DART

DART GROUP PLC

INTERIM REPORT 2002

Chairman's Statement

I am pleased to report on the Group's trading for the six months ended 30 September 2002. Profit before tax, and before the amortisation of goodwill, has risen to £5.7m (2001 – £5.2m) on turnover of £103.6m (2001 – £99.2m). Earnings per share, before the amortisation of goodwill, were 11.27p (2001 – 10.38p). Net borrowings have increased to £33.1m (2001 – £22.8m). The increase in borrowings has primarily arisen as a result of new loans taken out to finance the purchase of four Boeing 737-300 aircraft, two of which will now be used by the Group's recently announced low cost airline, **Jet**2, based at Leeds Bradford International Airport. Gearing at 30 September 2002 was 89% (31 March 2002 – 66%) and interest cover was 10 times (2001 – 8 times).

First half sales in the Aviation Services Division increased by 11%, primarily reflecting the increase in the passenger charter activity of the Boeing 737 fleet. Trading conditions in the Distribution Division remain tight and its turnover was unchanged compared to the first half of last year.

The seasonal pattern of trading is changing, mainly as a result of the bias towards passenger flying in the summer months. Second half profits, therefore, are unlikely to show the same level of increase as in the first half. As previously announced, start up costs in respect of **Jet**2 are forecast to be £2m, which will be incurred later in this financial year.

Accordingly, the Board has declared an unchanged interim dividend of 1.85p per share. The dividend will be paid on 3 January 2003 to shareholders on the register as at 22 November 2002.

Aviation Services

Channel Express (Air Services)' contract cargo and passenger operations have had a successful first half. Four Airbus A300 "Eurofreighters" are contracted to express parcel delivery companies, whilst two Boeing 737-300 "Quick Change" aircraft operate night mail services for Royal Mail and passenger charters during the day. The four Boeing 737-300s recently purchased by the Group have now been delivered. One is currently undergoing conversion to a freighter whilst a second will be converted to a Quick Change (enabling it to operate as either a passenger or cargo aircraft) next year. The two other aircraft are flying passenger charters prior to the start of **Jet**2 operations in February 2003. The Group's six Fokker F27s, and remaining Electra, are fully contracted to operate nightly mail, express parcel and newspaper distribution flights.

Channel Express Parts Trading, the company's aircraft parts business, has widened its activity to support Boeing 737 and Airbus A320 aircraft. Currently, trading is less profitable than last year, however, it is expected that the widened customer base will shortly enable growth to resume.

In order to enhance the division's potential for growth, the Group has formed a new low cost airline within Channel Express (Air Services). Trading alongside the existing contract cargo and passenger charter operations and utilising the company's existing resources, **Jet**2 will fly "low cost, no frills" services to European leisure and business destinations from Leeds Bradford International Airport. The North of England is currently poorly served in this sector, yet there is a catchment area of around nine million people within one-and-a-half hour's drive of Leeds Bradford. The Group believes it is well positioned to be successful in this business as it has the operational infrastructure already in place and its success in the contract passenger and cargo business has always depended upon the delivery of cost-effective and time-sensitive services to demanding customers.

The success of no frills airlines has been well documented. They bring the opportunity for leisure travellers, who may not have previously considered regular air travel, to take more frequent holidays and short breaks abroad. They enable families to visit second homes in Southern Europe and truly facilitate changes in travel habits and lifestyles. Business travellers are also cutting their costs as the range of European destinations served from each airport increases. We believe that there is huge potential for further growth in the provision of low cost services in coming years.

The Group's philosophy will be to offer a friendly service at the lowest possible cost, thereby maximising the opportunities for our customers to travel and minimising our financial exposure. Operations at Leeds Bradford will commence in mid February 2003 with two Boeing 737-300s. Two additional aircraft will be added during the Spring with further aircraft added to meet demand. The additional aircraft will be leased or purchased as appropriate. The company will take bookings from early December and it is expected that the majority of these will be made via the **Jet**2 website at www.jet2.com.

I am also pleased to report the continued success of the Group's freight forwarder, Benair Freight International. With offices at London Heathrow, Manchester, East Midlands and Newcastle airports and in Singapore, Benair's sales and profits continue to grow and the company has recently won a significant number of new accounts in a competitive market. This is a creditable reflection of the excellent service provided by professional and dedicated staff.

