the Companies Act 2006 up to an aggregate nominal amount of £220,333.53, such authority to expire on 1 March 2014 or, if earlier, on the close of the next Annual General Meeting. Special Resolution 8 covers the Directors' authority to allot on a non pre-emptive basis, equity securities for cash up to a maximum aggregate nominal amount equal to 5% of the issued share capital of the Company at the date the Resolution is passed. Special Resolution 9 deals with authority for the Company to buy back its own shares up to a maximum of an aggregate nominal amount equal to 10% of the issued share capital of the Company at the date the Resolution is passed.

## 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 2012, the Group's creditor days were 15 (2011: 19).

## Political and charitable contributions

The Group made no political contributions during the period (2011: £nil).

The Group made contributions to various local and national charities amounting to £10,815 during the period (2011: £3,881).

## Corporate social responsibility

### The environment

Protection of the environment and the effects of burning fossil fuels continue to be a major focus for the Leisure Airline, Package Holidays and Distribution & Logistics businesses.

The Group takes its responsibility to the environment seriously, with fuel emissions being a significant issue in all three businesses. In addition to environmental concerns, it is in our own and our customers' interests to ensure we operate in the most efficient and environmentally friendly way, minimising noise and emissions on every flight, and minimising the carbon impact per unit of product delivered.

In 2011/12 the airline improved its fuel burn and carbon impact per unit of product delivered by 8%.

The airline strives to make optimum use of the significant fuel investment in every flight by maximising aircraft occupancy, and in 2011/12 has increased its average load factor by 2% to 87%.

In ***Jet2.com***, we have an ongoing programme in place targeted at improving fuel efficiency and reducing emissions. This is being achieved by a series of initiatives, including continuing investment in flight planning technology and an investment in fleet and in aircraft modifications. Benefits are also being seen from the investments we have made in winglets, which improve aircraft performance during the takeoff, climb, and cruise elements of flights. Additionally, we undertake regular specific aircraft maintenance to enhance operational performance. Particular attention is paid to aircraft loading to optimise fuel burn, as well as to our programme to eliminate unnecessary weight carried onboard. Fuel efficiency is carefully factored into our flight planning and in-flight operational procedures, including flight speeds. We also work very closely with, and have developed our links to, air traffic control organisations to improve the efficiency of airspace utilisation wherever possible.

During 2012 ***Jet2.com***, like all airlines operating within, or into and out of, EU airports, continued its reporting under the regulatory mandate of the European Emissions Trading Scheme (EU ETS). The airline supports the aims of this scheme, which include a reduction of greenhouse gas emissions by 20% in 2020, compared to 1990 levels.

Compliance with the requirements of this scheme has involved significant developments to internal systems in order to report the required emissions data, in preparation for the start of the scheme which became operational in January 2012.

In respect of the aircraft fleet, all Leisure Airline aircraft exceed the International Civil Aviation Organisation's requirements for minimising air pollution. Seven of the fleet are now fitted with winglets.

***Fowler Welch*** continues to focus on operational efficiency at every opportunity. A new Transport Management System was selected this year and will be implemented across the business in 2012, giving greater transparency across the network and enabling better synergies in vehicle movements to be achieved.

The business has a number of key areas of focus to reduce the environmental impact of its operations. Approximately 80% of the carbon footprint of the business comes from the diesel used in the vehicle fleet. Fuel efficiency of the vehicles and driver behaviour is therefore

# Directors' Report

a major focus. Telematics systems will be deployed across the entire fleet by the end of 2012. This investment in technology, coupled with further training of drivers, will give ***Fowler Welch*** the information and resources to focus on the driving styles needed to significantly reduce fuel consumption. The improvement is on track to give a 6% reduction in the Carbon Footprint of ***Fowler Welch*** between 2010 and 2014.

The focus on driving behaviour is part of an integrated approach that will utilise engineering to further improve fuel efficiency, and look at each element of its trucks and trailers. As part of this initiative, ***Fowler Welch*** is actively participating in a government trial of longer "semi trailers", increasing trailer capacity by 15%.

***Fowler Welch*** also continues to achieve the year-on-year reduction required to meet the Climate Change Levy targets for electricity consumption. The focus over the coming year will be on warehouse lighting, with investment in new state-of-the-art energy efficient units.

### Culture

We have expanded our non-operational environmental awareness programme across each of our sites. This includes initiatives such as, reducing our reliance on office air conditioning, recycling plastic cups, installing low energy lighting, initiating a "Think Before You Print" campaign, and the publishing of a quarterly e-newsletter for colleagues with an environmental focus.

### Employee involvement

The Group recognises the importance of promoting and maintaining good communications with its employees. Its policy is to keep employees regularly informed on matters relating to their employment through a range of information bulletins and newsletters covering a range of topics. These are supplemented by twice-yearly presentations at each location by the senior management team.

***Jet2.com*** and ***Jet2holidays*** have an in-house recognition and reward scheme named a Great Deal Friendlier. The scheme recognises teams and individuals who have provided excellent service and gone the extra mile for both internal and external customers. This has been rolled out across the business and underpins our customer focus principles.

***Jet2.com*** holds regular meetings with the independent consultative bodies representing our flight deck and cabin crews, with representatives being elected to these bodies from across our bases. ***Fowler Welch*** has a well-established framework of colleague representative forums. These forums are a vehicle for two-way communication, the resolution of workplace issues and the progression of suggestions for improvements to working practices. This is supplemented by regular communication with colleagues with regular business briefings and management conferences.

## Health, safety and quality

Maintaining the highest standards of safety in all its operations is central to the Group's continuing success.

As part of the on-going investment in the areas of health and safety, the environment and quality, ***Fowler Welch*** has restructured a number of roles to create a number of Safety, Health, Environment, and Quality ("SHEQ") and Driver Training Managers.

The SHEQ Managers will continue ***Fowler Welch***'s drive to improve in these areas. Each manager will focus on specific sites, with the objective of establishing behavioural change across the work force in order to improve the safety and health for all involved.

The accreditation to the British Retail Consortium standards will continue to be the key measure of quality control within the distribution chain. During the last twelve months several sites have successfully renewed their accreditation. Heywood became accredited in May 2012 and is one of few ambient distribution centres to gain such accreditation.

## Equality and diversity

The Group is committed to promoting diversity and ensuring equality of opportunity for all within the workplace, regardless of race, sex, age, sexual orientation, marital or civil partnership status, pregnancy, religion, belief or disability. The Group is also committed to ensuring that its procedures and selection processes in respect of terms and conditions of employment, access to training and promotion and the terms upon which it offers access to facilities and services are free from discrimination.

## Our communities

Across the Group, we endeavour to support our local communities in a variety of ways. In addition to providing prizes for local fund-raising activities, we act as sponsors of local sports teams, and support our staff in community work.

## Going concern

For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the Directors have considered the current cash position, the availability of bank facilities, the Group's net current liability position, which is driven principally by continued deferred revenue growth, and forecasts of future trading. The Directors have assessed the current level of forward bookings for the Leisure Airline and Package Holidays businesses, the underlying assumptions and principal areas of uncertainty within future forecasts, in particular those related to market and customer risks which impact on future bookings, cost management, working capital management and treasury risks. A number of these are subject to market uncertainty and impact financial covenants. Recognising the potential uncertainty, the Directors have considered a range of actions available to mitigate the impact of these potential risks, should they crystallise, and have also reviewed the key strategies which underpin the forecast and the Group's ability to implement them successfully.

On the basis of the current liquidity position, the current Leisure Airline and Package Holidays forward booking profile, the forecasts and these considerations, the Directors have assessed future covenant compliance and headroom for the foreseeable future and concluded that it is appropriate for the financial statements for the year ended 31 March 2012 to be prepared on a going concern basis.

## Disclosure of information to auditor

Each of the persons who are Directors at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## Auditor

In accordance with s489 of the Companies Act 2006, a resolution for the reappointment of KPMG Plc as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Andrew Merrick

Director

23 July 2012

# Report on Directors' Remuneration

## Remuneration Committee and Advisers

The Group's Remuneration Committee (the "Committee") is chaired by Brian Templar; 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.

When required, KPMG Audit Plc (the Company's Auditor and tax service provider) and Addleshaw Goddard provide advice on both the Approved and Unapproved Share Option Schemes. Philip Meeson, Group 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 2011/12 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 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, pension contributions and private healthcare.

## Share options

Share options under the Unapproved Scheme are awarded periodically (subject to available headroom) by the Committee to Directors and senior managers. These profit targets are deemed the most appropriate to reflect the performance of senior management.

Other than for share options granted under the Unapproved Scheme, listed below, there are no performance targets linked to the exercise of options once awarded.

For options granted on 4 September 2008, earnings must increase by at least an average of 5% over RPI per annum over performance periods of three and six financial years (in respect of 50% of the unapproved options in each case), starting from (for both performance periods) the adjusted base financial year 2007/8 net profit figure of £3.9m.

For options granted on 10 September 2009, earnings must increase by at least an average of 5% over RPI per annum over performance periods of three and six financial years (in respect of 50% of the unapproved options in each case), starting from (for both performance periods) the adjusted base financial year 2008/9 net profit figure of £28.8m.

For options granted on 5 August 2010, earnings must increase by at least an average of 5% over RPI per annum over performance periods of three and six financial years (in respect of 50% of the unapproved options in each case), starting from (for both performance periods) the adjusted base financial year 2009/10 net profit figure of £19.1m.

For options granted on 4 August 2011, earnings must increase by at least an average of 5% over RPI per annum over performance periods of three and six financial years (in respect of 50% of the unapproved options in each case), starting from (for both performance periods) the adjusted base financial year 2010/11 net profit figure of £25.9m.

Where the performance condition is not satisfied at the end of its respective three or six year performance period, the relevant 50% share options granted shall then immediately lapse.

## HMRC approved schemes

Under the Dart Group PLC Approved Share Option Plan 2005, Dart Group Company Share Option Scheme and the Dart Group Executive Share Option Scheme, the maximum value (by option exercise price) of options held by any individual, including Directors, at any one time is £30,000, the current statutory limit.

All share options granted are exercisable at the higher of (a) the nominal value of the shares and (b) the market value of the shares at the date of grant.

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

### Dart Group PLC Unapproved Share Option Plan 2005

This Unapproved Scheme was adopted by the Board on 8 November 2005. 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

   1.1 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 10% of the Company's issued share capital on that day.

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

2. Grant of options

   2.1 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.

   2.2 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 company as applicable.

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

   2.4 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.

3. 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 nominal value of an ordinary share on which the option is granted.

4. Exercise of options

   4.1 Unless the Board decides otherwise, options will be exercisable as follows:

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

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

   4.2 If an option holder ceases to be an employee of either Dart Group PLC or one of its subsidiary companies their options will normally lapse immediately. However, at the discretion of the Directors, the option may be exercised within six months of such cessation.

   4.3 If the option holder dies, their personal representatives will have up to 12 months from date of death in which to exercise the options.

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

5. Voting, dividend, transfer and other rights

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

   5.2 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 assessed each year by the remuneration committee, taking into account both individual and Company performance. The maximum bonus payable under the short term performance related scheme is 50% of base salary. Andrew Merrick is also entitled to participate in a long term incentive plan. Under this scheme, subject to certain performance conditions being met, he could be entitled to an award of up to 50% of his base salary in either shares or cash, payable in 2013.

### Pensions

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

# Report on Directors' Remuneration

## 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.

## Pension entitlement

In respect of 2012, the employer contributed to one of the Group's money purchase schemes an amount of £25,253 (2011: £25,253) in respect of Philip Meeson, and £33,236 (2011: £31,314) in respect of Andrew Merrick.

## Service contracts

Both Philip Meeson and Andrew Merrick have service contracts that contain a rolling notice period of six months for either party.

Trevor Crowley, Brian Templar, and Mark Laurence do not 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:

| Executive Directors: | Date of contract | Notice period (months) |
|---|---|---|
| Philip Meeson | 20 May 2003 | 6 |
| Andrew Merrick | 6 June 2008 | 6 |

The non-executive Directors do not have formal fixed term contracts or notice periods but must retire by rotation and be reappointed at each Annual General Meeting.

Andrew Merrick and Trevor Crowley retire from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election.

## Directors' emoluments

| | Basic salary and fees £ | Benefits[1] £ | Performance related bonuses £ | **Total 2012 £** | Total 2011 £ |
|---|---|---|---|---|---|
| Executive Diretors: | | | | | |
| Philip Meeson | 397,800 | 20,276 | – | **418,076** | 418,076 |
| Andrew Merrick | 240,000 | 6,656 | – | **246,656** | 231,056 |
| Trevor Crowley | 25,000 | – | – | **25,000** | 25,000 |
| Mark Laurence | 25,000 | – | – | **25,000** | 25,000 |
| Brian Templar | 25,000 | – | – | **25,000** | 25,000 |
| **Aggregate emoluments** | **712,800** | **26,932** | **–** | **739,732** | **724,132** |

[1] The renumeration package of each executive Director includes non-cash benefits comprising the provision of a Company car or car allowance and private health care insurance.

