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DART GROUP PLC

REPORT AND ACCOUNTS 2002

DART GROUP PLC

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

- the operation of cargo and passenger aircraft on charter contracts throughout Europe and to the Middle East;
- the distribution of fresh produce, flowers and temperature-controlled products to supermarkets and wholesale markets throughout the United Kingdom;
- freight forwarding at London Heathrow, Manchester, East Midlands and Newcastle airports and from offices in the Far East.

Contents

Chairman's Statement

I am pleased to report on the Group's trading for the year ended 31 March 2002.

Profit before tax and before the amortisation of goodwill has risen to £10.0m (2001 – £9.7m), on turnover of £194.2m (2001 – £190.9m). Earnings per share before the amortisation of goodwill were 19.87p (2001 – 19.4p). The Board is recommending a final dividend of 4.26p (2001 – 4.16p) taking the total dividend for the year to 6.11p (2001 – 5.96p), an increase of 2.5%. The dividend, if approved, will be payable on 23 August 2002 to shareholders on the register on 28 June 2002.

The last financial year has been a challenging one for the Group with less buoyant trading conditions leading to lower than expected turnover in the Distribution Division and markedly higher aviation, vehicle and general insurance costs. Despite the challenges, the Group has progressed during the year.

Capital expenditure amounted to £26.9m (2001 – £24.3m) and mainly related to the purchase of the Group's second Boeing 737-300QC aircraft, aircraft maintenance, the purchase of land and buildings at its consolidation centres in Kent, and a new computer system for the Distribution Division. Net borrowings at 31 March 2002 stood at £22.5m (2001 – £2.3m), which represented gearing of 66% (2001 – 8%). On 3 May 2002 the Group announced the acquisition of four Boeing 737-300 aircraft which had previously been in service with Ansett Australia Ltd.

The Group has two operating divisions – Aviation Services and Distribution, the activities of which are also described in the more detailed Review of Operations following this statement.

Aviation Services

In June and August of 2001, Channel Express (Air Services) commenced operating two Boeing 737-300 Quick Change aircraft which the Group had purchased from Lufthansa. The Quick Change concept allows the interiors of the aircraft to be reconfigured between passenger and freighter roles in less than 45 minutes, enhancing the aircraft's earning potential.

The aircraft are currently based at Stansted and Edinburgh airports and each operates night mail flights and day-time passenger charters. Whilst the Group believes that there are a limited number of airports at which both day-time passenger and night-time freight operations can be successfully combined in this way, we see potential for Boeing 737-300 aircraft that have been converted to pure freighters to take over the operation of night freight services from older, noisier aircraft that are currently being retired for environmental reasons.

The Group has, therefore, purchased four additional Boeing 737-300s which had been in passenger service with Ansett Australia Ltd since new. These aircraft are being delivered in the first half of the current financial year. Two will initially remain as passenger aircraft whilst two are converted to freighter or Quick Change configuration. These will be re-delivered to us in 2003. The new aircraft are expected to make a positive contribution to the profitability of the Group in the 2003/04 financial year. The Group anticipates adding further Boeing 737 series aircraft to its fleet in due course and Channel Express (Air Services) aims to become one of the leading European providers of the type, together with associated training and parts support services.

Channel Express (Air Services) also operates four Airbus A300 "Eurofreighters", seven Fokker F27s and one remaining Lockheed Electra, which are contracted to operate cargo services on behalf of express parcel companies, postal authorities, freight forwarders and other airlines. Together the fleet offers customers payload capacities of 6 tonnes (F27), 17 tonnes (B737) and 45 tonnes (A300). This range of payloads enables us to match our customers' needs as they develop their services.

In line with the growth of the Group's aircraft operations, Channel Express Parts Trading, our aircraft spares business, is expanding its services to also provide parts support for the Group's Boeing 737s and for those of other operators. Office and warehouse premises have recently been taken at Stansted airport, at which the low cost passenger airlines operate large fleets of Boeing 737s. We expect the development of the Group's operations with the type to offer good opportunities for Parts Trading, which has hitherto mainly specialised in supporting Airbus A300s, operated by both ourselves and other airlines.

I am also delighted to report the good progress made by our freight management company, Benair Freight International. Against industry trends, this company's business has profitably developed reflecting the high standard of service it provides.

Distribution

The Dart Distribution companies have continued to develop their services in order to meet the ever evolving requirements of their supermarket customers. Over the past few years the Group has built its distribution business both organically and by the acquisition in 1994 of Fowler Welch, which distributes fresh produce grown in and imported into Lincolnshire, and in 1999 of Coolchain, which distributes locally grown and imported fruit from its centres in Kent.

The division has continued to win new business during the financial year. However, turnover has shown relatively little growth due, it is believed, to poor trading conditions in the first half, a tighter economy and refinements in the way our customers organise the supply of their products.

A significant development affecting the Distribution Division's operations in the year ahead will be the continuing introduction of "factory gate" pricing whereby the retailer takes over responsibility for product, including its distribution, from suppliers at the point of despatch. The division's challenge will be to meet the price expectation of our supermarket customers whilst still delivering the service they have come to expect. We are acutely aware of the fundamental importance of the division's role in the extremely efficient multiple retailers' supply chains and take our responsibilities for the distribution of their highly perishable products very seriously.

The distribution of fresh produce and other short shelf-life products is both specialised and time-sensitive requiring hands-on and dedicated managers who are used to working long and anti-social hours. Volumes can vary dramatically with both weather and social factors influencing short-term demand. We are fortunate to have highly experienced management in the companies within this division. They also fully recognise that the division must continually develop and re-organise its business to deliver a quality service at the most competitive price.

The Dart Distribution Division is well placed to benefit from the expected long-term growth in the consumption of fresh produce and freshly prepared chilled foods. The distribution industry is expected to continue to consolidate and the Group's policy remains to grow both organically, by winning business, and through carefully selected acquisitions.

Our Staff

Both the Aviation Services and Distribution divisions operate 24 hours a day, 365 days a year, offering time sensitive specialised services. The Group is, therefore, uniquely dependent on the contribution of every member of the operational and administrative teams. Our continued success is a reflection of our dedicated and hard working staff to whom I am extremely grateful. We are committed to promoting from within wherever possible, to training and personal development and, through best health and safety practices, to the development of a safe workplace.

Outlook

I believe increased profits will be difficult to achieve in the current financial year. However, I expect the addition of the Group's further Boeing 737-300 aircraft to enable profit growth to resume thereafter with both divisions being well positioned to take advantage of opportunities in their evolving markets. Finally, I am pleased to say that the current year's trading has commenced satisfactorily.