Distribution

Good progress is being made in rationalising and integrating the operations of our fresh produce and horticulture distribution companies Fowler Welch and Coolchain, which together are the leading suppliers of distribution services in their sector, working for supermarkets, importers and wholesalers throughout the country.

By the end of the financial year we plan to have a simplified management structure and single points of contact for our customers. Care is being taken to ensure that the spirit and standards of customer service for which the companies are known is maintained, but is delivered by a more efficient organisation. The process is greatly assisted by the recent implementation of the new common computerised vehicle planning and operating system across the operating sites. This tool will allow vehicle schedulers to radically improve the utilisation of the fleet of around 500 owned and subcontracted temperature controlled vehicles.

By next Spring we will be well advanced in our mission to deliver the quality but cost-effective services our supermarket customers demand. This progress is essential to meet their price expectations. As they achieve supply chain efficiencies by taking control of their products at the "factory gate", they are able to offer us greater distribution volumes in return for keener prices. Their proposed volumes and our own cost efficiencies have already been factored into the prices we have negotiated going forward. We believe that we will now be in prime position to win extra business at service levels and at rates our competitors will find difficult to match.

Our two offshore distribution companies, Channel Express (C.I.), which specialises in transport and distribution services to and from the Channel Islands, and Fowler Welch BV, which primarily imports produce and horticultural products from the Netherlands into the UK, often feeding the Fowler Welch distribution system, continue to prosper and grow. These niche businesses have considerable potential for further development and form an important part of our Group operations.

Outlook

Finally, I would like to thank all of our staff for their support and contribution to the Group's success. We are a service business and each individual's effort is valued and important. I am also pleased to report that trading during the second half of the year continues satisfactorily.

Philip Meeson
Chairman 14 November 2002

www.dartgroup.co.uk

Unaudited Interim Consolidated Results

for the half year to 30 September 2002

	Note	**Half year to 30 September 2002 (unaudited) £'000**	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Turnover – continuing operations	1	**103,585**	99,225	194,242
Net operating expenses, excluding amortisation of goodwill		**(97,329)**	(93,323)	(183,233)
Amortisation of goodwill		**(248)**	(248)	(497)
Net operating expenses		**(97,577)**	(93,571)	(183,730)
Operating profit – continuing operations		**6,008**	5,654	10,512
Profit/(loss) on disposal of fixed assets		**10**	(13)	232
Net interest payable	2	**(593)**	(680)	(1,257)
Profit on ordinary activities before taxation		**5,425**	4,961	9,487
Taxation		**(1,804)**	(1,657)	(3,179)
Profit on ordinary activities after taxation		**3,621**	3,304	6,308
Dividends		**(636)**	(633)	(2,094)
Retained profit for the period		**2,985**	2,671	4,214
Earnings per share				
– basic		**10.55p**	9.65p	18.41p
– basic, excluding the amortisation of goodwill		**11.27p**	10.38p	19.87p
– diluted		**10.49p**	9.55p	18.25p
Dividend per share		**1.85p**	1.85p	6.11p

Statement of Total Recognised Gains and Losses

	Half year to 30 September 2002 (unaudited) £'000	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Profit on ordinary activities after taxation	**3,621**	3,304	6,308
Foreign exchange gain on foreign equity investments	**(6)**	6	(18)
Total gains and losses recognised in the period	**3,615**	3,310	6,290

Consolidated Balance Sheet

at 30 September 2002

	Note	30 September 2002 (unaudited) £'000	31 March 2002 (audited) £'000
Fixed assets			
Intangible assets		**8,526**	8,774
Tangible assets		**67,684**	54,790
		76,210	63,564
Current assets			
Stock		**2,609**	2,507
Debtors		**31,385**	29,817
Cash at bank and in hand		**4,885**	1,356
		38,879	33,680
Current liabilities			
Creditors: amounts falling due within one year		**(43,361)**	(39,546)
Net current liabilities		**(4,482)**	(5,866)
Total assets less current liabilities		**71,728**	57,698
Creditors: amounts falling due after more than one year		**(29,781)**	(18,970)
Provision for liabilities and charges		**(4,657)**	(4,432)
		(34,438)	(23,402)
		37,290	34,296
Capital and reserves			
Called up share capital		**1,716**	1,716
Share premium account		**7,674**	7,659
Profit and loss account	3	**27,900**	24,921
Shareholders' funds – equity interests		**37,290**	34,296