### Interests in options

The Company has four 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 2011 No. | Granted during the year No. | Lapsed in the year No. | **At 31 March 2012 No.** |
|---|---|---|---|---|---|---|
| Andrew Merrick | Approved | 101.75 | 29,484 | – | – | **29,484**[a] |
| Andrew Merrick | Unapproved | 24.75 | 200,000 | – | – | **200,000**[b] |
| Andrew Merrick | Unapproved | 52.50 | 180,952 | – | – | **180,952**[c] |
| Andrew Merrick | Unapproved | 67.00 | 82,090 | – | – | **82,090**[d] |

a All of these options expire on 3 August 2017.

b Up to 50% exercisable from 4 September 2011 and in respect of all remaining shares from 4 September 2014, subject to performance conditions as described on pages 22 and 23. All of these options expire on 4 September 2018.

c Up to 50% exercisable from 10 September 2012 and in respect of all remaining shares from 10 September 2015, subject to performance conditions as described on pages 22 and 23. All of these options expire on 10 September 2019.

d Up to 50% exercisable from 5 August 2013 and in respect of all remaining shares from 5 August 2016, subject to performance conditions as described on pages 22 and 23. All of the options expire on 5 August 2020.

The share based payment charge to the Group profit and loss account in respect of the above share options amounted to £7,532 (2011: £6,604).

The aggregate emoluments disclosed above do not include any amounts for the fair value of options to acquire ordinary shares in the Company granted to, or held by, the Directors. No such options were exercised in the year.

The mid-market price of the Company's shares on 31 March 2012 was 64.62 pence per 1.25 pence ordinary share. The highest and lowest closing mid-market prices during the year were 93.11 pence and 58.98 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

Brian Templar

Director, Chairman of the remuneration committee

23 July 2012

# Corporate Governance Statement

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code ("the Code"), which came in to effect on 29 June 2010 and for which the Board is accountable to shareholders.

### Statement of compliance with the Code

Throughout the year ended 31 March 2012, the Company has been in compliance with the Code provisions set out in section 1.

### Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the main Principles have been applied is set out below and in the Directors' Remuneration Report and Audit Committee Report.

### The Board

The Board currently comprises Philip Meeson, who owns 39.3% of the issued share capital of Dart Group PLC and performs the role of Chairman and Chief Executive, Andrew Merrick, the Group Finance Director, and three independent non-executive Directors: Trevor Crowley, Brian Templar and Mark Laurence. The biographies of the Directors appear on pages 17 and 18 of this Annual Report. These Directors 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 Annual Report and financial statements is set out on page 28 and a statement on going concern is given within the notes to the Consolidated financial statements on pages 35 and 36.

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 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 at least five times a year, 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 the 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.

### Board committees

The number of full Board meetings and committee meetings scheduled, held and attended by each Director during the year was as follows:

| | Board meetings | Remuneration committee meetings | Audit committee meetings |
|---|---|---|---|
| Philip Meeson, Chairman and Chief Executive | 3 | 2* | – |
| Andrew Merrick, Group Finance Director | 5 | – | 2* |
| Trevor Crowley, Senior Independent Non-Executive Director | 5 | 2 | 2 |
| Brian Templar, Non-Executive Director | 5 | 2 | 2 |
| Mark Laurence, Non-Executive Director | 5 | – | 2 |

* By invitation.

### Remuneration committee

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

### Audit committee

The Audit Committee is chaired by Trevor Crowley and with both Brian Templar and Mark Laurence also being members. It meets not less than twice per year and provides a forum for reporting by the Group's external Auditor. 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 results and Annual Report, 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 2012, the Audit Committee discharged its responsibilities by:

- reviewing the Group's 2011/12 Annual Report and 2011/12 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 the appropriateness of the Group's control framework;
- reviewing and approving the 2012 audit fee and reviewing non-audit fees payable to the Group's external Auditor in 2012; and
- reviewing the external Auditor's plan for the audit of the Group's 2012 accounts, including key risks on the accounts, confirmations of Auditor independence, and approving the terms of engagement for the audit.

Since 2005, the Audit Committee has met at least twice a year.

### 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.

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, reporting and accounting framework.

The Company has an independent internal audit department, which performs a full and regular monitoring role of the Company's procedures, driving improvements into the robustness of controls and highlighting significant departures from procedures back to the business. Other areas of risk assessment and monitoring 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 Business and Financial Review on pages 6 to 15 includes a detailed review of the Group's business and future developments. There is regular dialogue with institutional shareholders, including presentations after the announcement of the Group's interim and preliminary 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 6 September 2012 can be found in the notice of the meeting.

# Statement of Directors' Responsibilities

in respect of the Annual Report and the financial statements

## Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement

We confirm to the best of our knowledge:

1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. The management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Philip Meeson

Group Chief Executive

23 July 2012

Andrew Merrick

Group Finance Director

23 July 2012

# Independent Auditor's Report

to the members of Dart Group PLC

We have audited the financial statements of Dart Group PLC for the year ended 31 March 2012 set out on pages 30 to 64. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

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

## Matters on which we are required to report by exception

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

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

Mick Davies (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

Leeds

23 July 2012

# Consolidated Group Income Statement

for the year ended 31 March 2012

| Continuing operations | Note | Results for the year ended 31 March 2012 £m | Results for the year ended 31 March 2011 £m |
|---|---|---|---|
| **Turnover** | 5 | **683.0** | 542.9 |
| Net operating expenses | 6 | **(654.5)** | (516.0) |
| **Operating profit** | 5, 7 | **28.5** | 26.9 |
| Finance income | 8 | **1.4** | 1.3 |
| Finance costs | 8 | **(1.8)** | (2.0) |
| **Net financing costs** | | **(0.4)** | (0.7) |
| Profit on disposal of fixed assets | | **–** | – |
| **Profit before taxation** | | **28.1** | 26.2 |
| Taxation | 10 | **(5.4)** | (8.9) |
| **Profit for the year** (all attributable to equity shareholders of the parent) | | **22.7** | 17.3 |
| **Earnings per share** | | | |
| – basic | 12 | **16.01p** | 12.20p |
| – diluted | 12 | **15.48p** | 11.68p |

# Consolidated Group Statement of Comprehensive Income

for the year ended 31 March 2012

| | **Year ended 31 March 2012 £m** | Year ended 31 March 2011 £m |
|---|---|---|
| **Profit for the year** | **22.7** | 17.3 |
| Effective portion of fair value movements in cash flow hedges | **(14.3)** | 23.0 |
| Net change in fair value of effective cash flow hedges transferred to profit | **–** | (1.8) |
| Taxation on components of other comprehensive income | **3.8** | (5.2) |
| Other comprehensive income and expense for the period, net of taxation | **(10.5)** | 16.0 |
| **Total comprehensive income for the period all attributable to owners of the parent** | **12.2** | 33.3 |

# Consolidated Balance Sheet

at 31 March 2012

| | Note | 2012 £m | 2011 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 13 | 6.8 | 6.8 |
| Property, plant and equipment | 14 | 234.9 | 222.2 |
| Derivative financial instruments | 22 | 3.6 | 19.7 |
| | | 245.3 | 248.7 |
| **Current assets** | | | |
| Inventories | 15 | 1.4 | 0.8 |
| Trade and other receivables (due over 1 yr £6.6m (2011: £6.4m)) | 17 | 117.4 | 74.1 |
| Derivative financial instruments | 22 | 25.8 | 39.7 |
| Money market deposits | 16 | 77.0 | 8.5 |
| Cash and cash equivalents | 16 | 75.0 | 98.3 |
| | | 296.6 | 221.4 |
| **Total assets** | | 541.9 | 470.1 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 318.0 | 239.9 |
| Borrowings | 20 | 0.8 | 0.7 |
| Provisions | 21 | 1.7 | 3.9 |
| Derivative financial instruments | 22 | 7.8 | 24.7 |
| | | 328.3 | 269.2 |
| **Non-current liabilities** | | | |
| Other non-current liabilities | 19 | 11.9 | 9.9 |
| Borrowings | 20 | 8.5 | 8.7 |
| Derivative financial instruments | 22 | 1.4 | – |
| Deferred tax liabilities | 10 | 32.9 | 34.4 |
| | | 54.7 | 53.0 |
| **Total liabilities** | | 383.0 | 322.2 |
| **Net assets** | | 158.9 | 147.9 |
| **Shareholders' equity** | | | |
| Share capital | 23 | 1.8 | 1.8 |
| Share premium | | 9.8 | 9.6 |
| Cash flow hedging reserve | | 15.1 | 25.6 |
| Retained earnings | | 132.2 | 110.9 |
| **Total shareholders' equity** | | 158.9 | 147.9 |

The accounts on pages 30 to 64 were approved by the Board of Directors at a meeting held on 23 July 2012 and were signed on its behalf by:

**Andrew Merrick**

Director

Dart Group PLC

Registered no. 01295221

# Consolidated Group Cash Flow Statement

for the year ended 31 March 2012

| | Note | 2012 £m | 2011 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit on ordinary activities before taxation | | 28.1 | 26.2 |
| Adjustments for: | | | |
| Finance income | 8 | (1.4) | (1.3) |
| Finance costs | 8 | 1.8 | 2.0 |
| Profit on disposal of property, plant and equipment | | – | – |
| Depreciation | 14 | 34.4 | 37.1 |
| Impairment of goodwill | 13 | – | 0.2 |
| Equity settled share based payments | 23 | 0.4 | 0.4 |
| Net financial derivative close out costs | | – | (1.8) |
| Operating cash flows before movements in working capital | | 63.3 | 62.8 |
| Increase in inventories | | (0.6) | (0.5) |
| Increase in trade and other receivables | | (43.3) | (7.3) |
| Increase in trade and other payables | | 2.7 | 6.7 |
| Increase in deferred revenue | | 79.7 | 55.7 |
| (Decrease)/increase in provisions | | (2.2) | 1.2 |
| Cash generated from operations | | 99.6 | 118.6 |
| Interest received | | 0.5 | 0.1 |
| Interest paid | | (1.8) | (1.6) |
| Income taxes paid | | (3.8) | (3.3) |
| **Net cash from operating activities** | | 94.5 | 113.8 |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | 14 | (47.3) | (68.0) |
| Proceeds from sale of property, plant and equipment | | 0.3 | 0.1 |
| Net increase in money market deposits | 16 | (68.5) | (8.5) |
| **Net cash used in investing activities** | | (115.5) | (76.4) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (1.9) | (0.6) |
| New loans advanced | | 0.6 | 9.4 |
| Proceeds on issue of shares | | 0.2 | 0.3 |
| Equity dividends paid | 11 | (1.8) | (1.6) |
| **Net cash (used in)/from financing activities** | | (2.9) | 7.5 |
| Effect of foreign exchange rate changes | | 0.6 | 1.2 |
| **Net (decrease)/increase in cash in the year** | 26 | (23.3) | 46.1 |
| Cash and cash equivalents at beginning of year | 26 | 98.3 | 52.2 |
| **Cash and cash equivalents at end of year** | 26 | 75.0 | 98.3 |

# Consolidated Group Statement of Changes in Equity

for the year ended 31 March 2012

| | Share capital £m | Share premium £m | Cash flow hedging reserve £m | Retained earnings £m | Total reserves £m |
|---|---|---|---|---|---|
| **Balance at 1 April 2010** | **1.8** | **9.3** | **9.6** | **94.8** | **115.5** |
| Total comprehensive income for the year | – | – | 16.0 | 17.3 | 33.3 |
| Issue of share capital | – | 0.3 | – | – | 0.3 |
| Dividends paid in the year | – | – | – | (1.6) | (1.6) |
| Share based payments | – | – | – | 0.4 | 0.4 |
| **Balance at 31 March 2011** | **1.8** | **9.6** | **25.6** | **110.9** | **147.9** |
| Total comprehensive income for the year | – | – | (10.5) | 22.7 | 12.2 |
| Issue of share capital | – | 0.2 | – | – | 0.2 |
| Dividends paid in the year | – | – | – | (1.8) | (1.8) |
| Share based payments | – | – | – | 0.4 | 0.4 |
| **Balance at 31 March 2012** | **1.8** | **9.8** | **15.1** | **132.2** | **158.9** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

### 1. Authorisation of financial statements and statement of compliance

The Group's financial statements for the year ended 31 March 2012 were authorised by the Board of Directors on 23 July 2012 and the balance sheet was signed on the Board's behalf by Andrew Merrick, Group Finance Director. Dart Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements consolidate the financial statements of Dart Group PLC and its subsidiaries. The results of undertakings bought or sold are consolidated for the period from the date of acquisition or for the period up to the date of disposal. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

### 2. Accounting policies

The Group's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("Adopted IFRSs").

The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 65 to 72.

