# DART GROUP PLC

**Interim Results for the Six Months Ended 30 September 2006**

Dart Group PLC, the aviation and distribution group, announces its interim results for the six months ended 30 September 2006

**CHAIRMAN'S STATEMENT**

I am pleased to report on the Group's trading for the six months ended 30 September 2006. Profit before tax, goodwill amortisation and exceptional items amounted to £22.1m (2005 restated: £14.7m) whilst profit before tax but after goodwill amortisation and exceptional items was £24.0m (2005 restated: £18.1m). The usual pattern of seasonal profitability for the Group is likely to be repeated this year, with ***Jet2.com*** being profitable in the summer and loss making in the winter.

The Group has material exposures to both the US Dollar exchange rate and the price of aviation fuel. The Group's treasury operations manage the risks of these exposures. In accordance with our current treasury policy, both of these exposures have been fully hedged for the current financial year. For the year ending 31 March 2008, 76% of the forecast US Dollar exposure has been hedged together with 57% of the jet fuel tonnage.

The Group completed the sale of its non-core Channel Islands' logistics business on 3 July 2006. The exceptional credit of £2.2m relates to surplus of proceeds over book cost.

Capital expenditure in the first half amounted to £26.0m (2005 : £22.7m) and primarily related to the purchase of two Boeing 757-200 aircraft. Net debt at 30 September 2006 was £5.8m (2005 : £7.7m), representing gearing of 7.8 % (2005 : 13%).

The Board is pleased to declare an increased interim dividend of 0.65p per share (2005 : 0.5625p), an increase of 15.6%. The dividend will be paid on 4 January 2007 to shareholders on the register as at 1 December 2006.

***Jet2.com***

***Jet2.com***, the low-cost airline, has had an encouraging summer's business from its six Northern bases which, whilst serving separate catchment areas, have considerable synergies in terms of marketing and operations. Predominately a leisure-based airline, the company is benefiting from its customers' growing propensity to fly on flexible scheduled services rather than with traditional charter carriers for their leisure needs.

The owned aircraft fleet consists of 21 Boeing 737-300s and five Boeing 757-200s. Additional capacity is leased in as required. Six of the Boeing 737-300s are "Quick Change" versions enabling them to also operate night mail services for Royal Mail.

We plan to expand both fleets during the winter months in order to serve the increased range of destinations the company has announced for next summer. These include seven new routes from Manchester, five each from Leeds-Bradford, Belfast and Newcastle, four from Blackpool and two from Edinburgh. Several of these are to existing destinations already served from other bases and their introduction will considerably increase the choice of city breaks and sun offered from each base and enhance the company's overall marketing presence. Full details can be found on the company's website, www.jet2.com.

Ancillary revenue from associated commercial services such as onboard sales and hotels, car hire, etc., booked through our sales website have shown good growth in spend per passenger during the year and major efforts are being made to build on these and to develop other revenue opportunities.

Our strategy continues to be to concentrate and grow ***Jet2.com***'s operations in the North, building familiarity with the brand and delivering an attractive, low-cost service. This is a competitive market but, with innovation, we believe there are many future opportunities.

**Fowler Welch-Coolchain**

The Group's logistics company, Fowler Welch-Coolchain, made further progress in the first half with increased sales and profits. Fowler Welch-Coolchain primarily provides an integrated supply chain solution to supermarkets and their suppliers, food manufacturers, growers and importers. Capabilities include both chilled and ambient distribution together with warehousing and pick to order operations.

The recently acquired business and assets of R F Fielding Cheshire Limited (In Administration), which specialises in ambient distribution, made a small net contribution to profits from a combination of network synergies, cost reductions and new customer wins.

On 4 September 2006 an 11 acre freehold property was acquired in North East England. Currently, the property is being partially fitted out with chilled storage and loading docks and, when complete, the total cost will be in the order of £5.25m. These facilities will enable the business to further grow its operations out of this region as the previous property was too small to support growth.

The business' warehousing and picking operations continue to expand, with our Teynham, Kent site functioning at near capacity and a substantial operation being undertaken at Spalding for Bernard Matthews Foods Limited with whom, a five- year contract has just been signed.

**Outlook**

After an encouraging first half, we remain optimistic for a successful outcome to the full year.