Philip Meeson
Chairman 20 June 2002

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

Review of Operations

Aviation Services

With the addition of the four Boeing 737-300 aircraft purchased by the Group in May 2002 from the Administrators of Ansett Australia Ltd, **Channel Express (Air Services)** will be operating 18 aircraft, flying contract services on behalf of express parcel companies, postal authorities, freight forwarders and other passenger and cargo airlines throughout Europe and to the Middle East.

The company's freighter fleet consists of four Airbus A300 "Eurofreighters", each offering a payload of 45 tonnes, two Boeing 737-300 Quick Change (QC) aircraft offering 17 tonnes, seven Fokker F27s offering 6 tonnes and our remaining 15 tonne payload Lockheed Electra.

After an extensive analysis of the European cargo market's likely future aircraft requirements, the company chose to develop its operations with the Boeing 737 series. Increasingly stringent airport noise regulations are hastening the retirement of older freighters, such as Boeing 727s which carry up to 27 tonnes and have until now been the backbone of express freight carriers' fleets. Its slightly larger replacement, already chosen by one leading operator, is the Boeing 757-200 offering a payload of 30 tonnes. It is believed that Boeing 737-300 freighters, with up to 18 tonnes payload, will be needed to serve less developed and lower volume routes. The company's Lockheed Electra aircraft previously filled this niche.

Of the six Boeing 737-300s now owned by the Group, two are already operating in QC configuration allowing them to carry cargo or passengers, and two will be converted to QCs or dedicated freighters during 2003. Two will remain as passenger aircraft until they are also converted in 2004.

The dual role passenger or freighter capability of the QC aircraft obviously enhances the potential to maximise utilisation. However, timing is critical to the success of Quick Change operations in order to complete day-time passenger flying prior to the role change and commencement of time sensitive night freight flights. This does limit the level of day-time utilisation achievable and the number of suitable airports at which the Quick Change concept can be used.

The reception that the company's current passenger and cargo service has received from its customers has been very encouraging. The Group's two owned QC aircraft, based at Edinburgh and Stansted airports, are each contracted to fly approximately 1,000 hours of passenger services during the months April to October this year. At night the aircraft fly mail services between the two airports on behalf of Royal Mail and together the combination produces an efficient, value for money service for both Royal Mail and our passenger customers.

The financial difficulties which led to the administration of Ansett Australia Ltd offered the Group the opportunity to acquire four well-maintained Boeing 737-300s, which had been with the same operator since new, at a competitive price. During the period that these aircraft are being converted to QCs or freighters their contribution to the Group will be limited. However, the Boeing 737 fleet is expected to make increasing positive contributions to the long-term profitability of the Group from the 2003/4 financial year from both freight and passenger flying.

Review of Operations

continued

Channel Express (Air Services) is currently operating four Airbus A300 "Eurofreighters" – two of which are owned by the Group, with two on flexible lease terms from Finova Capital Corporation. During the year the Eurofreighter has achieved a remarkable 99.5% technical record of on-time departures. This is a reflection of the excellent teamwork between our aircrew and engineering staff and the company is naturally proud of this result.

The Fokker F27 turbo prop fleet remains busy flying express parcels and mail services and the Group's own general freight services to and from the Channel Islands for which the type is ideally suited. In recent years this fleet has suffered from a high turnover of pilots, with staff being attracted to other operators of jet aircraft as they expanded. A less buoyant industry generally and the prospect of a clear promotional path to the Boeing 737 fleet has resulted in better retention of F27 pilots, increasing operational standards and reducing training costs. The company expects to operate F27s for several years to come and is investing in an upgrade programme to meet Royal Mail's need for higher volumes and quicker loading by fitting a new load netting system, thereby enhancing the competitiveness of the aircraft.

We are particularly proud of the excellent training offered to aircrew joining and progressing through Channel Express (Air Services)' fleets. The high standards that result, coupled with the professional and dedicated support of our engineers, enables the company to offer its customers reliable and efficient operations – we are extremely grateful to everyone concerned.

Whilst **Channel Express Parts Trading** continues to be a major supplier of Airbus A300 aircraft components, this year it has focused on extending its product range and establishing a new parts distribution facility at Stansted airport. Consignment stock agreements have been negotiated with a number of repair vendors and parts suppliers for Parts Trading to manage, on their behalf, stocks for various aircraft types, in particular the Boeing 737. These arrangements enable Parts Trading to profitably develop its market and customers, with access to trading stocks that do not require capital investment. Equally, this allows the Group to have access to low cost spares to support its own airline's operations, in particular at Stansted, which is becoming an increasingly important operational base.

Channel Express Parts Trading has recently been awarded a contract to manage the aircraft stores for a leading low cost airline at its Stansted facility which promises potential for future mutual business activities.

Benair Freight International, the Group's freight management company, has made progress during the year in a competitive and demanding market. Benair has strategically placed offices at London Heathrow, Manchester, East Midlands and Newcastle airports, together with a wholly-owned subsidiary in Singapore. The company has a number of niche business areas – the importation of tropical and fresh water ornamental fish, special logistics services for the aviation and other time sensitive industries and high quality freight management services to the USA and Far East.

A further service offered this year has been the introduction of a temperature-controlled storage facility at the company's Heathrow branch. This is marketed as the Heathrow Perishables Centre and has enabled Benair to expand its services for the Distribution Division's customers, arranging the seamless temperature-controlled importation and distribution of fresh produce.

Outlook

The Group expects to lease or purchase further Boeing 737 series aircraft and will offer them to its customers as either full freighters, QC or dedicated passenger aircraft. Additionally, its existing aircrew and engineering training facilities are expected to be developed for the training of personnel from other companies to whom parts support will also be offered through Channel Express Parts Trading. The Group also plans to continue to carefully expand Benair's business particularly in its key specialist areas.

Distribution

The year to 31 March 2002 has been one of both opportunities and challenges for the Dart Distribution companies, Fowler Welch, Coolchain and Channel Express (CI) and has seen continuing development of their core business activities. Overall, the division operates from some 500,000 sq ft of temperature-controlled consolidation facilities and manages a road fleet of over 500 vehicles providing nationwide temperature-controlled distribution services for fresh produce, chilled foods and horticultural products on behalf of supermarkets, suppliers and to traditional wholesale markets.

Fowler Welch and Coolchain have strategically located consolidation centres in the UK's prime fresh produce and horticulture regions. A wide range of ancillary services is offered for UK and imported temperature-controlled products, including stock management, pre-packing and labelling prior to despatch.