The Group's and the Parent Company's financial statements are presented in pounds sterling and all values are rounded to the nearest £100,000, except where indicated otherwise.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

#### Basis of preparation

The financial statements have been prepared under the historical cost convention except for all derivative financial instruments that have been measured at fair value.

The Group uses forward foreign currency contracts, currency option products and aviation fuel swaps to hedge exposure to foreign exchange rates and aviation fuel price volatility. The Group also uses forward EU Allowance contracts and forward Certified Emissions Reduction contracts to hedge exposure to Carbon Emissions Allowance price volatility, following the need for the Group to join the EU Emissions Trading Scheme from 1 January 2012. Such derivative financial instruments are stated at fair value.

#### Going concern

The Directors have prepared financial forecasts for the Group, comprising operating profit, balance sheet and cash flows through to 31 March 2015.

For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the Directors have considered the current cash position, the availability of bank facilities, the Group's net current liability position, which is driven principally by continued deferred revenue growth, and forecasts of future trading. The Directors have assessed the current level of forward bookings for the Leisure Airline and Package Holidays businesses, the underlying assumptions and principal areas of uncertainty within future forecasts, in particular those related to market and customer risks which impact on future bookings, cost management, working capital management and treasury risks.

A number of these are subject to market uncertainty and impact financial covenants. Recognising the potential uncertainty, the Directors have considered a range of actions available to mitigate the impact of these potential risks, should they crystallise, and have also reviewed the key strategies which underpin the forecast and the Group's ability to implement them successfully.

On the basis of the current liquidity position, the current Leisure Airline and Package Holidays forward booking profile, the forecasts and these considerations, the Directors have assessed future covenant compliance and headroom for the foreseeable future and concluded that it is appropriate for the financial statements for the year ended 31 March 2012 to be prepared on a going concern basis.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

**2. Accounting policies** – continued

**Basis of consolidation**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

**Revenue**

Turnover (which excludes Value Added Tax and Air Passenger Duty) arises from passenger aircraft operations, holidays, retail activities, charter and cargo aircraft operations and warehousing and distribution activities conducted by the Group. Revenue from ticket sales for scheduled passenger flights and total revenue from package holidays is recognised at the date of departure. Charter aircraft income is recognised in the period in which the service is provided. Retail revenues from cabin service sales, excess baggage charges, seat assignment fees, check-in fees and extra leg room charges are also recognised once the associated flight has departed, or holiday started. Separately identified incremental credit card charges and call centre booking fees are recognised at the date of booking and booking change fees are recognised when the change is made, in line with the costs which such charges are designed to cover.

Commission earned from hire car and hotel bookings is recognised on departure and from travel insurance on booking, reflecting the point when services are performed. Amounts received from customers for whom revenue has not yet been recognised are recorded in the balance sheet within trade and other payables as deferred revenue.

Distribution revenue relating to deliveries is recognised when the delivery has been completed. Warehousing revenue is spread evenly over the period to which it relates.

The Group operates a loyalty programme. The programme operates through the Leisure Airline's "**myJet2**" loyalty scheme and allows members of the scheme to accumulate points that entitle them to substantially free travel. Revenue is recorded at the amount of consideration received or receivable, less the fair value of the points awarded. The full fair value of the points is deducted from the consideration, and carried forward as a liability.

**Foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations, and of related qualifying hedges are taken directly to the translation reserve. They are released into the income statement upon disposal.

The Group has taken advantage of relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1 April 2006).

**2. Accounting policies** – continued

**Investments**

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

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Interest attributable to the purchase of aircraft and other assets and progress payments 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 the cost of property, plant and equipment down to their estimated residual value using the straight-line method over their estimated useful economic lives or the estimated useful economic lives of their individual major components as follows:

| | |
|---|---|
| Short leasehold property | Over the life of the lease |
| Freehold property | 30 years |
| Aircraft and engines | 2-25 years |
| Plant, vehicles and equipment | 3-7 years |
| Freehold land | Not depreciated |

An element of the cost of acquired aircraft is attributed on acquisition to its major components and to the prepaid maintenance of its engines and airframes and is amortised over the period until the next maintenance event. 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 over the length of period benefiting from the enhancements. The underlying value of the aircraft is depreciated to the expected residual value of the aircraft as at 30 years post original build date. Where aircraft are subject to specific life extension expenditure, the cost of such work is depreciated over the remaining expected period of ownership and the underlying value of the aircraft is depreciated to this same date. All other maintenance costs are expensed to the income statement as incurred.

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

**Impairment of assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

At each balance sheet date, an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 2. Accounting policies – continued

### Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is allocated to cash-generating units and is not amortised but is subject to an impairment test both annually and when indications of impairment arise. Goodwill is stated at cost less any accumulated impairment losses.

Prior to 1 April 2006, goodwill was amortised over its estimated useful life; such amortisation ceased on 31 March 2006. Goodwill previously written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not taken into account in calculating any profit or loss on disposal of a business. Goodwill is allocated to a cash-generating unit for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, or groups of assets. Impairment of goodwill is not reversed.

### Inventories

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

Aircraft spares, held for long term use, are classified within tangible fixed assets within the financial statements.

### Aircraft maintenance provisions

The Group operates a power by the hour contract for the maintenance of the vast majority of its B737-300 engines. This contract fixes the maintenance costs for the overhaul of these engines and payments are made to the maintenance provider to reflect usage.

Amounts payable under this contract are held in the balance sheet until an individual engine overhaul is undertaken. At such an event, the notional cost of overhaul is capitalised and then depreciated in line with usage, over the remaining life of the aircraft.

#### 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 income statement, 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

The accounting for maintenance expenditure on owned aircraft, other than that performed under power by the hour contracts, is as set out under *Property, plant and equipment* above.

### Cash and cash equivalents

Cash equivalents are defined as including short term deposits with original maturity within three months of the balance sheet date and restricted cash paid over to various counterparties as collateral against relevant exposures. For the purposes of the consolidated cash flow statement, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

### Money market deposits

Money market deposits comprise deposits with maturity more than three months after the reporting date.

## 2. Accounting policies – continued

### Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium accounts exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of the finance expenses. Finance payments associated with financial instruments that are classified as equity are dividends and recorded directly in equity.

### Financial instruments

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost, using the effective interest method, less any impairment loss.

#### Trade and other payables

Trade and other payables are recognised at fair value.

#### Interest bearing loans and borrowing

All loans and borrowings are initially recorded at the fair value of their net proceeds. Thereafter, they are measured at amortised cost using the effective interest method.

#### Derivative financial instruments and hedging

The Group uses forward foreign currency contracts, currency option products and aviation fuel swaps and options to hedge exposure to foreign exchange rates and aviation fuel price volatility. The Group also uses forward EU Allowance contracts and forward Certified Emissions Reduction contracts to hedge exposure to Carbon Emissions Allowance price volatility. Such derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement unless hedge accounting is applied.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument from the inception of the hedging relationship is recognised directly in a hedging reserve within equity. Any ineffective portion is recognised within the income statement.

When the hedged, highly probable, forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of that asset or liability.

For all other cash flow hedges, the recycling of the cash flow hedge is taken to the income statement in the same period in which the hedged commitment affects profit or loss.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 2. Accounting policies – continued

### Leases

Rental charges on operating leases are charged to the income statement on a straight-line basis over the life of the lease.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement or the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination: and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### Employee benefits

**Defined contribution plans**

All Group pensions are provided from the proceeds of money purchase schemes. The charge to the income statement represents the payments due during the year.

**Share based payments**

The Company issues equity settled share based payments to certain employees. The fair value of employee share option plans is measured at the date of grant of the option using the binomial valuation model. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income over the period in which the options vest. At each balance sheet date before vesting the cumulative expense is calculated, based on the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions, and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in profit and loss.

The Group has applied the exemption available under IFRS 1 to apply IFRS 2 only to those options granted after 7 November 2002 which were unvested as of 1 April 2006.

### 3. Accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the Directors in the application of the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

**Goodwill**

Goodwill was tested for impairment on transition to IFRS and has been tested annually thereafter. Goodwill is attributable to one cash-generating unit: ***Fowler Welch***, whose principal activity is temperature-controlled distribution. Impairment reviews take account of the recoverable amount of cash-generating units, which is based on a value in use calculation utilising the unit's annual budget for the forthcoming year and forecasts for the following four years. Thereafter a growth rate of 2.0% (2011: 2.0%) has been assumed. Projected cash flows have been discounted utilising a discount rate of 10% (2011: 10%). The key assumptions used in the impairment review relate to sales growth, the retention of existing business, and operating margins. Goodwill attributable to the ***Fowler Welch (Containers)*** cash-generating unit has been impaired in full.

The key sensitivity in this calculation is the discount rate used, although the Directors consider that it is unlikely that any currently foreseeable change in the discount rate would give rise to further impairment. The discount rate assumed uses external sources of information.

The carrying amount of goodwill with an indefinite life at the balance sheet date was £6.8m (2011: £6.8m).

**Impairment of assets excluding goodwill**

Aircraft carrying values were tested for impairment on transition to IFRS. Thereafter, where there is a risk that carrying values are impaired, a full impairment review is undertaken. The smallest cash-generating unit to which this can be applied is aircraft fleet type. The carrying amounts of aircraft were £188.2m (2011: £180.2m). No impairment losses were recorded during the year.

**Residual value of tangible fixed assets**

Judgements have been made in respect of the residual values of aircraft included in Property, plant and equipment. Those judgements determine the amount of depreciation charged in the income statement.

**Customer loyalty programme**

Judgements have been made in respect of the level of expiry for all unredeemed points. This level of point utilisation is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 4. New IFRS and amendments to IAS and interpretations

The IASB has issued the following standards and interpretations, with an effective date after the date of these financial statements. Their adoption, where applicable, is not expected to have a material affect on the financial statements of the Group.

| International Financial Reporting Standards | Applies to periods beginning after |
|---|---|
| IAS 1 *Presentation of Items in Other Comprehensive Income (amended)* | July 2012 |
| IFRS 10 *Consolidated Financial Statements* | January 2013 |
| IFRS 12 *Disclosure of Interests in Other Entities* | January 2013 |
| IFRS 13 *Fair value measurement* | January 2013 |
| IAS 19 *Post-employment benefits* | January 2013 |
| IFRS 9 *Financial Instruments* | January 2015 |

## 5. Segmental reporting

### Business segments

The Chief Operating Decision Maker ("CODM") is responsible for the overall resource allocation and performance assessment of the Group. The Board approves major capital expenditure, assesses the performance of the Group and also determines key financing decisions. As such, the Group considers that the Board is the CODM.

The Group's operating segments have been identified based on the internal reporting information provided to the CODM in order for the CODM to formulate allocation of resources to segments and assess their performance. From such information, the Leisure Airline, Package Holidays and Distribution & Logistics businesses have been determined to represent operating segments.

The Leisure Airline and Package Holidays businesses are run on the basis of the evaluation of route revenue, yield and margin data. However, resource allocation decisions are made based on the entire route network and, in the case of Leisure Airline, the deployment of the entire aircraft fleet. The objective in making resource allocation decisions is to maximise the segment results rather than individual routes within the network.

The Distribution & Logistics business is run on the basis of the evaluation of distribution centre-level performance data. However, resource allocation decisions are made based on the entire distribution network. The objective in making resource allocation decisions is to maximise the segment results rather than individual distribution centres within the network.

## 5. Segmental reporting – continued

Following the identification of the operating segments, the Group has assessed the similarity of the characteristics of the operating segments. Given the different performance targets, customer bases and operating markets of each of the operating segments it is not appropriate to aggregate the operating segments for reporting purposes and therefore all three of the identified operating segments are disclosed as reportable segments:

- Leisure Airline, comprising the Group's scheduled and charter airline, ***Jet2.com***;
- Package Holidays, comprising the Group's ATOL protected tour operator, ***Jet2holidays***; and
- Distribution & Logistics, comprising the Group's logistics company, ***Fowler Welch***.

The Board assesses the performance of each segment based on profit, before and after tax, and EBITDA. Revenue from reportable segments is measured on a basis consistent with the income statement. Revenue is principally generated from within the UK, the Group's country of domicile.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. No customer represents more than 10% of the Group's revenue.