**Philip Meeson,**
Chairman

23 November 2006

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## UNAUDITED INTERIM CONSOLIDATED RESULTS

*for the half year to 30 September 2006*

| | Note | **Half Year to 30 September 2006 (unaudited) Before exceptional items** | **Half Year to 30 September 2006 (unaudited) Exceptional items** | **Half Year to 30 September 2006 (unaudited) Total** | Half Year to 30 September 2005 (unaudited) Before exceptional items (restated) | Half Year to 30 September 2005 (unaudited) Exceptional items | Half Year to 30 September 2005 (unaudited) Total (restated) | Year to 31 March 2006 (audited) Before exceptional items (restated) | Year to 31 March 2006 (audited) Exceptional items | Year to 31 March 2006 (audited) Total (restated) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **£m** | **£m** | **£m** | £m | £m | £m | £m | £m | £m |
| ***Turnover*** | | | | | | | | | | |
| – continuing operations | | **198.6** | - | **198.6** | 168.7 | - | 168.7 | 298.6 | - | 298.6 |
| – discontinued operations | | **3.2** | - | **3.2** | 15.6 | - | 15.6 | 21.0 | - | 21.0 |
| | 2 | **201.8** | **-** | **201.8** | 184.3 | - | 184.3 | 319.6 | - | 319.6 |
| Net operating expenses, excluding amortisation of goodwill | | (178.4) | - | (178.4) | (169.2) | - | (169.2) | (305.6) | (6.2) | (311.8) |
| Amortisation of goodwill | | (0.3) | - | (0.3) | (0.3) | - | (0.3) | (0.5) | - | (0.5) |
| Net operating expenses | | **(178.7)** | **-** | **(178.7)** | (169.5) | - | (169.5) | (306.1) | (6.2) | (312.3) |
| **Operating Profit** | | | | | | | | | | |
| – continuing operations | | **23.0** | **-** | **23.0** | 13.8 | - | 13.8 | 12.4 | (6.2) | 6.2 |
| – discontinued operations | | **0.1** | **-** | **0.1** | 1.0 | - | 1.0 | 1.1 | - | 1.1 |
| | | **23.1** | **-** | **23.1** | 14.8 | - | 14.8 | 13.5 | (6.2) | 7.3 |
| Profit on disposal of discontinued operations | | **-** | **2.2** | **2.2** | - | 3.7 | 3.7 | - | 3.7 | 3.7 |
| Profit on disposal of fixed assets | | **-** | **-** | **-** | - | - | - | - | 3.3 | 3.3 |
| Net interest (payable) / receivable | 3 | **(1.3)** | **-** | **(1.3)** | (0.4) | - | (0.4) | 0.5 | - | 0.5 |
| **Profit on ordinary activities before taxation** | | **21.8** | **2.2** | **24.0** | 14.4 | 3.7 | 18.1 | 14.0 | 0.8 | 14.8 |
| Taxation | | **(7.0)** | **(0.2)** | **(7.2)** | (4.7) | - | (4.7) | (4.7) | 0.9 | (3.8) |
| **Profit for the period** | | **14.8** | **2.0** | **16.8** | 9.7 | 3.7 | 13.4 | 9.3 | 1.7 | 11.0 |

| | **Half Year to 30 September 2006 (unaudited) Before exceptional items** | **Half Year to 30 September 2006 (unaudited) Total** | Half Year to 30 September 2005 (unaudited) Before exceptional items (restated) | Half Year to 30 September 2005 (unaudited) Total (restated) | Year to 31 March 2006 (audited) Before exceptional items (restated) | Year to 31 March 2006 (audited) Total (restated) |
|---|---|---|---|---|---|---|
| **Earnings per share - total** | | | | | | |
| **-** basic | **10.60p** | **12.07p** | 7.09p | 9.75p | 6.75p | 7.95p |
| - diluted | **10.51p** | **11.96p** | 7.03p | 9.67p | 6.70p | 7.89p |
| **Earnings per share – continuing operations** | | | | | | |
| **-** basic | **10.48p** | **10.48p** | 6.45p | 6.45p | 6.44p | 4.98p |
| - diluted | **10.39p** | **10.39p** | 6.40p | 6.40p | 6.40p | 4.95p |
| **Earnings per share – discontinued operations** | | | | | | |
| **-** basic | **0.12p** | **1.58p** | 0.64p | 3.30p | 0.31p | 2.97p |
| - diluted | **0.11p** | **1.57p** | 0.63p | 3.27p | 0.31p | 2.95p |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

