



DART GROUP PLC

INTERIM REPORT **2003**

Chairman's Statement

I am pleased to report on the Group's trading for the six months ended 30 September 2003. Profit before tax and amortisation of goodwill has risen to £7.4m (2002 – £5.7m) on turnover of £119.7m (2002 – £103.6m). Turnover increased in the Aviation Services Division primarily as a result of our low cost airline, **Jet2.com**, flying for a full six months. Turnover fell slightly in the Distribution Division as a result of the closure of produce distribution operations at Paddock Wood, Kent and the withdrawal from fruit packing in Teynham, Kent.

The seasonal pattern of profitability has changed with first half profits being higher than the second half as a result of **Jet2.com** being profitable during the summer and loss-making during the winter.

First half capital expenditure amounted to £19.0m, the largest component being the previously announced purchase of seven Boeing 737-300 aircraft, which are now subject to engineering and conversion works prior to entering service. Interest cover was 29 times (2002 – 10 times). Net borrowings marginally increased to £28.5m (31 March 2003 – £28.2m). Gearing at the half year was 69% (31 March 2003 – 76%).

The majority of the Group's debt is denominated in US dollars, which provides a natural hedge to the Boeing 737 assets held in the balance sheet in US dollars. The Group has significant US dollar expenditure offset in part by material US dollar income. In general, a weak dollar benefits the Group, however future profit growth will be held back as a number of attractively priced forward currency contracts will have all matured this financial year.

The Board has declared an unchanged interim dividend of 1.85p per share. The dividend will be paid on 8 January 2004 to shareholders on the register as at 28 November 2003.

Aviation Services

The Aviation Services Division comprises Channel Express (Air Services) and Benair Freight International, the Group's freight forwarder. Channel Express operates contract charter services on behalf of express parcel companies, freight forwarders and Royal Mail, together with passenger charters. Scheduled low cost services, under the brand name **Jet2.com**, were commenced in February of this year.

The company's fleet consists of Airbus A300-B4 Eurofreighters, Boeing 737-300 passenger and Quick Change aircraft and Fokker F27 freighters. The A300-B4 Eurofreighter fleet is wholly contracted to the operation of overnight express parcel services. The company's F27s are contracted to fly on behalf of Royal Mail and newspaper publishers and also operate scheduled cargo services to the Channel Islands.

As previously announced, a further seven Boeing 737-300s were purchased in this first half from the receivers of Ansett Airlines of Australia, taking this fleet to 14 aircraft. Seven are now operating in the freight and passenger markets with the remainder either awaiting conversion to Quick Change configuration, allowing them to fly both passenger and cargo services, or awaiting engineering checks prior to entry into service. We expect our Quick

Change aircraft to fly night-time freight services for overnight express carriers or Royal Mail and passenger charters during the day.

Jet2.com will allow the Group to reduce its dependence on the increasingly tight margin business-to-business sector. Based at Leeds Bradford International Airport, this business has met expectations in its first six months of services. However, **Jet2.com** has an extensive pilot conversion programme in order to expand operations in 2004 and will lose money in the weaker trading winter months. Whilst the overall outlook appears promising, we do not discount the intensely competitive environment we are trading in.

Benair Freight International has had a successful first half with turnover and profits ahead of last year. Both its core freight operations and its specialist ornamental fish importing business experienced continuing growth.

Distribution

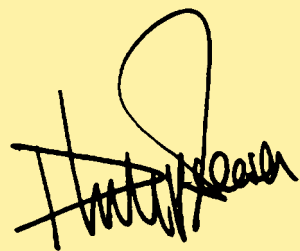
Fowler Welch – Coolchain distributes fresh produce, flowers and temperature-controlled products on behalf of supermarkets and to wholesale markets throughout the United Kingdom. Trading conditions remain difficult with supermarket customers demanding the highest level of service for the lowest possible price. Over the past year a fundamental reorganisation and rationalisation of this business has been undertaken with the aim of becoming one of the most efficient operators in the sector. Further work to integrate all the Division's distribution activities remains, however, and, whilst we continue

to win new business, we do not expect to see a resumption in profit growth until the reorganisation is substantially complete and the Division's management can turn its attention to expansion. Reorganisation of the Division's European operations is also underway to integrate them into the single distribution system, thereby reducing overheads and increasing efficiencies through the sharing of resources in order to meet competitive pressures.

Our Channel Islands-based business is retaining its share of the Channel Islands' freight market but continues to suffer from the decline in the Islands' horticultural exports. However, new business is being gained and the company makes a valuable contribution to divisional profitability.

Outlook

The results for the year remain difficult to predict. Much will depend on the performance of **Jet2.com** over the winter. However, I remain cautiously optimistic that we will achieve an acceptable result for the full year.