The split of comparative segmental results, net assets and other segment information has been updated to reflect the inclusion of Package Holidays as both a separate operating, and reportable, segment.

| | Distribution & Logistics £m | Leisure Airline £m | Package Holidays £m | Group Eliminations £m | **Total £m** |
|---|---|---|---|---|---|
| **Year ended 31 March 2012** | | | | | |
| Turnover | 152.4 | 461.3 | 114.5 | – | **728.2** |
| Inter-segment turnover | – | – | – | (45.2) | **(45.2)** |
| **Turnover** | 152.4 | 461.3 | 114.5 | (45.2) | **683.0** |
| EBITDA | 6.4 | 53.7 | 2.8 | – | **62.9** |
| **Operating profit** | 4.3 | 21.7 | 2.5 | – | **28.5** |
| Finance income | – | 1.4 | – | – | **1.4** |
| Finance costs | (0.4) | (1.4) | – | – | **(1.8)** |
| **Profit before taxation** | 3.9 | 21.7 | 2.5 | – | **28.1** |
| Taxation | (1.1) | (3.6) | (0.7) | – | **(5.4)** |
| **Profit after taxation** | 2.8 | 18.1 | 1.8 | – | **22.7** |
| **Assets and liabilities** | | | | | |
| Segment assets | 71.5 | 443.2 | 227.3 | (200.1) | **541.9** |
| Segment liabilities | (39.2) | (321.6) | (222.3) | 200.1 | **(383.0)** |
| **Net assets** | 32.3 | 121.6 | 5.0 | – | **158.9** |
| **Other segment information** | | | | | |
| Property, plant and equipment additions | 6.2 | 40.8 | 0.3 | – | **47.3** |
| Depreciation, amortisation and impairment | (2.1) | (32.0) | (0.3) | – | **(34.4)** |
| Share based payments | (0.1) | (0.3) | – | – | **(0.4)** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 5. Segmental reporting – continued

| | Distribution & Logistics £m | Leisure Airline £m | Package Holidays £m | Group Eliminations £m | Total £m |
|---|---|---|---|---|---|
| **Year ended 31 March 2011** | | | | | |
| Revenues | 144.2 | 369.5 | 47.7 | – | 561.4 |
| Inter-segment revenues | – | – | – | (18.5) | (18.5) |
| **Revenue** | 144.2 | 369.5 | 47.7 | (18.5) | 542.9 |
| EBITDA | 4.6 | 59.8 | (0.2) | – | 64.2 |
| **Operating profit** | 2.8 | 24.6 | (0.5) | – | 26.9 |
| Finance income | – | 1.3 | – | – | 1.3 |
| Finance costs | (0.2) | (1.8) | – | – | (2.0) |
| **Profit/(loss) before taxation** | 2.6 | 24.1 | (0.5) | – | 26.2 |
| Taxation | (4.1) | (4.9) | 0.1 | – | (8.9) |
| **(Loss)/profit after taxation** | (1.5) | 19.2 | (0.4) | – | 17.3 |
| **Assets and liabilities** | | | | | |
| Segment assets | 66.5 | 512.5 | 48.6 | (157.5) | 470.1 |
| Segment liabilities | (37.0) | (397.2) | (45.5) | 157.5 | (322.2) |
| **Net assets** | 29.5 | 115.3 | 3.1 | – | 147.9 |
| **Other segment information** | | | | | |
| Property, plant and equipment additions | 17.8 | 50.1 | 0.1 | – | 68.0 |
| Depreciation, amortisation and impairment | (1.8) | (35.2) | (0.3) | – | (37.3) |
| Share based payments | (0.1) | (0.3) | – | – | (0.4) |

## 6. Net operating expenses

| | 2012 £m | 2011 £m |
|---|---|---|
| Direct operating costs | | |
| Fuel | 175.5 | 122.8 |
| Landing, navigation & third party handling | 92.9 | 86.0 |
| Aircraft and vehicle rentals | 22.1 | 16.8 |
| Maintenance costs | 30.3 | 19.1 |
| Subcontractor charges | 39.5 | 28.9 |
| Accommodation costs | 52.6 | 20.7 |
| In-flight cost of sales | 11.0 | 9.3 |
| Other direct operating costs | 26.3 | 27.3 |
| Staff costs | 123.4 | 104.2 |
| Depreciation of property, plant and equipment | 34.4 | 37.1 |
| Impairment of goodwill | – | 0.2 |
| Other operating charges | 46.8 | 44.5 |
| Other operating income | (0.3) | (0.9) |
| | 654.5 | 516.0 |

Other operating income includes rents receivable and other sundry income. The comparative has been restated such that “Landing, navigation & handling” now excludes all self handling costs. As a result, the comparative number has been reduced from £91.9m to £86.0m.

## 7. Operating profit

| | 2012 £m | 2011 £m |
|---|---|---|
| Operating profit is stated after charging: | | |
| Operating lease rentals: land and buildings | 1.3 | 1.7 |
| plant and machinery | 20.8 | 12.5 |

| Auditor's remuneration | 2012 £m | 2011 £m |
|---|---|---|
| Audit of these financial statements | 0.1 | 0.1 |
| Amounts receivable by Auditor and its associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | – | – |
| Other services relating to taxation | 0.1 | 0.1 |
| Other services | 0.1 | – |

## 8. Net finance costs

| | 2012 £m | 2011 £m |
|---|---|---|
| **Finance income** | | |
| Interest receivable | 1.2 | 1.3 |
| Ineffective portion of changes in fair value of cash flow hedges (note 22) | 0.2 | – |
| | 1.4 | 1.3 |
| **Finance costs** | | |
| Borrowings | (1.2) | (1.3) |
| Other interest payable | (0.6) | (0.3) |
| Ineffective portion of changes in fair value of cash flow hedges (note 22) | – | (0.4) |
| | (1.8) | (2.0) |
| **Net finance costs** | (0.4) | (0.7) |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 9. Employees

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

| | 2012 Number | 2011 Number |
|---|---|---|
| **Continuing operations** | | |
| Operations | 2,644 | 2,171 |
| Administration | 675 | 663 |
| | 3,319 | 2,834 |

The comparative has been restated to more accurately reflect the impact of seasonal employment. As a result, the comparative Operations headcount has been reduced to 2,171 from 2,898.

| | 2012 £m | 2011 £m |
|---|---|---|
| Wages and salaries | 109.9 | 93.6 |
| Share options – value of employee services | 0.4 | 0.4 |
| Social security costs | 11.0 | 8.4 |
| Other pension costs | 2.1 | 1.8 |
| | 123.4 | 104.2 |

Remuneration of the Directors, who are key management personnel of the Group, is set below in aggregate. There are no personnel, other than the Directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of Dart Group PLC. No member of key management had any material interest during the year in a contract of significance (other than a service contract) with the Company or any of its subsidiaries.

| | 2012 £m | 2011 £m |
|---|---|---|
| **Details of key management personnel** | | |
| Short term employee benefits | 5.0 | 3.6 |
| Post-employment benefits | 0.3 | 0.2 |
| Share based payments | – | – |
| **Total employee benefit costs of key management personnel** | 5.3 | 3.8 |

In addition to the following, details of executive Directors' remuneration, along with information concerning options and retirement benefits, are set out in the report on Directors' remuneration on pages 22 to 25.

| | 2012 | 2011 |
|---|---|---|
| **Details of Directors' remuneration** | | |
| Highest paid Director | £0.4m | £0.4m |
| Number of Directors for whom retirement benefits accrue | 2 | 2 |
| Number of Directors who exercised share options | – | – |

## 10. Taxation

| | 2012 £m | 2011 £m |
|---|---|---|
| Current taxation: | | |
| UK corporation tax based upon the profits for the year: | | |
| – current year | 2.8 | 5.1 |
| – prior year | 0.3 | (0.3) |
| Current tax charge for the year | 3.1 | 4.8 |
| Deferred taxation: | | |
| Origination and reversal of temporary differences | | |
| – current year | 4.0 | 4.0 |
| – prior year | – | 1.2 |
| Rate changes | (1.7) | (1.1) |
| | 2.3 | 4.1 |
| **Total tax in income statement for the year** | 5.4 | 8.9 |

The current tax assessed for the current year is lower (2011: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2012 £m | 2011 £m |
|---|---|---|
| Profit before taxation | 28.1 | 26.2 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011: 28%) | 7.3 | 7.3 |
| *Effects of:* | | |
| Impact of abolition of IBAs on existing and newly acquired property | – | 1.8 |
| Expenses not deductible | (0.3) | – |
| Tax rate change | (1.8) | (1.1) |
| Prior year tax charge | 0.2 | 0.9 |
| **Total (see above)** | 5.4 | 8.9 |

During the period the Group has reflected the change in the enacted tax rate from 26% to 24%, which is effective from 1 April 2012. The UK Government has also indicated that it intends to enact future reductions in the standard corporation tax rate of 1% each year down to 22% by 1 April 2014. The future 1% standard tax rate reductions are not expected to have a material impact on the financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 10. Taxation – continued

The net deferred tax liability in the balance sheet is as follows:

| | 2012 £m | 2011 £m |
|---|---|---|
| Deferred tax assets | 2.3 | 6.1 |
| Deferred tax liabilities | (35.2) | (40.5) |
| | (32.9) | (34.4) |

The movement in the net deferred tax liability is as follows:

| | 2012 £m | 2011 £m |
|---|---|---|
| As at 1 April | (34.4) | (25.1) |
| Charge to income statement | (2.3) | (4.1) |
| Credit/(charge) taken direct to equity | 3.8 | (5.2) |
| | (32.9) | (34.4) |

Movements in deferred tax assets and liabilities prior to offset are shown below:

### Deferred tax assets

| | Financial instruments £m |
|---|---|
| At 1 April 2010 | 2.9 |
| Charge to income | (0.9) |
| Credit to equity | 4.5 |
| At 31 March 2011 | 6.5 |
| Charge to income | (3.5) |
| Charge to equity | (0.7) |
| **At 31 March 2012** | **2.3** |

**10. Taxation** – continued

**Deferred tax liabilities**

| | Accelerated capital allowances £m | Financial instruments £m | Other £m | **Total £m** |
|---|---|---|---|---|
| At 1 April 2010 | 21.1 | 6.5 | 0.4 | **28.0** |
| Charge/(credit) to income | 3.9 | (0.8) | 0.1 | **3.2** |
| Charge to equity | – | 9.7 | – | **9.7** |
| At 31 March 2011 | 25.0 | 15.4 | 0.5 | **40.9** |
| Charge/(credit) to income | 2.2 | (3.4) | – | **(1.2)** |
| Credit to equity | – | (4.5) | – | **(4.5)** |
| **At 31 March 2012** | **27.2** | **7.5** | **0.5** | **35.2** |

Financial instruments in the tables above include the deferred tax impact of the Group's forward foreign currency contracts, currency option products, aviation fuel swaps and options, EU Allowance contracts and forward Certified Emissions Reduction contracts.

**11. Dividends**

| | **2012 £m** | 2011 £m |
|---|---|---|
| Interim 0.43 pence (2011: 0.40 pence) per share – paid 25 January 2012 | **0.6** | 0.5 |
| Final 0.83 pence (2011: 0.75 pence) per share – paid 19 October 2011 | **1.2** | 1.1 |
| | **1.8** | 1.6 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 12. Earnings per share

| | 2012 Number | 2011 Number |
|---|---|---|
| Basic weighted average number of shares in issue | 142,129,972 | 141,558,080 |
| Dilutive potential ordinary shares: employee share options | 4,872,314 | 6,260,822 |
| Diluted weighted average number of shares in issue | 147,002,286 | 147,818,902 |

### Basis of calculation – earnings (basic and diluted)

| | £m | £m |
|---|---|---|
| Profit for the purposes of calculating basic and diluted earnings | 22.7 | 17.3 |

| | Year to 31 March 2012 | Year to 31 March 2011 |
|---|---|---|
| Earnings per share – Total | | |
| – basic | 16.01p | 12.20p |
| – diluted | 15.48p | 11.68p |

## 13. Goodwill

| | £m |
|---|---|
| *Cost* | |
| As at 1 April 2011 and 31 March 2012 | 7.0 |
| *Impairment provision* | |
| As at 1 April 2011 and 31 March 2012 | 0.2 |
| *Net book value* | |
| **As at 31 March 2011 and 31 March 2012** | **6.8** |

## 14. Property, plant and equipment

| | Freehold property £m | Short leasehold property £m | Aircraft and engines £m | Plant, vehicles and equipment £m | **Total £m** |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 April 2010 | 18.8 | 2.7 | 345.9 | 30.4 | **397.8** |
| Additions | 14.0 | – | 46.6 | 7.4 | **68.0** |
| Disposals | – | – | (8.4) | (0.4) | **(8.8)** |
| At 1 April 2011 | 32.8 | 2.7 | 384.1 | 37.4 | **457.0** |
| Additions | 1.0 | – | 37.4 | 8.9 | **47.3** |
| Disposals | – | – | (101.0) | (1.0) | **(102.0)** |
| **At 31 March 2012** | **33.8** | **2.7** | **320.5** | **45.3** | **402.3** |
| *Depreciation* | | | | | |
| At 1 April 2010 | (4.6) | (1.4) | (179.7) | (20.7) | **(206.4)** |
| Charge for the year | (0.8) | (0.1) | (32.6) | (3.6) | **(37.1)** |
| Disposals | – | – | 8.4 | 0.3 | **8.7** |
| At 1 April 2011 | (5.4) | (1.5) | (203.9) | (24.0) | **(234.8)** |
| Charge for the year | (0.7) | (0.1) | (29.4) | (4.2) | **(34.4)** |
| Disposals | – | – | 101.0 | 0.8 | **101.8** |
| **At 31 March 2012** | **(6.1)** | **(1.6)** | **(132.3)** | **(27.4)** | **(167.4)** |
| *Net book value* | | | | | |
| **At 31 March 2012** | **27.7** | **1.1** | **188.2** | **17.9** | **234.9** |
| At 31 March 2011 | 27.4 | 1.2 | 180.2 | 13.4 | **222.2** |

Included within the cost of aircraft and engines is £1.6m (2011: £1.6m) of interest capitalised. Aircraft and engine additions in the year include £nil (2011: £nil) of interest capitalised.