The Dutch subsidiary, Fowler Welch BV, operates a daily service into Britain from the continent, feeding flowers and fresh produce into the division's UK network. The Group's Channel Islands subsidiary, Channel Express (CI), is a provider of temperature-controlled and air transport services for Guernsey and Jersey horticulture and fresh produce exporters and of temperature-controlled and express freight services into both Islands from the UK.

As well as their traditional core business of handling fresh produce and horticulture, the companies are increasingly involved in the distribution of pre-prepared salads, dairy based foods and ready meals. Deliveries are made 24 hours a day, seven days a week, on behalf of growers, importers and producers of these short shelf-life products to the regional distribution centres of leading supermarket chains, traditional wholesale markets and for companies supplying brewery chains, petrol stations, convenience stores, fast food restaurants and similar outlets.

Trading during the year has been less buoyant than in previous years with lower than anticipated turnover generated through the distribution network. Moreover, retailers are now taking a more active role in the total distribution process and are seeking further efficiencies from their supply chains.

These factors are creating changes in the overall shape of the division's business, with some retailers moving to "factory gate" pricing structures with their suppliers whereby they take responsibility for goods at the point of despatch. Where this is the case, this has led to a change in the commercial relationship, with control of the distribution process passing from the supplier to the retailer as customer.

The continuing evolution of the organisation of the supply chain is creating demands that are becoming ever more sophisticated and complex. Some multiple retailers' policies to introduce, for example, continuous store replenishment techniques have required vehicle loads to comprise smaller quantities of a greater range of products. To accommodate this, and to provide a high quality and cost effective service, the division is continuing its development of the use of multi-temperature warehouses and delivery vehicles together with management tools such as those provided by a new single computer operating system.

The division's project to introduce the single computer operating system, which will offer operators at each of its consolidation centres full visibility of its vehicle fleets and other consolidation centres' operations, has progressed well during the year. Channel Express (CI) in Guernsey and Jersey and Coolchain's Portsmouth and Southampton centres are now on line. Coolchain's remaining operations and Fowler Welch's sites will implement the system during the first half of the new financial year. Once the software is fully commissioned, traffic managers will have on line visibility of all vehicle movements across the division's network. This single operating system is a platform from which all business processes can be integrated.

The recently introduced satellite trailer tracking system is now proving to be an important aid to fleet and load security as well as to the utilisation of vehicle resources. It is intended to link the resultant data into the new single operating system to provide real time visibility of the temperature and other key indicators of on board consignments and route monitoring.

The division employs some 1,200 experienced and dedicated staff. Their health, well-being and individual development needs are provided for by a comprehensive programme of health and safety training and skills development courses. New initiatives, such as increased emphasis on in-house driver training to develop a larger pool of skilled labour, will be introduced in the coming year to respond to industry shortages and help staff understand the complexities of meeting the new service level criteria.

The **Fowler Welch** main consolidation centre is situated on its 20 acre site at Spalding from which the division's central and northern supplier base is served. The centre is supported by secondary consolidation facilities at Chatteris in Cambridgeshire and Selby, North Yorkshire.

In May 2002, Fowler Welch won significant additional fresh and chilled temperature-controlled distribution business from a major retailer. This has been gained against a highly competitive background with a commitment to a cost efficient operation and continued high service levels. An operating agreement will be entered into with the retailer which will further strengthen relationships and provide a platform for future opportunities to develop the business.

Fowler Welch BV has continued to position itself as the leading provider of transport to the retail horticulture market between the Netherlands and the UK. It has also been successful in strengthening its trading relationships with existing customers and forging links with new users. A new, leased, 10,000 square feet temperature-controlled facility has been opened within the Honselersdijk Flower Market complex in Holland, providing increased capability to handle new business opportunities. The company has also formed alliances with other like-minded continental transport operators to widen its European penetration.

Coolchain has principal operating centres at Teynham and Paddock Wood in Kent and Portsmouth, Hampshire. These facilities are supported by secondary operations at Gateshead (Tyne and Wear), Warrington (Cheshire), Southampton (Hampshire) and Sheerness (Kent).

Review of Operations

continued

During the year, the company has been able to increase its efficiency in a number of operational areas and thereby realise reductions in its cost base. In order to enable it to centralise its operations, a new modular office complex has been installed at Teynham to accommodate its administration, finance and other support staff.

In October 2001, Coolchain purchased the freehold of its Paddock Wood consolidation centre, not only to create greater flexibility in the use of its accommodation both for its own operation and by its tenant produce suppliers, but also to extinguish its rental commitments there.

English fruit production in Kent experienced a better than expected season last year, helping bolster throughput. Sheerness continues to be the country's main seaport of entry for globally sourced fresh produce, generating important volumes for distribution. The Teynham packhouse has also benefited from new work from a supermarket supplier based within the Coolchain facility.

The Portsmouth consolidation and distribution centre has successfully managed another season of Canary Island imports with volume increases and service level improvements and was also successful in gaining further business on behalf of a major retailer in November.

Channel Express (CI), based in the Channel Islands, maintains its important role as a provider of air, sea and road services to the communities of Guernsey and Jersey. The company's core activity is the export of flowers, pot plants and fresh produce from the Islands, as well as the importation of temperature-controlled and time sensitive freight from the UK. Portsmouth is the UK gateway for traffic handled by Channel Express (CI) with its export volumes being consolidated with south coast products prior to delivery.

The company has experienced new growth in its distribution activities during the year. The Islands' tax regime has encouraged mail order and internet-based retailers, specialising in plug plants, flowers in boxes and other products such as health foods and CDs, to market their operations via the Islands, leading to an increase in the company's import and export traffic flows. Channel Express, as one of the principal carriers for the Guernsey Post Office, has thereby benefited from this new work.

Outlook

The preference for healthy eating is maintaining strong customer demand for chilled and fresh goods such as pre-packed salads, chilled foods and ready made meals. The division's retail customers constantly seek new products attractive to consumer lifestyles and redefine their own supply chain techniques to achieve maximum cost efficiency. Increased involvement by supermarkets in the methods used for the movement of products from suppliers to either their regional distribution centres or stores has introduced new challenges for the division.

Although continued innovation will continue to be a feature of business during the coming year, it is anticipated that there will be a period of settling down within the supply chain as some of the new strategic plans bed down. The division will continue to concentrate on growing its businesses organically and developing related business opportunities within the distribution sector.

The view ahead is therefore one of confidence but with a recognition that the division will need to continue to innovate and work with even greater operational flexibility. However, the scale of the division, the expertise at its disposal and its established business relationships put it in a sound position to meet the challenges ahead.