*for the half year to 30 September 2006*

| | **Half Year to 30 September 2006 (unaudited) £m** | Half Year to 30 September 2005 (unaudited) Total £m | Year to 31 March 2006 (audited) Total £m |
|---|---|---|---|
| Profit for the period | **16.8** | 13.4 | 11.0 |
| Total recognised gains and losses relating to the period | **16.8** | 13.4 | 11.0 |
| Prior year adjustment<br>- FRS 20 Share based payment expense (note 1) | **(0.3)** | | |
| **Total recognised gains and losses since previous annual report** | **16.5** | | |

## CONSOLIDATED BALANCE SHEET

*at 30 September 2006*

| | Note | **30 September 2006 (unaudited) £m** | 30 September 2005 (unaudited) (restated) £m | 31 March 2006 (audited) (restated) £m |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Intangible assets | | **6.5** | 7.0 | 6.8 |
| Tangible assets | | **143.6** | 112.7 | 131.5 |
| | | **150.1** | 119.7 | 138.3 |
| **Current assets** | | | | |
| Stock | | **6.5** | 5.8 | 7.5 |
| Debtors | | **26.1** | 25.5 | 23.8 |
| Cash at bank and in hand | | **12.7** | 13.2 | 26.0 |
| | | **45.3** | 44.5 | 57.3 |
| **Current liabilities** | | | | |
| **Creditors:** amounts falling due within one year | | **(91.4)** | (78.0) | (98.6) |
| **Net current liabilities** | | **(46.1)** | (33.5) | (41.3) |
| **Total assets less current liabilities** | | **104.0** | 86.2 | 97.0 |
| **Creditors:** amounts falling due after more than one year | | **(16.4)** | (18.1) | (28.0) |
| **Provisions for liabilities and charges** | | **(12.9)** | (6.2) | (9.7) |
| **Net assets** | | **74.7** | 61.9 | 59.3 |
| **Capital and reserves** | | | | |
| Called up share capital | | **1.8** | 1.7 | 1.7 |
| Share premium account | | **8.8** | 8.1 | 8.6 |
| Profit and loss account | 5 | **64.1** | 52.1 | 49.0 |
| **Shareholders' funds – equity interests** | 6 | **74.7** | 61.9 | 59.3 |

## CONSOLIDATED CASH FLOW STATEMENT

*for the half year to 30 September 2006*

| | Note | **Half year to 30 September 2006 (unaudited)** | Half year to 30 September 2005 (unaudited) | Year to 31 March 2006 (audited) |
|---|---|---|---|---|
| | | **£m** | £m | £m |
| **Net cash inflow from operating activities** | 7 | **23.8** | 16.4 | 41.0 |
| **Returns on investment and servicing of finance** | | | | |
| Interest paid: bank and other loans | | **(0.7)** | (0.6) | (1.9) |
| Interest received: bank | | **0.3** | 0.2 | 0.3 |
| | | **(0.4)** | (0.4) | (1.6) |
| **Taxation** | | | | |
| Corporation and overseas tax paid | | **(1.2)** | (5.6) | (5.2) |
| **Capital expenditure and financial investment** | | | | |
| Purchase of tangible fixed assets | | **(26.0)** | (22.7) | (48.7) |
| Disposal of tangible fixed assets | | **2.2** | - | 3.2 |
| | | **(23.8)** | (22.7) | (45.5) |
| **Acquisitions and disposals** | 4 | | | |
| Proceeds from disposal of discontinued operations (net of disposal costs) | | **3.8** | 4.9 | 4.9 |
| Net cash balances leaving the Group with disposal of discontinued operations | | **-** | (0.9) | (0.9) |
| | | **3.8** | 4.0 | 4.0 |
| **Equity dividends paid** | | **(1.8)** | (1.6) | (2.4) |
| **Cash inflow / (outflow) before financing** | | **0.4** | (9.9) | (9.7) |
| **Financing** | | | | |
| Ordinary share capital issued | | **0.2** | 0.1 | 0.6 |
| Other loans repaid | | **(13.0)** | (4.4) | (14.2) |
| Other loans advanced | | **-** | - | 20.4 |
| | | **(12.8)** | (4.3) | 6.8 |
| **(Decrease) in cash in the period** | | **(12.4)** | (14.2) | (2.9) |

## 1. Accounting Policies

The accounting policies adopted by the Group are consistent with those disclosed in the Group's financial statements for the year ended 31 March 2006 except for the adoption and impact of FRS 20.