## 15. Inventories

| | **2012 £m** | 2011 £m |
|---|---|---|
| Consumables | **1.4** | 0.8 |

Included within direct operating costs of sales are £19.3m (2011: £19.0m) of inventories utilised and recognised as an expense in the year. Included within other direct operating costs is £0.4m (2011: £1.2m) of inventories written down and recognised as an expense in the year.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 16. Money market deposits & cash and cash equivalents

| | 2012 £m | 2011 £m |
|---|---|---|
| Money market deposits (maturity more than three months after the balance sheet date) | 77.0 | 8.5 |
| Cash at bank and in hand | 75.0 | 98.3 |

Included within cash and money market deposits is £99.7m (2011: £81.1m) of cash paid over to various counterparties as collateral against relevant risk exposures. These balances are considered to be restricted and collateral is returned either on the maturity of the exposure or if the exposure reduces prior to this date.

## 17. Trade and other receivables

| Current | 2012 £m | 2011 £m |
|---|---|---|
| Trade receivables | 90.6 | 54.7 |
| Other receivables | 26.8 | 19.4 |
| | 117.4 | 74.1 |

### Ageing analysis of trade receivables

| | 31 March 2012 | | | 31 March 2011 | | |
|---|---|---|---|---|---|---|
| | Gross receivables | Provision for doubtful debts | Net trade receivables | Gross receivables | Provision for doubtful debts | Net trade receivables |
| Not past due | 87.1 | – | 87.1 | 47.1 | – | 47.1 |
| Up to 1 month past due | 2.4 | – | 2.4 | 4.6 | (0.2) | 4.4 |
| Over 1 month past due | 1.4 | (0.3) | 1.1 | 3.6 | (0.4) | 3.2 |
| | 90.9 | (0.3) | 90.6 | 55.3 | (0.6) | 54.7 |

## 18. Trade and other payables

| Current | 2012 £m | 2011 £m |
|---|---|---|
| Trade payables | 22.2 | 24.6 |
| Other taxation and social security | 6.2 | 4.8 |
| Income tax | 2.0 | 2.6 |
| Deferred income | 256.8 | 177.1 |
| Other creditors and accruals | 30.8 | 30.8 |
| | 318.0 | 239.9 |

## 19. Other non-current liabilities

| | 2012 £m | 2011 £m |
|---|---|---|
| Other creditors and accruals | 11.9 | 9.9 |

## 20. Borrowings

| | 2012 £m | 2011 £m |
|---|---|---|
| Bank loans | 9.3 | 9.3 |
| Finance leases | – | 0.1 |
| | 9.3 | 9.4 |

Loans are repayable as follows:

| | 2012 £m | 2011 £m |
|---|---|---|
| Within one year | 0.8 | 0.7 |
| Between one and two years | 0.8 | 0.6 |
| Between two and five years | 2.2 | 1.9 |
| Over five years | 5.5 | 6.2 |
| | 9.3 | 9.4 |

Bank loans represent an £8.7m (2011: £9.3m) term loan facility bearing a rate of interest of 2.75% over three-month LIBOR and a £0.6m (2011: nil) five year loan, bearing an interest rate of 1.9% over one-month LIBOR and maturing in April 2016.

## 21. Provisions

| | Maintenance | | Other | | Total | |
|---|---|---|---|---|---|---|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| At 1 April | 2.5 | 2.1 | 1.4 | 0.6 | 3.9 | 2.7 |
| Provision in the year | 5.0 | 3.2 | 0.1 | 1.2 | 5.1 | 4.4 |
| Utilised | (6.7) | (2.8) | (0.6) | (0.4) | (7.3) | (3.2) |
| **At 31 March** | 0.8 | 2.5 | 0.9 | 1.4 | 1.7 | 3.9 |

Maintenance provisions relate entirely to aircraft maintenance and the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes during the lease term, and to ensure that aircraft are returned to the lessor in accordance with its contractual requirements. The element due after more than one year is not significant.

Other provisions relate primarily to the Group's obligation to return leased tractor and trailer units to the lessor in accordance with its contractual requirements.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 22. Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

### Market risk

The Group is impacted by competitor activity in each of its business areas. In the Distribution business, the market has seen some consolidation as smaller players either exit the market or are taken over. The loss of a substantial customer is the largest financial risk facing the Company. This risk is mitigated by ***Fowler Welch***'s focus on service levels and cost control, both of which are critical to success in this sector.

The Leisure Airline and Package Holidays sectors continue to be intensely competitive market places. Headline fare price competition remains very strong at every base from which ***Jet2.com*** flies. The Group will continue to focus on customer driven scheduling on popular routes in order to maximise its load factor, yield, and retail revenue on its aircraft. The operation will continue to benefit from non-scheduled flight aircraft utilisation through its passenger and freight charter activities and from a broad distribution base for its scheduled seats via the web, through travel agencies, via tour operator seat allocations and to its in-house tour operator. ***Jet2holidays*** competes effectively through the provision of a broad range of great value package holidays accessible from all of our eight Northern bases.

### Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient funds to meet its financial obligations as they fall due. As at the year end, the Group had significant cash balances, together with a range of unutilised banking facilities, and had met all banking covenants. The Group's strategy for managing liquidity risk is to maintain cash balances in appropriately liquid form and in accordance with approved counterparty limits, whilst securing the continuity and flexibility of funding through the use of committed bank facilities. Additionally, short term cash flow volatility risk in relation to margin calls in respect of fuel and foreign exchange hedge positions is minimised through diversification of counterparties and appropriate credit thresholds. The Group seeks to match long term assets with long term liabilities wherever possible. In addition, a regular assessment is made of future covenant compliance and headroom.

### Credit risk

The Group is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable. However, the Group has policies and procedures in place to ensure such risk is limited by placing credit limits on each counterparty. The Group continuously monitors such limits and defaults by counterparties, incorporating this information into credit risk controls. The Group does not currently hold any collateral to mitigate this exposure.

The maximum credit exposure to credit risk is limited to the carrying value of each asset as summarised in point (c) below.

### Foreign currency risk

The Group is exposed to currency risk on purchases – related to expenditure on aviation fuel, aircraft maintenance, air traffic control, airport charges and hotel accommodation – that are denominated in a currency other than sterling. The currencies in which these transactions are primarily denominated are US dollar and euro. The Group can experience adverse or beneficial effects arising from foreign exchange rate movements. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency.

The Group uses forward foreign exchange contracts to hedge its exposure to movements in the US dollar and euro exchange rates as a result of its aviation activities.

### Commodity derivatives – aviation fuel

The Group uses fuel swaps to hedge its exposure to movements in jet fuel prices in its aviation activities.

## 22. Financial instruments – continued

### Commodity derivatives – carbon

The Group uses forward contracts of carbon EUAs and CERs to hedge its exposure to its obligation to purchase carbon certificates, in line with its aviation-related carbon emissions.

The fuel and foreign currency instruments were designated as cash flow hedges and accounted for as such under UK GAAP. At transition to IFRS, gains and losses on these instruments were recognised in equity.

Under IAS 39, the forward currency, forward carbon derivatives and fuel swaps are eligible for cash flow hedge accounting. Movements in fair value are summarised in section (b) below.

Cash flow hedges relate to forecast cash flows through to 31 March 2015.

### (a) Carrying amount and fair values of financial instruments

Set out below is a comparison by category of the carrying amounts and fair value of all the Group's financial assets and liabilities as at 31 March 2012.

| Financial assets | 31 March 2012 Carrying amount £m | 31 March 2011 Carrying amount £m |
|---|---|---|
| **Financial assets:** | | |
| Cash and cash equivalents | 75.0 | 98.3 |
| Money market deposits | 77.0 | 8.5 |
| **Loans and receivables:** | | |
| Trade receivables | 87.5 | 48.1 |
| **Designated cash flow hedge relationships:** | | |
| Forward US dollar contracts | 3.1 | 0.2 |
| Forward euro contracts | – | 2.7 |
| Forward jet fuel contracts | 26.2 | 55.9 |
| Forward carbon contracts | – | 0.6 |
| **Total financial assets** | 268.8 | 214.3 |

There are no differences between the carrying values of the Group's financial assets and their fair values.

| Financial liabilities | 31 March 2012 Carrying amount £m | 31 March 2011 Carrying amount £m |
|---|---|---|
| **Financial liabilities** | | |
| Trade payables | 22.2 | 24.6 |
| Bank loans | 9.3 | 9.3 |
| Finance leases and hire purchase contracts | 2.9 | 1.2 |
| **Designated cash flow hedge relationships:** | | |
| Forward US dollar contracts | 0.1 | 6.9 |
| Forward euro contracts | 4.6 | – |
| Forward jet fuel contracts | 0.6 | 17.8 |
| Forward carbon contracts | 3.9 | – |
| **Total financial liabilities** | 43.6 | 59.8 |

There are no differences between the carrying values of the Group's financial liabilities and their fair values.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

**22. Financial instruments** – continued

The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

- due to their short maturities, the fair values of trade receivables, other receivables and trade payables have been stated at their book value;
- the fair value of derivative financial instruments have been measured by reference to the fair value of the instruments, as provided by external counterparties; and
- the fair value of fuel derivatives is based on the expected full recovery of these assets from the relevant counterparties.

IFRS 7 requires the classification of fair value measurements using a fair value hierarchy that reflects the nature of the inputs used in making the assessments.

The fair value of the Group's foreign currency derivative financial instruments is designated as level 2 as the inputs are based on quoted prices in active markets for identical assets or liabilities. Fuel derivatives, which are measured by reference to external counterparty information, are classified as level 2.

**(b) Movements in fair value of financial instruments**

Net movements in fair value of financial instruments are as follows:

| | Cash flow hedges | |
|---|---|---|
| | Assets £m | Liabilities £m |
| Net carrying amount at 1 April 2010 | 21.7 | (9.7) |
| Other comprehensive income | 34.6 | (11.6) |
| Credited/(charged) in income statement | 3.1 | (3.4) |
| **At 31 March 2011** | 59.4 | (24.7) |
| Other comprehensive income | (29.8) | 15.5 |
| (Charged)/credited in income statement | (0.2) | – |
| **At 31 March 2012** | **29.4** | **(9.2)** |

Following the introduction of hedge documentation from 1 April 2007, existing derivative financial instruments have been reclassified as effective cash flow hedges with subsequent fair value movements in fair values being taken through equity.

| | 2012 £m | 2011 £m |
|---|---|---|
| **Amounts (charged)/credited in the Group income statement** | | |
| **Operating expenses** | | |
| Fair value movements – fuel derivatives | (0.2) | – |
| Fair value movements – forward carbon contracts | (0.2) | – |
| **Finance costs** | | |
| Fair value movements – forward currency contracts | 0.2 | 0.3 |
| | (0.2) | 0.3 |

Gains/(losses) on cash flow hedges recycled from equity into the income statement are all reflected within Net operating expenses.

**22. Financial instruments** – continued

**(c) Maturity profile of financial assets and liabilities**

The maturity profile of the carrying value of the Group's financial assets at the end of the year was as follows:

| | 31 March 2012 | | | 31 March 2011 | | |
|---|---|---|---|---|---|---|
| Financial assets | Derivative financial instruments £m | Other receivables £m | Total £m | Derivative financial instruments £m | Other receivables £m | Total £m |
| < 1 year | 25.8 | 239.4 | 265.2 | 39.7 | 154.9 | 194.6 |
| 1 – 2 years | 3.6 | – | 3.6 | 19.2 | – | 19.2 |
| 2 – 5 years | – | – | – | 0.5 | – | 0.5 |
| | 29.4 | 239.4 | 268.8 | 59.4 | 154.9 | 214.3 |

The maturity profile of the carrying value of the Group's financial liabilities at the end of the year was as follows:

| | 31 March 2012 | | | 31 March 2011 | | |
|---|---|---|---|---|---|---|
| Financial liabilities | Derivative financial instruments £m | Other loans and payables £m | Total £m | Derivative financial instruments £m | Other loans and payables £m | Total £m |
| < 1 year | 7.8 | 22.9 | 30.7 | 24.7 | 25.5 | 50.2 |
| 1 – 2 years | 1.4 | 1.6 | 3.0 | – | 0.9 | 0.9 |
| 2 – 5 years | – | 4.3 | 4.3 | – | 2.5 | 2.5 |
| > 5 years | – | 5.5 | 5.5 | – | 6.2 | 6.2 |
| | 9.2 | 34.3 | 43.5 | 24.7 | 35.1 | 59.8 |

**(d) Borrowing facilities**

The Group has various borrowing facilities available to it. The total borrowing facilities available at 31 March 2012 in respect of which all conditions precedent had been met at that date are as follows:

| | Amounts drawn down | | Facilities available | |
|---|---|---|---|---|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Committed facilities: | | | | |
| Revolving credit facilities[a] | – | – | 25.0 | 25.0 |
| Bank loans[b] | 9.3 | 9.3 | 10.2 | 9.5 |
| | 9.3 | 9.3 | 35.2 | 34.5 |

a The £25.0m revolving credit facilities include a number of funding lines committed until 31 July 2013;

b The £9.5m bank loan facility matures July 2015 and the £0.7m bank loan in April 2016.