Financial Review

Capital structure

The Group's capital structure is as follows:-

	2002 £'000	2001 £'000
Net debt		
Loans	**(22,881)**	(8,929)
Finance leases and hire purchase contracts	**(197)**	(458)
Cash and short-term deposits, net of bank overdrafts	**575**	7,061
	(22,503)	(2,326)
Shareholders' funds		
Equity interests	**34,296**	29,986
	11,793	27,660

Derivatives And Other Financial Instruments

The Group's principal financial instruments, other than derivatives, comprise aircraft mortgages, bank loans and overdrafts, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group also has various other financial instruments, such as trade debtors and trade creditors, that arise directly from its operations.

The only outstanding derivative transactions at the year end relate to forward currency contracts and aviation fuel swaps as detailed in Note 18. The Group's treasury policy permits the use of such instruments to manage interest, currency and fuel price risk. It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign exchange risks. The Board reviews and agrees policy for managing each of these risks and these are summarised below. These policies have been consistent during the year.

Interest Rate Risk

The Group's policy permits it to borrow in both fixed and floating rates of interest. At 31 March 2002, the Group had fixed rate US$ debt at a rate of 5.56% in respect of US$10m with a maturity date of December 2005 (31 March 2001 – Nil). All other interest bearing financial instruments are at floating rates of interest.

Foreign Currency Risk

The Group has two types of foreign currency risk, being transactional exposure and structural exposure. It is the Group's policy to minimise its exposure to movements in foreign exchange rates against Sterling.

Transactional currency exposures primarily arise as a result of purchases in foreign currency undertaken in the ordinary course of business. The Group's policy is to cover all material transactional risks for a minimum period of six months using forward foreign exchange contracts. The magnitude of the foreign currency exchange risk is given in Note 18.

Structural currency exposures exist where the Group has a small Singapore Dollar and Euro exposure in respect of net overseas investment. However, as these exposures are not material, no hedging has taken place. Where aircraft are purchased in foreign currency, financed by foreign currency financial instruments and are expected to generate substantial foreign currency revenues, branch accounting has been adopted and uses the closing rate method of currency translation. Accordingly, any differences arising on translation under this method will be reflected in reserves.

Liquidity Risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of aircraft mortgages, overdrafts, bank loans, finance leases and hire purchase commitments. It is the Group's policy to match long-term assets with long-term liabilities. Accordingly, certain freehold property and aircraft have been financed by mortgage facilities with a maximum maturity date of 10 years.

Liquidity

The summary of cash flows of the Group is detailed below:

	2002 £'000	2001 £'000
Operating Profit	**10,512**	9,785
Depreciation	**12,527**	14,690
Amortisation of Goodwill	**497**	497
Profit on sale of fixed assets	**232**	18
EBITDA	**23,768**	24,990
Movement in working capital	**(1,969)**	(63)
Capital expenditure, net of disposals	**(36,496)**	(12,895)
Disposal of investments	**59**	–
Net interest paid	**(1,258)**	(592)
Taxation paid	**(2,343)**	(2,089)
Issue of share capital	**114**	120
	(18,125)	9,471
Dividends paid	**(2,052)**	(1,798)
(Increase)/decrease in net debt	**(20,177)**	7,673

Bank and Other Facilities

Undrawn committed facilities are disclosed in Note 18 to the accounts. Subsequent to the year end, the company has negotiated additional facilities to finance the purchase of the new Boeing 737 aircraft.

Bank and other facilities available to the Group as at 20 June 2002 are as follows:-

	Amount £'000
Amortising flexible aircraft mortgages with maturity dates ranging from November 2004 to May 2012	**44,084**
364 day Multi Option facility	**7,500**
Bank overdrafts	**9,000**
Total facilities	**60,584**

Taxation

An analysis of the taxation charge is set out in Note 7 to the accounts. The taxation charge as a percentage of profit before taxation and goodwill amortisation was 31.8% in both the current and previous years.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

M. G. Forder

Mike Forder
Group Finance Director

Directors and Senior Management

DART GROUP PLC

Philip Meeson (54) : Group Chairman and Chief Executive
Michael Forder BA(Hons), FCMA, MCT (48) : Group Finance Director
John Adams MILT (47) : Distribution Division Chief Executive
Trevor Crowley FCA (57) : Senior Independent Non-Executive Director
Brian Templar BA(Hons), MILT (50) : Independent Non-Executive Director
Nigel Lawrence BA(Hons) (47) : Group Company Secretary

Aviation Services

Philip Meeson: Division Chief Executive

Channel Express (Air Services) Limited
Philip Meeson: Chief Executive
Ian Doubtfire: Managing Director
Andrew Menzies: Technical Director
Peter Headley: Flight Operations Director
Antony Sainthill BA(Hons), FIFP: Director - A300 Programmes
David Daughters MBA: Director – Parts Trading
Ian du Cros: Operations Director
Stephen Lee: Commercial Director

Benair Freight International Limited
Dennis Mead: Managing Director
Brian Southern: Director

Distribution

Jim Welch: Division Non-Executive Chairman
John Adams MILT: Division Chief Executive
John Butler BSc, FCA: Division Finance Director

Fowler Welch Limited
David Inglis: Managing Director
David Beecham: Managing Director – Fowler Welch BV
Philip Knowles BSc(Econ): Distribution Director
Martin Beecham: Director – Fowler Welch BV

Coolchain Limited
David Cottam: Managing Director
Len Rumble: Logistics Director
Roy Hook: Commercial Director
David Freemantle: Operations Director – Portsmouth
Malcolm Grant DipM, MCIM: Horticulture and Produce Development Director
Richard Lee: Operations Director
Stephen Dean BSc(Hons): Fleet Director
Graham Parcell BSc, FCIM: Non-Executive Director

Channel Express (CI) Limited
Martyn Langlois: Director and General Manager
Alan Johnson: Freight Development Director
Ovaco Limited: Corporate Director

Directors' Report

The directors present their report and the audited accounts for the year ended 31 March 2002.

Principal activity and business review

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

- the operation of cargo and passenger aircraft on charter contracts throughout Europe and to the Middle East;
- the distribution of fresh produce, flowers and temperature-controlled products to supermarkets and wholesale markets throughout the United Kingdom;
- freight forwarding at London Heathrow, Manchester, East Midlands and Newcastle airports and from offices in the Far East.

A detailed review of the year's business and future developments is given in the Chairman's Statement and the Review of Operations.

Results and dividends

The results for the year are set out in the Profit and Loss Account and show a profit, after taxation, of £6,308,000 (2001 – £6,126,000).

An interim dividend of 1.85p (2001 – 1.8p) per share was paid on 4 January 2002.

Subject to shareholders' approval, the directors recommend the payment of a final dividend of 4.26p (2001 – 4.16p) per share, which will be paid on 23 August 2002.