*FRS 20: Share-based Payment*
The fair value of employee share option plans is measured at the date of grant of the option using a 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 expenses is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, of the number of equity instruments that will ultimately vest. Cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in reserves. The Group has taken advantage of the transitional provisions of FRS 20 in respect of the fair value of equity settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial valuation model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the models for the options granted in the year:

| | Half year to 30 September 2006 |
|---|---|
| Dividend yield | 1.8% |
| Expected share price volatility | 33% |
| Historical volatility | 33% |
| Risk-free interest rate | 4.46% |
| Expected life of options | 10 years |
| Weighted average share price | 55p |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of fair value.

The share-based payment charge has been recorded in the income statement as follows:

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) £m | Year to 31 March 2006 (audited) £m |
|---|---|---|---|
| - Employee costs | **0.1** | 0.1 | 0.2 |

## 2. Turnover

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) £m | Year to 31 March 2006 (audited) £m |
|---|---|---|---|
| **Distribution** | | | |
| – continuing operations | **52.9** | 49.1 | 104.2 |
| - discontinued operations (see note 4) | **3.2** | 6.1 | 11.5 |
| **Aviation** | | | |
| - continuing operations | **145.7** | 119.6 | 194.4 |
| - discontinued operations | **-** | 9.5 | 9.5 |
| | **201.8** | 184.3 | 319.6 |
| Turnover arising: | | | |
| **Continuing operations** | | | |
| Within the United Kingdom and the Channel Islands | **93.2** | 92.3 | 173.3 |
| Between the United Kingdom and Mainland Europe | **105.4** | 76.4 | 125.3 |
| **Discontinued operations** | | | |
| Within the United Kingdom and the Channel Islands | **3.2** | 15.2 | 20.6 |
| Within the Far East | **-** | 0.4 | 0.4 |
| | **201.8** | 184.3 | 319.6 |

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

## 3. Net interest and currency (losses)/gains (payable) / receivable

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) £m | Year to 31 March 2006 (audited) £m |
|---|---|---|---|
| On other loans | **(0.9)** | (0.6) | (1.5) |
| Other interest payable | **-** | - | (0.6) |
| | **(0.9)** | (0.6) | (2.1) |
| Interest receivable | **0.3** | 0.2 | 0.3 |
| Interest payable capitalised within fixed assets | **0.2** | - | 0.3 |
| Foreign exchange (loss) / gain | **(0.9)** | - | 2.0 |
| | **(1.3)** | (0.4) | 0.5 |

## NOTES TO THE INTERIM RESULTS

*at 30 September 2006*

### 4. Exceptional items

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) £m | Year to 31 March 2006 (audited) £m |
|---|---|---|---|
| **Operating items** | | | |
| Re-organisation costs | **-** | - | (2.2) |
| A300 closure costs | **-** | - | (0.7) |
| Impairment of fixed assets | **-** | - | (3.3) |
| **Profit on disposal of investments and fixed assets** | | | |
| Profit on disposal of discontinued operations | **2.2** | 3.7 | 3.7 |
| Gain on disposal of A300 | **-** | - | 3.3 |
| **Net exceptional items before taxation** | **2.2** | 3.7 | 0.8 |

On 3rd July 2006, the Group completed the sale of the trade, assets and liabilities of Channel Express (CI) Limited to a third party specialising in Channel Islands distribution. The disposal is analysed as follows:

| | £m |
|---|---|
| **Net Assets disposed of:** | |
| Fixed Assets | 0.8 |
| Debtors | 2.2 |
| Cash at bank | - |
| Creditors | (1.4) |
| | 1.6 |
| Costs of disposal | 0.2 |
| Profit on disposal | 2.2 |
| **Proceeds** | **4.0** |
| **Satisfied by:** | |
| Cash | **4.0** |

The profit attributable to members of the parent company for the half year to 30 September 2006 includes profits of £0.2m earned by Channel Express (CI) Limited up to the date of disposal.