In addition to the above facilities the Group was committed to a $45m Letter of Credit, issued to a credit card processing company, with respect to ***Jet2.com*** advance ticket sales. The Letter of Credit facility is committed until July 2012 and was fully utilised at the year end (2011: $65m).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 22. Financial instruments – continued

### (e) Interest rate risk

**Financial assets**

| | 31 March 2012 | | | 31 March 2011 | | |
|---|---|---|---|---|---|---|
| | Floating rate financial assets £m | Financial assets on which no interest is receivable £m | Total £m | Floating rate financial assets £m | Financial assets on which no interest is receivable £m | Total £m |
| **Money market deposits** | 77.0 | – | 77.0 | 8.5 | – | 8.5 |
| **Cash and cash equivalents** | | | | | | |
| Sterling | 66.0 | 2.2 | 68.2 | 85.4 | 7.0 | 92.4 |
| US dollar | 2.8 | 1.8 | 4.6 | 0.9 | 2.2 | 3.1 |
| Euro | 0.2 | 1.6 | 1.8 | – | 2.5 | 2.5 |
| Other | – | 0.4 | 0.4 | – | 0.3 | 0.3 |
| **Total** | 69.0 | 6.0 | 75.0 | 86.3 | 12.0 | 98.3 |

The floating rate financial assets comprise cash on deposit at various market rates according to currency and term. The Group operates composite bank accounts which allow the offset of individual bank and overdraft accounts in each currency.

Money market deposits comprise deposits maturing more than three months after the balance sheet date.

**Financial liabilities**

| | 31 March 2012 | | | 31 March 2011 | | |
|---|---|---|---|---|---|---|
| | Floating rate financial liabilities £m | Fixed rate financial liabilities £m | Total £m | Floating rate financial liabilities £m | Fixed rate financial liabilities £m | Total £m |
| Sterling | 9.3 | – | 9.3 | 9.3 | 0.1 | 9.4 |

The floating rate liabilities comprise facilities bearing interest rates of up to 2.75% over three-month LIBOR (2011: 2.75% over three-month LIBOR).

An interest rate sensitivity analysis has not been provided on the basis that the Group is in a cash positive position. This, coupled with historically low interest rates, causes interest rate risk to be immaterial.

## 22. Financial instruments – continued

### (f) Currency exposure

Financial instruments that are not denominated in the functional currency of the operating unit involved expose the Group to a currency risk. The table below shows the carrying value of the Group's financial instruments at 31 March, including derivative financial instruments, on which exchange differences would be recognised in the income statement in the following year.

| Currency | US Dollar £m | Euro £m | Other £m | Total £m |
|---|---|---|---|---|
| **2012** | | | | |
| **Sterling** | **33.5** | **(5.1)** | **0.2** | **28.6** |
| 2011 | | | | |
| Sterling | 31.1 | 2.5 | 0.1 | 33.7 |

### (g) Sensitivity analysis

The following table shows the impact of currency translation exposures arising from monetary assets and liabilities of the Group that are not denominated in sterling, along with the impact of a reasonably possible change in fuel prices, with all other variables held constant.

| | 31 March 2012 +/- £m | 31 March 2011 +/- £m |
|---|---|---|
| **Impact on Profit and Loss** | | |
| 10% change in jet fuel prices | – | 3.8 |
| 5% movement of sterling | 0.4 | – |
| **Impact on Equity** | | |
| 5% movement of sterling | 1.4 | 1.6 |

## 23. Called up share capital and reserves

### Share capital

| | Number of shares | 2012 £m | 2011 £m |
|---|---|---|---|
| Authorised ordinary shares of 1.25p each | 160,000,000 | 2.0 | 2.0 |
| Allotted, called up and fully paid: | | | |
| As at 1 April 2011 | 141,874,226 | 1.8 | 1.8 |
| Options exercised | 749,823 | – | – |
| **As at 31 March 2012** | **142,624,049** | 1.8 | 1.8 |

The Company received the sum of £223,804 (2011: £281,248) in respect of options exercised during the year.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

### 23. Called up share capital and reserves – continued

**Employee share schemes**

Dart Group PLC has a number of share based option schemes in operation, which are described in detail in the report on Directors' remuneration on pages 22 to 25 of this Annual Report. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, "*Share based payment*", which means that IFRS 2 has been applied to all grants of employee share based payments that had not vested at 31 March 2012.

The total expenses recognised for the period arising from share based payments are as follows:

| | 2012 £m | 2011 £m |
|---|---|---|
| Equity settled share based payments | 0.4 | 0.4 |

**Summary of options outstanding**

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares:

The Company has granted options, which have yet to be exercised, to employees under the Dart Group 2002 Unapproved Share Option Scheme in respect of 470,000 (2011: 700,000) ordinary shares of 1.25p each. At 31 March 2012 the following options had not been exercised:

| Number of shares | Option price per share | Options exercisable |
|---|---|---|
| 170,000 | 47.50p | All share options expire on 18 November 2012. |
| 300,000 | 31.25p | All share options expire on 5 December 2013. |

The Company has granted options, which have yet to be exercised, to employees under the Dart Group Unapproved Share Option Plan 2005 in respect of 2,210,147 (2011: 2,346,306) ordinary shares of 1.25p each. At 31 March 2012, the following options had not been exercised:

| Number of shares | Option price per share | Options exercisable |
|---|---|---|
| 325,000 | 78.50p | All share options expire on 21 November 2015. |
| 409,829 | 24.75p | In respect of 172,213 shares from 4 September 2011 and in respect of all remaining shares from 4 September 2014. The options expire on 4 September 2018. |
| 929,571 | 52.50p | In respect of half of the shares from 10 September 2012 and in respect of all remaining shares from 10 September 2015. The options expire on 10 September 2019. |
| 425,747 | 67.00p | In respect of half of the shares from 5 August 2013 and in respect of all remaining shares from 5 August 2016. The options expire on 5 August 2020. |
| 120,000 | 85.00p | In respect of half of the shares from 4 August 2014 and in respect of all remaining shares from 4 August 2017. The options expire on 4 August 2021. |

The Company has granted options, which have yet to be exercised, to employees under the Dart Group Executive and Dart Group Company Share Option Schemes in respect of 263,560 (2011: 424,392) ordinary shares of 1.25p each. At 31 March 2012, the following options had not been exercised:

| Number of shares | Option price per share | Options exercisable |
|---|---|---|
| 31,560 | 65.875p | All share options expire on 3 July 2012. |
| 24,000 | 47.50p | All share options expire on 18 November 2012. |
| 40,000 | 37.125p | All share options expire on 3 July 2013. |
| 88,000 | 31.25p | All share options expire on 5 December 2013. |
| 80,000 | 78.75p | All share options expire on 19 November 2014. |

**23. Called up share capital and reserves** – continued

The Company has granted options, which have yet to be exercised, to employees under the Dart Group PLC Approved Share Option Plan 2005 in respect of 5,507,236 (2011: 6,079,879) ordinary shares of 1.25p each. At 31 March 2012, the following options had not been exercised:

| Number of shares | Option price per share | Options exercisable |
|---|---|---|
| 410,000 | 79.125p | In respect of 200,000 shares from 23 November 2008 and in respect of all remaining shares from 23 November 2011. The options expire on 23 November 2015. |
| 241,984 | 101.75p | In respect of half of the shares from 3 August 2010 and in respect of all remaining shares from 3 August 2013. The options expire on 3 August 2017. |
| 62,500 | 53.25p | In respect of 23,750 shares from 18 December 2010 and in respect of all remaining shares from 18 December 2013. The options expire on 18 December 2017. |

| Number of shares | Option price per share | Options exercisable |
|---|---|---|
| 1,764,819 | 24.75p | In respect of 496,238 shares from 4 September 2011 and in respect of all remaining shares from 4 September 2014. The options expire on 4 September 2018. |
| 50,000 | 59.00p | In respect of half of the shares from 1 June 2012 and in respect of all remaining shares from 1 June 2015. The options expire on 1 June 2019. |
| 2,015,905 | 52.50p | In respect of half of the shares from 10 September 2012 and in respect of all remaining shares from 10 September 2015. The options expire on 10 September 2019. |
| 167,500 | 46.75p | In respect of half of the shares from 16 December 2012 and in respect of all remaining shares from 16 December 2015. The options expire on 16 December 2019. |
| 193,022 | 67.00p | In respect of half of the shares from 5 August 2013 and in respect of all remaining shares from 5 August 2016. The options expire on 5 August 2020. |
| 194,246 | 94.50p | In respect of half of the shares from 23 December 2013 and in respect of all remaining shares from 23 December 2016. The options expire on 23 December 2020. |
| 157,794 | 85.00p | In respect of half of the shares from 4 August 2014 and in respect of all remaining shares from 4 August 2017. The options expire on 4 August 2021. |
| 249,466 | 63.875p | In respect of half of the shares from 22 December 2014 and in respect of all remaining shares from 22 December 2017. The options expire on 22 December 2021. |

Details of the awards made during the year and the key assumptions used in determining the fair value for these awards are as detailed below:

| | Number granted | Fair value at measurement date | Share price at date of grant | Exercise price | Dividend yield | Employee exit rate | Expected volatility | Risk free interest rate |
|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | |
| Approved share option plan 2005 | | | | | | | | |
| Grant #1 | 157,794 | £0.04m | 84.38p | 85.00p | 1.8% | 1.5% | 55.0% | 2.91% |
| Grant #2 | 249,466 | £0.13m | 63.88p | 63.88p | 1.8% | 1.5% | 55.0% | 2.91% |
| Unapproved share option plan 2005 | | | | | | | | |
| Grant #1 | 120,000 | £0.04m | 84.38p | 85.00p | 1.8% | 1.5% | 55.0% | 2.91% |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 23. Called up share capital and reserves – continued

| | Number granted | Fair value at measurement date | Share price at date of grant | Exercise price | Dividend yield | Employee exit rate | Expected volatility | Risk free interest rate |
|---|---|---|---|---|---|---|---|---|
| 2011 | | | | | | | | |
| Approved share option plan 2005 | | | | | | | | |
| Grant #1 | 240,522 | £0.1m | 67.00p | 67.00p | 1.8% | 1.5% | 55.0% | 2.83% |
| Grant #2 | 226,746 | £0.2m | 94.50p | 94.50p | 1.8% | 1.5% | 98.3% | 3.07% |
| Unapproved share option plan 2005 | | | | | | | | |
| Grant #1 | 425,747 | £0.1m | 67.00p | 67.00p | 1.8% | 1.5% | 55.0% | 2.83% |

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial valuation model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. Certain market conditions apply to options granted under the Dart Group Unapproved Share Option Plan 2005.

The number and weighted average exercise prices of share options are as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price Pence | Number of options | Weighted average exercise price Pence |
| Outstanding at 1 April | **9,446,185** | **48.5** | 10,010,014 | 47.0 |
| Granted | **527,260** | **75.0** | 893,015 | 74.0 |
| Exercised (see below) | **(734,991)** | **29.1** | (619,260) | 39.5 |
| Lapsed | **(819,071)** | **52.0** | (837,584) | 64.1 |
| Outstanding at 31 March | **8,419,383** | **51.3** | 9,446,185 | 48.5 |
| Exercisable at 31 March | **2,304,935** | **53.3** | 1,403,392 | 52.9 |
| Estimated weighted average share price of options exercised in year | | **72.87** | | 75.82 |

Options outstanding at 31 March are in respect of all options issued since 7 November 2002 (refer note 2). The options outstanding at the year end have an exercise price in the range of 24.8p to 101.8p and a weighted average contractual life of 6.6 years.