Directors

Executive Directors

Philip Meeson is Chairman and Chief Executive of Dart Group PLC and Chief Executive of the Group's Aviation Services Division.

In April 1983, his private company purchased the Channel Express Group which, at that time, distributed Channel Islands grown flowers to wholesale markets throughout the UK and freight from the UK into the Channel Islands. From that original business, he developed the Group's two business sectors – Aviation Services and Distribution.

Having decided that the Company needed wider access to funding in order to accelerate its growth, Channel Express Group PLC was floated on the USM in 1988. In 1991, it changed its name to Dart Group PLC and moved to a full listing on the London Stock Exchange.

Prior to his acquisition of the Group, Philip trained as a pilot in the Royal Air Force, was five times British Aerobatic champion from 1978 and, with a partner, built up a major, quality car dealership in London and a vehicle distribution business.

John Adams is Chief Executive of the Group's Distribution Division and his entire career has been involved with the Group's distribution business having joined the Group in 1973. During this time, he has held a number of key operational and senior management positions, guiding the progress of the Group's Distribution Division through a process of continuous evolution.

John initially developed his knowledge of the business with Channel Express (CI) Ltd and the acquisition of Fowler Welch Ltd, at the end of 1994, allowed him to apply the expertise acquired to the wider spectrum of fresh produce. Under his leadership, the successful amalgamation of the two UK operations set the scene for further expansion with the acquisition of Coolchain Group Ltd in 1999.

John was appointed to the Board on 15 November 1999.

Mike Forder, Group Finance Director, joined the Group in August 1998 and was appointed to the Board in August 1999. He previously held a number of senior financial management positions in other UK quoted groups, including Meggitt PLC and Cobham PLC.

Mike graduated from the University of Kent in 1977 and is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers.

Non-Executive Directors

Trevor Crowley FCA, Senior Independent Non-Executive Director, has served as a director since 1 November 1988. He is currently Chairman of the Audit Committee and his long experience with the Company enables him to provide a positive contribution to all financial aspects of the Group. He is a partner in Levy Blair, a London firm of chartered accountants.

Directors' Report

continued

Brian Templar has served as Independent Non-Executive Director since 13 July 1993. He graduated with a BA (Hons) degree in Psychology. He has considerable experience in the distribution industry, having held senior management positions with NFC, LEX, Federal Express and Iveco. He is currently Chairman and Chief Executive of Davies and Robson Logistics Limited.

Directors' interests

The directors who served during the year and their beneficial interest in the Company are set out below:

(a)

	Ordinary shares 31 March 2002	Ordinary shares 31 March 2001
P H Meeson	14,160,000	14,160,000
M E Forder	2,500	2,000
J W Adams	77,508	82,258
T P Crowley	8,047	8,047
B S Templar	28,420	28,420

(b) No directors have a non-beneficial interest in the shares of the Company. Interests in options to acquire ordinary shares are given in the Report on Directors' Remuneration on page 20.

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

(d) B S Templar, who has no contractual period, retires by rotation and, being eligible, offers himself for re-election.

Material holdings

Apart from the interest of P H Meeson in the capital of the Company, the directors are aware that the following holdings were interested, directly or indirectly, in three per cent or more of the issued share capital of the Company as at 14 June 2002:

Framlington Group PLC	6.86%
Schroder Capital Management Inc.	6.52%
Merrill Lynch Investment Management	5.55%
Clerical Medical and General Life Assurance Company Limited	5.10%
Aberdeen Asset Management	5.04%
Friends Ivory Sime Unit Trust and Pension Funds	4.87%

Future developments

The Group's strategy is to grow its business through a combination of organic expansion and carefully planned acquisitions in areas related to its existing businesses and markets.

Movements in share capital

The issued share capital was increased by 114,780 five pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

30 January 1991	47,280	26 June 1997	10,000
23 December 1994	25,000	12 December 1997	2,000
22 July 1996	5,000	21 July 1998	5,000
19 December 1996	8,000	14 December 1998	12,500

Details of the movements in share capital are given in Note 19 to the accounts.

Proposed Unapproved Share Option Scheme

It is proposed that the Dart Group PLC 2002 Unapproved Share Option Scheme ("the Scheme") be established for the granting of share options to senior executives. The key features of the Scheme will include the maximum aggregate number of shares for all the Company's share option schemes being increased from five to seven per cent within any ten year period (subject to Inland Revenue approval), performance conditions to be fulfilled before the grant of share options, no favourable tax treatment for the Scheme as is typical for unapproved share option schemes and the share options will represent a right to subscribe for ordinary shares in the Company at a price per share which is not less than the market value of an ordinary share. A circular outlining the main features of the

Scheme has been mailed with the Company's Report and Accounts to shareholders. A copy of the full text of the Scheme is available for inspection during normal business hours at 9th Floor, 88 Wood Street, London, EC2V 7QR and at the Company's registered office.

Special business at the Annual General Meeting

At the Annual General Meeting to be held on 8 August 2002 resolutions numbers 5 and 6 will be special business. Special Resolution number 5 covers the directors' authority to allot equity securities for cash. Ordinary Resolution number 6 will deal with the proposed establishment of an unapproved share option scheme as detailed above.

Details of the resolutions are set out in the Notice of Meeting on page 48.

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 2002 the Group's creditor days were 52.

Health and Safety at Work

Operating in a sector where some safety hazards are unavoidable, the Group takes its responsibility for managing safety very seriously. The appointment of a Group Safety Manager two years ago to co-ordinate safety standards across the Group has led to a complete review of the Group's safety management system. As this revised system becomes increasingly mature, permitting central determination of policy while encouraging local management of solutions to discharge the policy, there has been an encouraging increase in levels of safety awareness across the Group. This is intended to reinforce the current low accident rate while developing robust defences against the claims culture which is becoming more prevalent.

Environmental policy

The Group's policy is to minimise the impact on the environment of its business activities.

The Group seeks to continually minimise the consumption of fossil fuels in both its aircraft and truck fleets. This is achieved by pilot and driver training in minimising fuel burn and the control by management of fuel consumption.

Where on-site refuelling facilities are available, fuel traps exist to prevent fuel seeping into the water table. Employees are encouraged to share cars when travelling on company business.

In the distribution division, the concept of shared user and backhaul help to contribute to reducing the overall number of miles driven during the year.

In respect of the aircraft fleet, all Group aircraft exceed the International Civil Aviation Organisation's Annex XVI to the "Convention on International Civil Aviation", Volume 1, Part 2, Chapter 3 limitations, thereby minimising noise pollution.