During the half year to 30 September 2006 Channel Express (CI) Limited contributed £0.4m to the Group's net operating cashflows, received £0.1m in respect of net returns on investments and servicing of finance, paid £0.1m in respect of taxation and utilised £nil for capital expenditure and financial investment.

### 5. Profit and loss account reserve

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) (restated) £m | Year to 31 March 2006 (audited) (restated) £m |
|---|---|---|---|
| Balance at the beginning of the period | **49.0** | 40.2 | 40.2 |
| Profit for the period | **16.8** | 13.4 | 11.0 |
| Dividends paid in the period | **(1.8)** | (1.6) | (2.4) |
| Reserves movement arising from share based payment | **0.1** | 0.1 | 0.2 |
| | **64.1** | 52.1 | 49.0 |

## NOTES TO THE INTERIM RESULTS
*at 30 September 2006*

### 6. Reconciliation of movements in shareholders' funds

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) (restated) £m | Year to 31 March 2006 (audited) (restated) £m |
|---|---|---|---|
| Profit for the period | **16.8** | 13.4 | 11.0 |
| Dividends paid in the period | **(1.8)** | (1.6) | (2.4) |
| Reserves movement arising from share based payment charge | **0.1** | 0.1 | 0.2 |
| Net addition to Profit and Loss reserve | **15.1** | 11.9 | 8.8 |
| Issue of shares under share option schemes | **0.3** | 0.1 | 0.6 |
| Net addition to shareholders' funds | **15.4** | 12.0 | 9.4 |
| Opening shareholders' funds | **59.3** | 49.9 | 49.9 |
| Closing shareholders' funds | **74.7** | 61.9 | 59.3 |

### 7. Reconciliation of operating profit to net cash flow from operating activities

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) (restated) £m | Year to 31 March 2006 (audited) £m |
|---|---|---|---|
| Operating profit | **23.1** | 14.8 | 7.3 |
| Depreciation and impairment | **10.8** | 9.1 | 16.6 |
| Amortisation of goodwill | **0.3** | 0.3 | 0.5 |
| Profit on disposal of fixed assets | **0.1** | - | - |
| Share based payments | **0.1** | 0.1 | 0.2 |
| Decrease / (increase) in stock | **1.0** | (1.2) | (2.9) |
| (Increase) / decrease in debtors | **(4.4)** | - | 1.7 |
| (Decrease) / increase in creditors | **(7.2)** | (6.7) | 17.6 |
| **Net cash flow from operating activities** | **23.8** | 16.4 | 41.0 |

### 8. Reconciliation of net cash flow to movement in net debt

| | **Half year to 30 September 2006 (unaudited) £m** | Half year to 30 September 2005 (unaudited) (restated) £m | Year to 31 March 2006 (audited) £m |
|---|---|---|---|
| (Decrease) in cash in the period | **(12.4)** | (14.2) | (2.9) |
| Cash outflow / (inflow) from decrease / (increase) in net debt in the period | **13.0** | 4.4 | (6.2) |
| Change in net debt resulting from cashflows in the period | **0.6** | (9.8) | (9.1) |
| Exchange differences | **(0.9)** | (0.3) | 1.2 |
| Net (debt) / funds at beginning of period | **(5.5)** | 2.4 | 2.4 |
| **Net (debt) at end of period** | **(5.8)** | (7.7) | (5.5) |

## 9. Other matters

The financial information for the year ended 31 March 2006 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 calculation of basic earnings per share is based on earnings for the period ended 30 September 2006 of £16.8m (2005 restated - £13.4m). The calculation of basic earnings per share before exceptional items is based on earnings before exceptional items for the period ended 30 September 2006 of £14.8m (2005 restated - £9.7m). Both calculations are based on 139,501,501 shares (2005 - 138,205,196) being the weighted average number of shares in issue for the period.

This report will be posted on the Company's website, www.dartgroup.co.uk.