## 23. Called up share capital and reserves – continued

### Reserves

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

## 24. Commitments

### (a) Capital commitments:

| | 2012 £m | 2011 £m |
|---|---|---|
| Contracted for but not provided | – | – |

### (b) Minimum future commitments under non-cancellable operating leases are as follows:

| | Land and buildings | | Aircraft and engines | | Plant and machinery | |
|---|---|---|---|---|---|---|
| Group | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Less than one year | 1.1 | 1.3 | 8.9 | 6.8 | 9.9 | 10.6 |
| Between two and five years | 2.7 | 3.3 | 25.5 | 51.7 | 13.5 | 17.0 |
| Over five years | 4.4 | 3.8 | 4.6 | 3.7 | 0.6 | 1.7 |
| | 8.2 | 8.4 | 39.0 | 62.2 | 24.0 | 29.3 |

## 25. 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.

## 26. Notes to the cash flow statement

### Changes in net debt

| | At 1 April 2011 £m | Cash flow £m | Exchange differences £m | At 31 March 2012 £m |
|---|---|---|---|---|
| Cash at bank and in hand | 98.3 | (23.3) | – | 75.0 |
| Bank loans due within one year | (0.7) | (0.1) | – | (0.8) |
| Bank overdrafts | – | – | – | – |
| Cash and cash equivalents | 97.6 | (23.4) | – | 74.2 |
| Bank loans due after one year | (8.7) | 0.2 | – | (8.5) |
| Net cash | 88.9 | (23.2) | – | 65.7 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2012

## 27. Pension scheme

The Group operates a defined contribution scheme. The pension charge for the period represents contributions payable by the Group to the scheme and amounted to £2.1m (2011: £1.8m). There were no outstanding or prepaid contributions at either the current or previous year end.

## 28. Related party transactions

### Compensation of key management personnel

The key management personnel of the Group comprise the Chairman and executive and non-executive Directors, as outlined on page 16 of the Annual Report. The compensation of key management personnel can be found in note 9 to the Consolidated financial statements and in the Directors' remuneration report set out on pages 22 to 25 of the Annual Report.

# Company Balance Sheet

at 31 March 2012

| | Note | 2012 £m | 2011 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 5 | 200.7 | 185.5 |
| Investments | 6 | 28.5 | 28.1 |
| | | 229.2 | 213.6 |
| **Current assets** | | | |
| Stock | | 0.5 | – |
| Debtors | 7 | 2.3 | 1.5 |
| Cash and cash equivalents | | 0.4 | 0.5 |
| | | 3.2 | 2.0 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 8 | (154.8) | (142.1) |
| **Net current liabilities** | | (151.6) | (140.1) |
| **Total assets less current liabilities** | | 77.6 | 73.5 |
| Provisions for liabilities | 9 | (22.8) | (21.9) |
| **Net assets** | | 54.8 | 51.6 |
| **Shareholders' equity** | | | |
| Share capital | 10 | 1.8 | 1.8 |
| Share premium | 10 | 9.8 | 9.6 |
| Profit and loss account | 10 | 43.2 | 40.2 |
| **Total shareholders' equity** | 10 | 54.8 | 51.6 |

The accounts on pages 65 to 72 were approved by the Board of Directors at a meeting held on 23 July 2012 and were signed on its behalf by:

Andrew Merrick

Director

Dart Group PLC

Registered no. 01295221

# Notes to the Company Financial Statements

for the year ended 31 March 2012

## 1. Basis of preparation

The Company financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Under Financial Reporting Standard 1 (Revised) ("FRS"), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Group includes the Company in its own published consolidated financial statements.

## 2. Accounting policies

A summary of the principal accounting policies, which have been consistently applied throughout the year and the preceding year, is set out below.

### Going concern

Dart Group PLC is accounted for on a going concern basis. Dart Group PLC provides treasury and aircraft leasing services for the Group and, as such, its financial performance is inextricably linked with the performance of its subsidiaries.

The Directors have prepared financial forecasts for the Company, comprising operating profit, balance sheet and cash flows through to 31 March 2015.

For the purposes of their assessment of the appropriateness of the preparation of the Company's accounts on a going concern basis, the Directors have considered the current cash position, the availability of bank and other facilities, and forecasts of future trading. The Directors have assessed the underlying assumptions and principal areas of uncertainty within these forecasts, in particular those related to market and customer risks, cost management, working capital management and treasury risks. A number of these are subject to market uncertainty and impact financial covenants. Recognising the potential uncertainty, the Directors have considered a range of actions available to mitigate the impact of these potential risks, should they crystallise, and have also reviewed the key strategies which underpin the forecast and the Company's ability to implement them successfully.

On the basis of the current liquidity position, the forecasts and these considerations, the Directors have assessed future covenant compliance and headroom for the foreseeable future and concluded that it is appropriate for the financial statements for the year ended 31 March 2012 to be prepared on a going concern basis.

### Revenue

Turnover (which excludes Value Added Tax) arises from the leasing of aircraft to other group companies and is recognised as services are provided.

### Foreign currencies

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.

### Investments

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

**2. Accounting policies** – continued

**Tangible fixed assets**

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Interest attributable to the purchase of aircraft and other assets and progress payments 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 the cost of property, plant and equipment down to their estimated residual value using the straight-line method over their estimated useful economic lives or the estimated useful economic lives of their individual major components as follows:

| | |
|---|---|
| Short leasehold property | Over the life of the lease |
| Freehold property | 30 years |
| Aircraft and engines | 2-25 years |
| Plant, vehicles and equipment | 3-7 years |

The underlying value of an aircraft is depreciated to the expected residual value of the aircraft as at 30 years post original build date. Where aircraft are subject to specific life extension expenditure, the cost of such work is depreciated over the remaining expected period of ownership and the underlying value of the aircraft is depreciated to this same date.

**Aircraft maintenance costs**

***Jet2.com***, a wholly owned subsidiary undertaking, leases aircraft from the Company and has a legal obligation to undertake specific periodic maintenance on the aircraft it operates. These obligations require ***Jet2.com*** 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 Company in a satisfactory condition.

The Company receives a monthly security deposit from ***Jet2.com*** based on a monthly usage calculation. The deposit is refunded to ***Jet2.com*** once the maintenance activity has been completed by ***Jet2.com***. As such, these are classified as *Amounts due to Group undertakings* within creditors less than one year.

The monthly security deposit payment is set at a level which is estimated to cover the cost of future maintenance procedures when they occur.

**Impairment of assets excluding goodwill**

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

At each balance sheet date, an assessment is made to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or has decreased. Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

# Notes to the Company Financial Statements

for the year ended 31 March 2012

## 2. Accounting policies – continued

### Borrowings

All borrowings are stated at the fair value of consideration received after deduction of issue costs. Issue costs, together with other finance costs, are charged to the income statement over the period of the term of the borrowings at a constant rate, or more quickly if appropriate. Issue and finance costs are deducted from the carrying value of those borrowings.

### Leases

Rental charges on operating leases are charged to the income statement on a straight-line basis over the life of the lease.

### Cash and cash equivalents

Cash equivalents are defined as including short term deposits with original maturity within three months, less overdrafts repayable on demand.

### Financial instruments

**Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised costs, using the effective interest method, less any impairment loss.

**Trade and other creditors**

Trade and other creditors are recognised at fair value.

**Interest bearing loans and borrowing**

All loans and borrowings are initially recorded at the fair value of their net proceeds. Thereafter, they are measured at amortised cost using the effective interest method.

**Derivative financial instruments**

The Company uses forward foreign currency contracts and currency option products to reduce exposure to foreign exchange rate 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 Company's operations.

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

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## 2. Accounting policies – continued

### Employee benefits

**Pension costs**

All pensions are provided from the proceeds of money purchase schemes. The charge to profit and loss represents the payments due during the year.

**Share based payments**

The Company issues equity settled share based payments to certain employees. The fair value of employee share option plans is measured at the date of grant of the option using the binomial valuation model. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income over the period in which the options vest. At each balance sheet date before vesting the cumulative expense is calculated, based on the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions, and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries, equivalent to the equity settled share based payment charge recognised in its subsidiary's financial statements, with the corresponding credit being recognised directly in equity.

## 3. Accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the Directors in the application of the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

### Impairment of assets

A full impairment review of aircraft carrying values is undertaken annually or more frequently if a risk that carrying values are impaired is identified. The smallest cash-generating unit to which this can be applied is aircraft fleet type.

The carrying amounts of aircraft were £199.1m (2011: £184.5m). No impairment losses were recorded during the year.

### Residual value of tangible fixed assets

Judgements have been made in respect of the residual values of aircraft included in Tangible fixed assets. Those judgements determine the amount of depreciation charged in the profit and loss account.

## 4. Profit of the Parent Company

The Company has taken advantage of the provisions of Section 408 of the Companies Act 2006 and has not published its own profit and loss account. Of the profit on ordinary activities after taxation for the year, a profit of £4.4m (2011: profit £6.8m) is dealt with in the accounts of the Company.

# Notes to the Company Financial Statements

for the year ended 31 March 2012

## 5. Tangible fixed assets

| | Short leasehold property £m | Aircraft & engines £m | Plant, vehicles & equipment £m | **Total £m** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2011 | 1.2 | 253.4 | 4.3 | **258.9** |
| Additions | – | 22.5 | 1.0 | **23.5** |
| Disposals | – | – | – | **–** |
| **At 31 March 2012** | **1.2** | **275.9** | **5.3** | **282.4** |
| **Depreciation** | | | | |
| At 1 April 2011 | (0.7) | (68.9) | (3.8) | **(73.4)** |
| Charge for the year | – | (7.9) | (0.4) | **(8.3)** |
| Disposals | – | – | – | **–** |
| **At 31 March 2012** | **(0.7)** | **(76.8)** | **(4.2)** | **(81.7)** |
| **Net book value** | | | | |
| **At 31 March 2012** | **0.5** | **199.1** | **1.1** | **200.7** |
| At 31 March 2011 | 0.5 | 184.5 | 0.5 | **185.5** |

Aircraft and engines having an original cost of £275.9m (2011: £253.4m) and accumulated depreciation of £76.8m (2011: £68.9m) are held for use by a subsidiary company under operating leases.

## 6. Investments

| | **£m** |
|---|---|
| **Shares in subsidiary undertakings at cost, and net investment:** | |
| At 1 April 2011 | 28.1 |
| Additions | 0.4 |
| **At 31 March 2012** | **28.5** |

The principal subsidiary undertakings are:

| Name | Principal activity | Country of incorporation or registration |
|---|---|---|
| ***Fowler Welch-Coolchain*** Limited | Temperature controlled distribution and logistics | England |
| ***Jet2.com*** Limited | Scheduled and charter airline services | England |
| ***Jet2holidays*** Limited | Package holidays | England |
| Jet2 Transport Services Limited [a] | Transport services | England |

[a] Formerly Coolchain Distribution Limited

The issued share capital of each subsidiary undertaking consists entirely of ordinary shares.

All of the above principal subsidiaries have been consolidated in the Dart Group PLC consolidated accounts.

## 7. Debtors

| Current | 2012 £m | 2011 £m |
|---|---|---|
| Other debtors and prepayments | 1.1 | 0.9 |
| Corporation tax recoverable | 1.1 | 0.1 |
| Amounts owed by Group undertakings | 0.1 | 0.5 |
| | 2.3 | 1.5 |

## 8. Creditors: amounts falling due within one year

| | 2012 £m | 2011 £m |
|---|---|---|
| Bank overdraft | 49.6 | 44.9 |
| Trade creditors | 0.2 | 0.3 |
| Amounts owed to Group undertakings | 104.3 | 95.9 |
| Other creditors and accruals | 0.7 | 1.0 |
| | 154.8 | 142.1 |

Included in amounts owed to Group undertakings are maintenance security deposits repayable to ***Jet2.com*** of £53.5m (2011: £46.8m).

The bank overdraft position within Dart Group PLC reflects the fact that funds are managed on a Group basis, with composite banking arrangements in place with the Group's bankers, allowing offset with individual bank and overdraft accounts in different currencies across the Group.

## 9. Provisions for liabilities

| | 2012 £m | 2011 £m |
|---|---|---|
| **Accelerated capital allowances** | | |
| Provision at start of year | 21.3 | 20.6 |
| Profit and loss account | 0.9 | 0.7 |
| Provision at end of year | 22.2 | 21.3 |
| **Other short term timing differences** | | |
| Provision at start of year | 0.6 | 0.6 |
| Profit and loss account | – | – |
| Provision at end of year | 0.6 | 0.6 |
| **Total deferred tax** | | |
| Provision at start of year | 21.9 | 21.2 |
| **Provision at end of year** | 22.8 | 21.9 |

# Notes to the Company Financial Statements

for the year ended 31 March 2012

## 10. Reserves

| | Share capital £m | Share premium £m | Profit & loss £m | **Shareholders' funds £m** |
|---|---|---|---|---|
| At 1 April 2011 | 1.8 | 9.6 | 40.2 | **51.6** |
| Profit for the year | – | – | 4.4 | **4.4** |
| Dividends paid in the year | – | – | (1.8) | **(1.8)** |
| Issue of share capital | – | 0.2 | – | **0.2** |
| Reserves movement arising from share based payment charge | – | – | 0.4 | **0.4** |
| **At 31 March 2012** | **1.8** | **9.8** | **43.2** | **54.8** |

## 11. Directors and employees

| | **2012 £m** | 2011 £m |
|---|---|---|
| Wages and salaries | **1.2** | 1.4 |
| Social security costs | **0.2** | 0.2 |
| Other pension costs | **–** | – |
| | **1.4** | 1.6 |

On average the Company had 16 employees during the year ended 31 March 2012 (2011: 15). Details of Directors' emoluments are set out in the Directors' remuneration report on pages 22 to 25. Details of the highest paid Director are set out in note 9 to the Consolidated financial statements.