Equal opportunities

The Group has a policy of treating job applicants and employees in the same way, regardless of their sex, race, ethnic origin or disability. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees. Employees are retained wherever possible in the event of disability during their employment.

Employee involvement

The importance of promoting and maintaining good communications with the Group's employees is recognised and its policy is to keep employees regularly informed on matters relating to their employment through the Group's quarterly "Dartboard" magazine, Aviation Commercial and Special Technical Information bulletins, pensions newsletter, circulars and team briefings.

Auditors

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

By order of the Board

N A Lawrence
Secretary
19 June 2002

Report on Directors' Remuneration

As detailed on page 23, the Group's Remuneration Committee is chaired by Brian Templar and its other member is Trevor Crowley.

Individual components of remuneration are comprised of the following:

- Basic salary: the salary of individual directors is reviewed at 1 April each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred.
- Performance related bonus: the executive directors receive bonuses based upon targets set each year by the Remuneration Committee.
- Other benefits: executive directors receive a fully expensed car and private health insurance.
- Pensions: under the terms of their service agreements, executive directors are entitled to become members of one of the Group's money purchase pension schemes or, if preferred, to receive payment of a fixed percentage of salary into an approved personal pension scheme.
- Share options: the Committee awards options to executives at its discretion. Details of options awarded to directors are set out on the following page.
- No executive director has a notice period in excess of six months.
- The remuneration of the non-executive directors is the responsibility of the Board as a whole.

The emoluments of the directors are as follows:-

	Salary/fees	*Performance related bonus*	*Employer's pension contribution*	*Benefits in kind*	*2002 Total*	*2001 Total*
	£	£	£	£	£	£
Executive directors						
P H Meeson	**160,000**	–	**22,400**	**9,223**	**191,623**	182,948
M E Forder	**110,000**	–	**14,859**	**6,747**	**131,606**	145,280
J W Adams	**125,000**	–	**16,259**	**10,305**	**151,564**	157,484
Non-executive directors						
T P Crowley	**16,000**	–	–	–	**16,000**	12,000
B S Templar	**16,000**	–	–	–	**16,000**	14,000
	427,000	–	**53,518**	**26,275**	**506,793**	511,712

T P Crowley is a partner in Levy Blair, Chartered Accountants, a firm which provided professional services to the Group until 31 March 2001. Fees amounting to £Nil (2001– £8,000) chargeable by that firm have been included in these accounts.

B S Templar is the Chairman and Chief Executive of Davies and Robson Logistics Limited, a business specialising in logistics and IT consultancy. Fees amounting to £Nil (2001 – £114,000) in respect of specialist IT consultancy have been included in these accounts

Interests in Options

The company has an option scheme by which executive directors and other senior employees are able to subscribe for and acquire ordinary shares in the company. The interests of the directors were as follows:-

	Exercise price	*At beginning of year*	*Granted during the year*	*At 31 March 2002*
M E Forder	210p	14,280	–	(a)14,280
J W Adams	79p	10,000	–	(b)10,000
	302.5p	7,305	–	(c)7,305

The options are exercisable between the following dates:

(a) 50 per cent between 3 December 2002 and 3 December 2009; and 50 per cent between 3 December 2005 and 3 December 2009

(b) all between 23 December 2000 and 23 December 2004

(c) 3,652 between 17 November 2003 and 17 November 2010; 3,653 between 17 November 2006 and 17 November 2010

The mid-market share price of Dart Group PLC five pence ordinary shares as listed on the London Stock Exchange was 286.5p at 31 March 2002 (315.0p at 31 March 2001). During the year the highest and lowest prices per five pence ordinary share were 370p and 286.5p respectively.

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

Corporate Governance

The company is committed to high standards of corporate governance. The Board is accountable to the company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the company and how the company complies with the provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

Statement By The Directors On Compliance With The Provisions Of The Combined Code

The company has been in full compliance with the provisions set out in section 1 of the Combined Code except as noted below.

With regard to provision D3.1 of the Code, and in common with many smaller companies, the company has only two non-executive directors. The Board believes that it has the right balance at this stage of the Group's development and that the appointment of an additional non-executive is unlikely to be beneficial at present. This policy is kept under review and the Board will consider the appointment of additional non-executives as and when this is thought to be appropriate. The audit committee consists of the company's two non-executive directors. They meet with the company's external auditors as frequently as they consider necessary in the discharge of their duties.

With regard to provision A6.1 of the Code, the non-executive directors do not have formal fixed term contracts. However, under the company's Articles of Association, one third of all directors, including non-executive directors, retire by rotation at each Annual General Meeting.

Internal Control

The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Any such system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has maintained its processes for the year and up to the date of signing of the accounts for identifying, evaluating and managing the significant risks faced by the Group and the Board confirms that these accord with the Turnbull Guidance for directors on internal control.

Fundamental to the process is the regular review by the Board of reports on the operating risks facing each business unit and the actions taken to mitigate these. The Audit Committee receives and considers a detailed annual report on internal control from the Group Finance Director, which is discussed in detail with the company's external auditors, and subsequently reports back to the Board.

In order to ensure compliance with laws and regulations, and promote effective and efficient operations, the directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. Comprehensive guidance on financial and non-financial matters for all managers and employees is given in the Group Management Manual. In particular there are clear procedures for:

- approval of invoices before authorisation for their payment
- capital investment, with detailed appraisal, authorisation and post investment review; and
- financial reporting, within a comprehensive financial planning, budgeting and accounting framework.

Accordingly, the Board confirms that the directors have reviewed the effectiveness of the system of internal control, and the Company has been in full compliance with Provision D.2.1 of the Combined Code throughout the period under review.

The Workings Of The Board And Its Committees

The Board

The Board currently comprises Philip Meeson, who owns 41.3% of the issued share capital of Dart Group PLC and performs the role of Chairman and Chief Executive, Mike Forder, the Group Finance Director, John Adams, the Distribution Division Chief Executive, and two independent non-executive directors, Trevor Crowley and Brian Templar.

The biographies of the directors appear on pages 17 and 18. These demonstrate a range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the accounts is set out on page 21 and a statement on going concern is given within the Financial Review on page 15.

The Board has a formal schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, Nigel Lawrence, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that the directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board meets quarterly, reviewing trading performance, ensuring adequate funding and setting and monitoring strategy. To enable the Board to discharge its duties, all directors receive appropriate and timely information, and in months when the Board does not meet, the directors receive a formal written report.

The Group does not operate a Nomination Committee due to the size and nature of the Board. New director appointments are a matter for the Board as a whole.

The following committees deal with the specific aspects of the Group's affairs.