Philip Meeson
Chairman

20 November 2003

www.dartgroup.co.uk

Unaudited Interim Consolidated Results

for the half year to 30 September 2003

	Note	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Turnover – continuing operations	1	119,661	103,585	198,176
Net operating expenses, excluding amortisation of goodwill		(112,496)	(97,329)	(189,354)
Amortisation of goodwill		(248)	(248)	(497)
Net operating expenses		(112,744)	(97,577)	(189,851)
Operating profit – continuing operations		6,917	6,008	8,325
Profit on disposal of fixed assets		446	10	82
Net interest payable	2	(237)	(593)	(989)
Profit on ordinary activities before taxation		7,126	5,425	7,418
Taxation		(2,368)	(1,804)	(2,499)
Profit on ordinary activities after taxation		4,758	3,621	4,919
Dividends		(636)	(636)	(2,094)
Retained profit for the period		4,122	2,985	2,825
Earnings per share				
– basic		13.86p	10.55p	14.33p
– basic, excluding the amortisation of goodwill		14.58p	11.27p	15.78p
– diluted		13.83p	10.49p	14.27p
Dividend per share		1.85p	1.85p	6.11p

Statement of Total Recognised Gains and Losses

	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Profit on ordinary activities after taxation	4,758	3,621	4,919
Foreign exchange movement on foreign equity investments	(13)	(6)	8
Total gains and losses recognised in the period	4,745	3,615	4,927

Consolidated Balance Sheet

at 30 September 2003

	Note	30 September 2003 (unaudited) £'000	31 March 2003 (audited) £'000
Fixed assets			
Intangible assets		8,029	8,277
Tangible assets		79,452	73,484
		87,481	81,761
Current assets			
Stock		2,299	2,452
Debtors		33,308	31,043
Cash at bank and in hand		12,330	6,940
		47,937	40,435
Current liabilities			
Creditors: amounts falling due within one year		(49,374)	(48,496)
Net current liabilities		(1,437)	(8,061)
Total assets less current liabilities		86,044	73,700
Creditors: amounts falling due after more than one year		(37,741)	(30,444)
Provision for liabilities and charges		(7,031)	(6,112)
		(44,772)	(36,556)
		41,272	37,144
Capital and reserves			
Called up share capital		1,717	1,716
Share premium account		7,692	7,674
Profit and loss account	3	31,863	27,754
Shareholders' funds – equity interests		41,272	37,144

Consolidated Cash Flow Statement

for the half year to 30 September 2003

	Note	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Net cash inflow from operating activities	4	19,939	13,523	33,713
Returns on investment and servicing of finance				
Interest paid: bank and other loans		(333)	(700)	(1,054)
Interest received: bank		96	10	65
		(237)	(690)	(989)
Taxation				
Corporation tax paid		(1,462)	(1,450)	(2,283)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(19,008)	(23,372)	(36,398)
Disposal of tangible fixed assets		453	259	189
		(18,555)	(23,113)	(36,209)
Equity dividends paid		(1,463)	(1,463)	(2,094)
Cash outflow before financing		(1,778)	(13,193)	(7,862)
Financing				
Share capital issued		15	15	15
Other loans repaid		(5,777)	(10,907)	(3,103)
Bank loans repaid		–	(173)	(1,594)
Other loans advanced		12,941	28,699	18,612
Finance lease capital		–	(131)	(196)
		7,179	17,503	13,734
Increase in cash in the period		5,401	4,310	5,872

Notes to the Interim Results

at 30 September 2003

1. Turnover

	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Distribution	58,005	61,732	119,154
Aviation Services	61,656	41,853	79,022
	<u>119,661</u>	<u>103,585</u>	<u>198,176</u>
Turnover arising within:			
The United Kingdom and the Channel Islands	116,374	100,605	192,072
Mainland Europe	2,753	2,484	5,077
The Far East	534	496	1,027
	<u>119,661</u>	<u>103,585</u>	<u>198,176</u>

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

2. Net interest payable

	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
On bank loans and overdrafts	(178)	(30)	(326)
On other loans	(265)	(670)	(967)
Other interest payable	–	–	(22)
	<u>(443)</u>	<u>(700)</u>	<u>(1,315)</u>
Interest receivable	96	10	65
	<u>(347)</u>	<u>(690)</u>	<u>(1,250)</u>
Interest capitalised within tangible fixed assets	110	97	261
	<u>(237)</u>	<u>(593)</u>	<u>(989)</u>

3. Profit and loss account

	Half year to 30 September 2003 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Balance at the beginning of the period	27,754	24,921
Retained profit for the period	4,122	2,825
Currency translation differences	(13)	8
	<u>31,863</u>	<u>27,754</u>

Notes to the Interim Results

at 30 September 2003

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

	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Operating profit	6,917	6,008	8,325
Depreciation	13,033	7,120	15,341
Amortisation of goodwill	248	248	497
Decrease/(increase) in stock	153	(102)	55
Increase in debtors	(2,265)	(1,568)	(1,164)
Increase in creditors	1,866	1,823	10,651
Exchange differences	(13)	(6)	8
	<u>19,939</u>	<u>13,523</u>	<u>33,713</u>

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

	Half year to 30 September 2003 (unaudited) £'000	Half year to 30 September 2002 (unaudited) £'000	Year to 31 March 2003 (audited) £'000
Increase in cash in the period	5,401	4,310	5,872
Cash inflow from increase in net debt in the period	(7,164)	(17,489)	(13,719)
Change in net debt in the period	(1,763)	(13,179)	(7,847)
Exchange differences	1,467	2,628	2,183
Net debt at 1 April	(28,167)	(22,503)	(22,503)
Net debt at end of period	<u>(28,463)</u>	<u>(33,054)</u>	<u>(28,167)</u>

6. Other matters

The financial information for the year to 31 March 2003 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 2003 have been prepared using accounting policies consistent with those adopted for the year to 31 March 2003.

Basic earnings per share has been calculated by reference to earnings of £4,758,000 (2002 : £3,621,000) and a weighted average number of ordinary shares in issue of 34,340,047 (2002 : 34,320,676).

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.