Consolidated Cash Flow Statement

for the half year to 30 September 2002

	Note	**Half year to 30 September 2002 (unaudited) £'000**	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Net cash inflow from operating activities	4	**13,523**	10,640	21,566
Returns on investment and servicing of finance				
Interest paid: bank and other loans		**(700)**	(697)	(1,360)
Interest element of finance lease rental payments		**–**	(13)	(20)
Interest received: bank		**10**	30	123
		(690)	(680)	(1,257)
Taxation				
Corporation tax paid		**(1,450)**	(1,016)	(2,343)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(23,372)**	(28,456)	(37,221)
Disposal of tangible fixed assets		**259**	397	957
Disposal of investments		**–**	–	59
		(23,113)	(28,059)	(36,205)
Equity dividends paid		**(1,463)**	(1,422)	(2,052)
Cash outflow before financing		**(13,193)**	(20,537)	(20,291)
Financing				
Share capital issued		**15**	62	114
Other loans repaid		**(10,907)**	(1,698)	(14,518)
Bank loans repaid		**(173)**	(174)	(345)
Other loans advanced		**28,699**	18,595	28,816
Finance lease capital		**(131)**	(131)	(262)
		17,503	16,654	13,805
Increase/(decrease) in cash in the period		**4,310**	(3,883)	(6,486)

Notes to the Interim Results

at 30 September 2002

1. Turnover

	Half year to 30 September 2002 (unaudited) £'000	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Distribution	**61,732**	61,676	120,313
Aviation Services	**41,853**	37,549	73,929
	103,585	99,225	194,242
Turnover arising within:			
The United Kingdom and the Channel Islands	**100,605**	96,238	188,671
Mainland Europe	**2,484**	2,236	4,143
The Far East	**496**	751	1,428
	103,585	99,225	194,242

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

2. Net interest payable

	Half year to 30 September 2002 (unaudited) £'000	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
On bank loans and overdrafts	**(30)**	(71)	(292)
On other loans	**(670)**	(626)	(1,068)
On finance leases	**–**	(13)	(20)
	(700)	(710)	(1,380)
Interest receivable	**10**	30	123
	(690)	(680)	(1,257)
Interest capitalised within tangible fixed assets	**97**	–	–
	(593)	(680)	(1,257)

3. Profit and loss account

	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Balance at the beginning of the period	**24,921**	20,725
Retained profit for the period	**2,985**	4,214
Currency translation differences	**(6)**	(18)
	27,900	24,921

Notes to the Interim Results

at 30 September 2002

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

	Half year to 30 September 2002 (unaudited) £'000	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Operating profit	**6.008**	5,654	10,512
Depreciation	**7,120**	6,658	12,527
Amortisation of goodwill	**248**	248	497
Increase in stock	**(102)**	(1,187)	(751)
Increase in debtors	**(1,568)**	(1,497)	148
Increase in creditors	**1,823**	758	(1,349)
Exchange differences	**(6)**	6	(18)
	13,523	10,640	21,566

5. Reconciliation of net cash flow to movement in net debt

	Half year to 30 September 2002 (unaudited) £'000	Half year to 30 September 2001 (unaudited) £'000	Year to 31 March 2002 (audited) £'000
Increase/(decrease) in cash in the period	**4,310**	(3,883)	(6,486)
Cash inflow from increase in net debt in the period	**(14,861)**	(16,592)	(13,691)
Change in net debt in the period	**(10,551)**	(20,475)	(20,177)
Net debt at 1 April	**(22,503)**	(2,326)	(2,326)
Net debt at end of period	**(33,054)**	(22,801)	(22,503)

6. Other matters

The financial information for the year to 31 March 2002 does not constitute statutory accounts, as defined in Section 240 of the Companies Act 1985, but is based on the statutory accounts for the year then ended. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The accounts to 30 September 2002 have been prepared using accounting policies consistent with those adopted for the year to 31 March 2002.

Basic earnings per share has been calculated by reference to earnings of £3,621,000 (2001: £3,304,000) and a weighted average number of ordinary shares in issue of 34,320,676 (2001: 34,221,983).

This report is being sent to all shareholders and copies are available from the Company Secretary at the registered office of the Company, Building 470, Bournemouth International Airport, Christchurch, Dorset, BH23 6SE.

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