Remuneration Committee

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

With effect from 1 April 2001, no additional remuneration or fees in respect of other services are paid to non-executive directors. Further details of the company's policies on remuneration, service contracts and compensation payments are given in the Report on Directors' Remuneration on page 20.

Audit Committee

The Audit Committee which is chaired by Trevor Crowley, its other member being Brian Templar, meets not less than twice per year. The Committee provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and Group Finance Director.

The Audit Committee is responsible for reviewing a wide range of matters including the half-year and annual accounts before their submission to the Board and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders.

Relations With Shareholders

Communications with shareholders are given high priority. The Review of Operations and Financial Review on pages 4 to 15 include a detailed review of the Group's business and future developments. There is regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the interim and full year results.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the chairmen of the Audit and Remuneration Committees are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 8 August 2002 can be found in the Notice of the Meeting on page 48.

Independent Auditors' Report

To Members of Dart Group PLC:

We have audited the Group's financial statements for the year ended 31 March 2002 which comprise Consolidated Profit and Loss Account, Balance Sheets, Consolidated Cash Flow Statement, Statement of Total Recognised Gains and Losses, and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Chairman's Statement, Operating and Financial Review and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor

Southampton

19 June 2002

Consolidated Profit and Loss Account

for the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Turnover			
Continuing operations	2	**194,242**	190,912
Net operating expenses, excluding amortisation of goodwill		**(183,233)**	(180,630)
Amortisation of goodwill	10	**(497)**	(497)
Net operating expenses	3	**(183,730)**	(181,127)
Operating profit			
Continuing operations		**10,512**	9,785
Profit on disposal of fixed assets		**232**	18
Net interest payable	4	**(1,257)**	(592)
Profit on ordinary activities before taxation	5	**9,487**	9,211
Taxation	7	**(3,179)**	(3,085)
Profit on ordinary activities after taxation		**6,308**	6,126
Dividends	8	**(2,094)**	(2,040)
Retained profit for the year		**4,214**	4,086
Earnings per share			
– basic	9	**18.41p**	17.94p
– basic, excluding the amortisation of goodwill	9	**19.87p**	19.40p
– diluted	9	**18.25p**	17.77p

Statement of Total Recognised Gains and Losses

	2002 £'000	2001 £'000
Profit on ordinary activities after taxation	**6,308**	6,126
Exchange (loss)/gain on foreign equity investment	**(18)**	33
	6,290	6,159

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

Balance Sheets

at 31 March 2002

		Group		Company	
		2002	2001	**2002**	2001
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Intangible assets	10	**8,774**	9,271	**–**	–
Tangible assets	11	**54,790**	41,534	**43,271**	32,388
Investments	12	**–**	59	**18,279**	18,279
		63,564	50,864	**61,550**	50,667
Current assets					
Stock	13	**2,507**	1,756	**–**	–
Debtors	14	**29,817**	29,965	**7,639**	4,841
Cash at bank and in hand		**1,356**	7,061	**4**	1,101
		33,680	38,782	**7,643**	5,942
Current liabilities					
Creditors: amounts falling due within one year	15	**(39,546)**	(49,301)	**(35,754)**	(37,421)
Net current liabilities		**(5,866)**	(10,519)	**(28,111)**	(31,479)
Total assets less current liabilities		**57,698**	40,345	**33,439**	19,188
Creditors: amounts falling due after more than one year	16	**(18,970)**	(6,790)	**(17,630)**	(4,867)
Provision for liabilities and charges	17	**(4,432)**	(3,569)	**(3,987)**	(3,207)
		(23,402)	(10,359)	**(21,617)**	(8,074)
		34,296	29,986	**11,822**	11,114
Capital and reserves					
Called up share capital	19	**1,716**	1,710	**1,716**	1,710
Share premium account	20	**7,659**	7,551	**7,659**	7,551
Profit and loss account	20	**24,921**	20,725	**2,447**	1,853
Shareholders' funds – equity interests	21	**34,296**	29,986	**11,822**	11,114

The accounts on pages 25 to 46 were approved by the Board of Directors at a meeting held on 19 June 2002 and were signed on its behalf by:

P H Meeson
M E Forder } *Directors*

Consolidated Cash Flow Statement

for the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	25	**21,566**	24,909
Returns on investment and servicing of finance	24	**(1,257)**	(592)
Taxation	24	**(2,343)**	(2,089)
Capital expenditure and financial investment	24	**(36,205)**	(12,877)
Equity dividends paid		**(2,052)**	(1,798)
Cash (outflow)/inflow before financing		**(20,291)**	7,553
Financing	24	**13,805**	(8,147)
Decrease in cash in the year	26	**(6,486)**	(594)

Reconciliation of net cash flow to movement in net debt

	Note	2002 £'000	2001 £'000
Decrease in cash in the year		**(6,486)**	(594)
Cash (inflow)/outflow from (increase)/decrease in net debt in the year	26	**(13,691)**	8,267
Change in net debt in the year		**(20,177)**	7,673
Net debt at 1 April	26	**(2,326)**	(9,999)
Net debt at 31 March	26	**(22,503)**	(2,326)

Notes to the Accounts

1. Accounting policies

Basis of accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Basis of consolidation
The accounts of the Company and all of its trading subsidiary undertakings are consolidated on the basis of accounts made up to 31 March 2002.

Goodwill
Goodwill arising on acquisitions prior to 1 April 1997 was written off directly against reserves. Goodwill previously eliminated against reserves has not been re-instated on implementation of FRS 10.

Goodwill arising on acquisitions after 1 April 1997 has been capitalised in the balance sheet and amortised over its estimated economic life up to a presumed maximum of 20 years. It will be reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events indicate that the carrying value may not be recoverable.

If a subsidiary or associate is subsequently sold or closed any goodwill previously written off directly to reserves or not yet amortised through the profit and loss account is taken into account in determining the profit or loss on disposal.

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

Companies in which the Group has an interest comprising of not less than 20% of their voting capital, which are not subsidiary undertakings, are included as associated undertakings only where the Group exercises significant influence over the operations of the companies.

Turnover
Turnover (which excludes Value Added Tax), represents fresh produce and flower distribution, cargo and passenger aircraft operations, freight forwarding and all other charges for services provided by the Group.

Aircraft maintenance
Maintenance fees are charged by the Company to Channel Express (Air Services) Limited, a wholly owned subsidiary undertaking, to cover the cost of the Company's obligation to undertake specific periodic maintenance on its aircraft fleet. The amount received by the Company in advance of the maintenance expenditure represents fees unearned to the extent that the Company has not yet completed and incurred the expenditure.