## 12. Share based payments

Details of share based payment schemes operated by the Group are disclosed in note 23 of the consolidated financial statements. Amounts charged in the Company accounts for the year were £26,200 (2011: £18,904).

## 13. Contingent liabilities

The Company has cross guarantees in respect of the banking arrangements of certain of its subsidiary undertakings. In the normal course of business a number of contingent liabilities have arisen in the Group and Company; none of these is expected to lead to a material gain or loss.

## 14. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3c of FRS 8, not to disclose transactions and balances with other Group companies.

## 15. Other information

Disclosure notes relating to Auditor's remuneration and called up share capital are included within the consolidated financial statements of the Group in notes 7 and 23 respectively.

# Glossary of Terms

| | |
|---|---|
| **CODM** | Chief operating decision maker. |
| **EBITDA** | Earnings before interest, taxation, depreciation and amortisation. |
| **Load factor** | The percentage relationship of passengers carried to total seat capacity available. |
| **Mileage per gallon** | Average number of miles driven for every gallon of fuel used. |
| **Net capital reserves** | Total equity reserves net of cash flow hedging reserve. |
| **Net ticket yield** | Total ticket revenue, excluding taxes, divided by number of passengers. |
| **Passenger numbers** | Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for the "**myJet2**" loyalty programme, seats for promotional purposes and seats provided to staff for business travel. |
| **Retail revenue** | All non-ticket revenue, including credit card fees, baggage charges, advanced seat assignment fees, check-in fees, extra leg room fees, in-flight sales and commissions earned on products. |

# Secretary and Advisers

| | |
|---|---|
| **Registered number** | 1295221 |
| **Secretary and Registered Office** | Andrew Merrick<br>Low Fare Finder House<br>Leeds Bradford International Airport<br>Leeds LS19 7TU |
| **Auditor** | KPMG Audit Plc<br>1 The Embankment<br>Neville Street<br>Leeds LS1 4DW |
| **Registrars** | Capita Registrars<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |
| **Bankers** | Barclays Bank PLC<br>Barclays Corporate Banking Centre<br>4th Floor Apex Plaza<br>Forbury Road<br>Reading RG1 1AX<br><br>Clydesdale Bank (trading as Yorkshire Bank)<br>4 Victoria Place<br>Manor Road<br>Leeds LS11 5AE<br><br>Santander UK plc<br>Leeds Corporate Banking Centre<br>44 Merrion Street<br>Leeds LS2 8JQ |
| **Stockbroker** | Canaccord Genuity Limited<br>(formerly Collins Stewart Limited)<br>9th Floor<br>88 Wood Street<br>London EC2V 7QR |
| **Solicitors** | Addleshaw Goddard LLP<br>Milton Gate<br>60 Chiswell Street<br>London EC1Y 4AG<br><br>Bird & Bird LLP<br>15 Fetter Lane<br>London EC4A 1JP |
| **Nominated advisers** | Smith & Williamson Corporate Finance Limited<br>25 Moorgate<br>London EC2R 6AY |

# Financial Calendar

| | |
|---|---|
| Annual General Meeting | 6 September 2012 |
| Proposed final dividend payment | 19 October 2012 |
| Results for the 6 months to 30 September 2012 | 22 November 2012 |
| Proposed interim dividend payment | January 2013 |
| Results for the 12 months to 31 March 2013 | July 2013 |

# Notice of Annual General Meeting

Notice is given that the 2012 Annual General Meeting of Dart Group PLC (the "**Company**") will be held at 9.30 a.m. on 6 September 2012 at Buchanan Communications, 107 Cheapside, London, EC2V 6DN, to consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 7 inclusive will be proposed as Ordinary Resolutions and resolutions 8 to 9 inclusive will be proposed as Special Resolutions.

## Ordinary Business

1. To receive the accounts of the Company for the financial year ended 31 March 2012, together with the Directors' and Auditor's reports on them.
2. To declare a final dividend for the financial year ended 31 March 2012 of 0.89 pence per ordinary share of 1.25 pence in issue.
3. To re-elect Andrew Merrick (who is retiring by rotation) as a Director of the Company.
4. To re-elect Trevor Crowley (who is retiring by rotation) as a Director of the Company.
5. To reappoint KPMG Audit Plc as Auditor of the Company.
6. To authorise the Directors to determine the Auditor's remuneration.
7. That the Directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("**Allotment Rights**"), but so that:
   (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £220,334;
   (b) this authority shall expire on 1 March 2014 or, if earlier, on the conclusion of the Company's 2013 Annual General Meeting;
   (c) before such expiry, the Company may make any offer or agreement which would or might require shares to be allotted or Allotment Rights to be granted after such expiry and, notwithstanding such expiry, the Directors may allot such shares or grant such Allotment Rights pursuant to any such offer or agreement; and
   (d) all other authorities vested in the Directors on the date of the notice of this meeting to allot shares or to grant Allotment Rights, or to allot relevant securities (as defined in the Companies Act 2006), that remain unexercised at the commencement of this meeting are revoked.

## Special Business

8. That the Directors be and they are hereby empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) pursuant to the authority conferred on them by Resolution 7 in the notice of this meeting or by way of a sale of treasury shares as if section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to:
   (a) the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer which is open for acceptance for a period determined by the Directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to (i) fractions of such securities, (ii) the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, (iii) the use of one or more currencies for making payments in respect of such offer, (iv) any such shares or other securities being represented by depositary receipts, (v) treasury shares or (vi) any legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and
   (b) the allotment of equity securities (other than pursuant to paragraph 8 (a) above) up to an aggregate nominal amount of £88,983.32,

and shall expire at such time as the authority conferred on the Directors by Resolution 7 in the notice of this meeting expires, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot equity securities pursuant to any such offer or agreement.

9. That the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(4) of that Act) of ordinary shares of 1.25 pence each in the capital of the Company and, where shares are held as treasury shares, to use them, *inter alia*, for the purposes of employee share plans operated by the Company, provided that:

   (a) (the maximum aggregate number of such shares that may be purchased under this authority is 14,237,332 Ordinary Shares;

   (b) the minimum price which may be paid for such a share is 1.25 pence (exclusive of expenses);

   (c) the maximum price (exclusive of expenses) which may be paid for such a share is an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the AIM Appendix to the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the share is contracted to be purchased or, in the case of a tender offer, the terms of the tender offer are announced;

   (d) this authority shall expire on 1 March 2014 or, if earlier, on the conclusion of the Company's 2013 Annual General Meeting; and

   (e) the Company may complete or conclude, in whole or in part, a purchase of shares after the expiry of this authority pursuant to a contract entered into before such expiry.

By order of the Board

Andrew Merrick

Group Finance Director and Group Company Secretary

Registered office:
Low Fare Finder House
Leeds Bradford International Airport
Leeds
West Yorkshire
LS19 7TU
Dated 23 July 2012

# Notice of Annual General Meeting

**Notes:**

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote on your behalf at a general meeting of the Company.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the space provided on your proxy form. If you sign and return your proxy form with no name inserted in the space, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you must complete a separate Form of Proxy for each proxy. Members can copy their original Form of Proxy.
4. The return of a completed proxy form does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To be valid any proxy form or other instrument appointing a proxy must be:
   - completed and signed;
   - sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
   - received by Capita Registrars no later than 48 hours before the time set for the meeting at 9.30 a.m. on 6 September 2012 (or, in the case of an adjournment, by the time 48 hours before the time appointed for the adjourned meeting).
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.
9. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.
12. Only those members entered on the register of members of the Company at 6.00 p.m. on 4 September 2012 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 4 September 2012 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
14. Copies of the Directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

# Explanatory Notes

### Ordinary Business

The ordinary business to be proposed at the 2012 Annual General Meeting is set out in Resolutions 1 to 7 inclusive.

### Resolution 2 – Declaration of final dividend

Members are being asked to approve a final dividend of 0.89 pence for each ordinary share of 1.25 pence in the capital of the Company in respect of the financial year ended 31 March 2012. If approved, the dividend will be paid on 19 October 2012 to holders of ordinary shares on the register of members at the close of business on 14 September 2012.

### Resolutions 3 and 4 – Re-election of Directors retiring by rotation

In compliance with article 87 of the Company's articles of association, one-third of the Directors are required to retire at the 2012 Annual General Meeting. In addition, each Director shall retire from office at the third Annual General Meeting after he was appointed or reappointed if he would not otherwise fall within the Directors to retire by rotation and did not retire at either of those meetings. Accordingly, Andrew Merrick and Trevor Crowley will retire at the 2012 Annual General Meeting. Each Director will offer himself for re-election as a Director at the 2012 Annual General Meeting and he is recommended by the Board for re-election. Biographical details of each of the Directors can be found on pages 17 to 18 of the Annual Report.

### Resolution 7 – Authority to allot Ordinary Shares

Your Board is proposing to renew the general authority, last given at the Company's 2011 Annual General Meeting, to allot Ordinary Shares. Resolution 7 would give the Directors the authority to allot up to 17,626,682 new Ordinary Shares, representing approximately 12.4% of the issued ordinary share capital of the Company as at 30 June 2012. This authority would expire on the earlier of the conclusion of the Company's next Annual General Meeting and 1 March 2014. The Board has no present intention of exercising this authority and intends to seek its renewal at subsequent Annual General Meetings of the Company.

### Special Business

The special business to be proposed at the 2012 Annual General Meeting is set out in Resolutions 8 and 9.

### Resolution 8 – Disapplication of statutory pre-emption provisions

Your Board is proposing to renew the Directors' authority to allot Ordinary Shares for cash and to sell treasury shares other than pro rata to existing shareholders. This authority would expire on the earlier of the conclusion of the Company's next Annual General Meeting and 1 March 2014.

Resolution 8 would restrict the number of new Ordinary Shares which may be allotted for cash to an aggregate maximum of 7,118,666 Ordinary Shares, being equivalent to approximately 5% of the issued ordinary share capital of the Company as at 30 June 2012. The new authority would also permit allotments to shareholders on a pre-emptive basis subject only, where necessary, to dealing with fractional entitlements and entitlements of foreign shareholders.

# Explanatory Notes

**Resolution 9 – Authority to purchase Ordinary Shares**

This special resolution seeks shareholders' authority for the Company to make market purchases of its own Ordinary Shares. The Directors have no present intention of exercising this authority, but would wish to have the flexibility to do so in the future. Purchases of own Ordinary Shares would only be made through AIM. Any Ordinary Shares purchased would be cancelled (in which case the number of Ordinary Shares in issue would thereby be reduced) or held in treasury. The Directors will only exercise the authority to make purchases of Ordinary Shares granted by this resolution if they believe that to do so would result in an improvement in earnings per share and/or is in the best interests of the shareholders generally. The maximum number of Ordinary Shares which may be purchased is 14,237,332, representing approximately 10% of the issued ordinary share capital of the Company as at 30 June 2012. The authority would expire on the earlier of the conclusion of the Company's next Annual General Meeting and 1 March 2014. The minimum price that could be paid for an Ordinary Share would be 1.25 pence and the maximum price would be equal to 105% of the average of the middle market quotations for an Ordinary Share, as derived from the AIM Appendix to the London Stock Exchange Daily Official List (as applicable at the time the proposed purchase is to be contracted) for the five business days immediately preceding the day on which the share is contracted to be purchased, in each case excluding expenses. The Directors expect that, if the authority were to be exercised, the consideration for such purchases would be defrayed by utilising the distributable reserves of the Company.

The Companies Act 2006 permits the Company to purchase its own shares and, rather than cancel those shares, to hold them as treasury shares, in which case they would carry no voting rights and no entitlement to any dividend for as long as the are held as treasury shares.

The Directors also intend to seek renewal of this authority at future Annual General Meetings.

As at 31 March 2012, options over a total of 8,450,943 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents approximately 6.0% of the Company's issued ordinary share capital as at the same date. It would represent approximately 6.6% of the issued ordinary share capital if the authority to purchase the Company's own Ordinary Shares conferred by Resolution 9 had been exercised in full at that date.

DART GROUP PLC

DART GROUP PLC

Low Fare Finder House
Leeds Bradford International Airport
Leeds
LS19 7TU

T +44 (0)113 238 7444
F +44 (0)113 238 7455
E info@dartgroup.co.uk
W www.dartgroup.co.uk