Within the consolidated accounts, in accordance with Financial Reporting Standards 12 and 15, expenditure on the maintenance of aircraft, engines and propellers is capitalised within Tangible Fixed Assets. Depreciation, in addition to that charged against the original capital value, is charged against these maintenance assets at a variable rate dependent on the actual usage of the aircraft itself, such that over time the depreciation charge will match the related maintenance expenditure.

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

1. **Accounting policies** – (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost to the Group. Costs associated with the introduction of a new type of aircraft are capitalised. In addition, interest attributable to the purchase of aircraft and other assets and progress payments made on account whilst such aircraft are undergoing conversion from passenger to freighter or Quick Change configuration 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. The amount of interest capitalised in the year to 31 March 2002 was Nil (2001 – Nil).

Depreciation is calculated to write off the cost of fixed assets less their estimated residual values, where applicable, using the straight line method over their estimated useful lives as follows:-

Leasehold property	Over the term of the lease
Freehold property	30 years
Aircraft, engines and propellers	3-10 years
Plant, vehicles and equipment	3-7 years

As noted above, within the consolidated accounts, expenditure on maintenance of aircraft, engines and propellers is capitalised within Tangible Fixed Assets. Depreciation, in addition to that charged against the original capital value, is then charged against these maintenance assets at a variable rate dependent on the actual usage of the aircraft itself, such that over time the depreciation charge will match the related maintenance expenditure.

A freehold property with a book value of £345,000 has not been depreciated as, having regard to the nature of the property, the directors consider that its residual value, which was based upon prices prevailing at the time of acquisition, is not materially less than the amount shown in the accounts. An annual impairment review is carried out and any diminution in book value is provided through the Profit and Loss Account.

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

Deferred taxation

During the year, the company has fully implemented FRS 19, Deferred Tax. Accordingly, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from fair value adjustments of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1. **Accounting policies** – (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. There has been no impact on the deferred tax provision or the tax charge in the current and prior year as a result of this change in accounting policy.

Finance leases
Assets acquired under finance leases are capitalised and the related liability is recorded as an obligation to pay future rentals. Finance charges are allocated to accounting periods on the basis of the obligation for each accounting period.

Pension costs
All Group pensions are provided from the proceeds of money purchase schemes. The charge to the Profit and Loss Account represents the payments due during the year.

Foreign currency
Transactions in foreign currencies have been translated into Sterling at the rates applicable when they were completed and assets and liabilities at the year end have been translated at the rates at that date. Differences arising on exchange are reflected in the results for the year.

On consolidation, assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange. Exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and at closing rates, are dealt with in reserves.

In accordance with SSAP20, Foreign Currency Translation, aircraft purchased in foreign currency, which are financed by foreign currency financial instruments and which are expected to generate substantial foreign currency revenues, are accounted for as a branch using the closing rate method. Accordingly, exchange differences arising on translation of the branch accounts of the aircraft and related foreign currency financial instruments are taken to reserves.

Financial Instruments
The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The criteria for forward foreign currency contracts are that the instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified, and it must reduce the risk of foreign exchange movements on the Group's operations.

The 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.

2. Turnover

	2002 £'000	2001 £'000
Distribution	**120,313**	116,065
Aviation Services	**73,929**	74,847
	194,242	190,912
Turnover arising within:		
The United Kingdom and the Channel Islands	**188,671**	185,931
Mainland Europe	**4,143**	3,300
The Far East	**1,428**	1,681
	194,242	190,912

Turnover to third parties by destination is not materially different to that by source and relates to continuing activities.

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

3. Net operating expenses

	2002 £'000	2001 £'000
Direct operating costs	**116,239**	115,364
Staff costs	**44,725**	41,144
Depreciation and amortisation:		
Own assets	**12,527**	14,643
Assets held under finance leases	**–**	47
Goodwill	**497**	497
Other operating charges	**10,843**	10,675
Other operating income:		
Rents receivable	**(809)**	(961)
Other	**(292)**	(282)
	183,730	181,127

4. Net interest payable

	2002 £'000	2001 £'000
On bank loans and overdrafts	**(292)**	(100)
On other loans	**(1,068)**	(732)
On finance leases	**(20)**	(44)
	(1,380)	(876)
Interest receivable	**123**	284
	(1,257)	(592)

Notes to the Accounts

continued

5. **Profit on ordinary activities before taxation**		**2002**	2001
		£'000	£'000
Profit on ordinary activities before taxation is after charging:			
Auditors' remuneration:	for audit services	**91**	84
	for other services	**33**	51
Operating lease rentals:	land and buildings	**851**	1,215
	plant and machinery	**8,495**	7,175

6. Directors and employees

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

	2002	2001
	Number	Number
Operations	**1,284**	1,176
Administration	**405**	400
	1,689	1,576

	2002	2001
	£'000	£'000
Wages and salaries	**40,303**	36,896
Social security costs	**3,507**	3,418
Other pension costs	**915**	830
	44,725	41,144

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

7. **Taxation**	**2002**	2001
	£'000	£'000
Current taxation:		
UK Corporation Tax based upon the profits for the year	**2,013**	2,459
Adjustments in respect of previous periods	**78**	(17)
Foreign tax	**225**	103
Current taxation	**2,316**	2,545
Deferred taxation:		
Origination and reversal of timing differences		
– current year	**714**	565
– prior year	**149**	(25)
	863	540
	3,179	3,085

7. Taxation – (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	2002 £'000	2001 £'000
Profit on ordinary activities	**9,487**	9,211
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 – 30%)	**2,846**	2,763
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	**181**	346
Capital allowances for period in excess of depreciation	**(496)**	(77)
Utilisation of tax losses	**(218)**	(463)
Lower tax rates on overseas earnings	**(75)**	(7)
Adjustments to tax charge in respect of previous periods	**78**	(17)
Current tax charge for period (see above)	**2,316**	2,545

8. Dividends

	2002 £'000	2001 £'000
Interim 1.85 pence (2001 – 1.8 pence) per share – paid	**630**	615
Final 4.26 pence (2001 – 4.16 pence) per share – proposed	**1,464**	1,425
	2,094	2,040

9. Earnings per share

The calculation of basic earnings per share is based on earnings for the year ended 31 March 2002 of £6,308,000 (2001 – £6,126,000) and on 34,255,405 shares (2001 – 34,143,816) being the weighted average number of shares in issue for the year.

The calculation of basic earnings per share, excluding the amortisation of goodwill, is based on earnings of £6,805,000, as calculated below, for the year ended 31 March 2002 (2001 – £6,623,000) and on 34,255,405 shares (2001 – 34,143,816) being the weighted average number of shares in issue for the year.

	2002 £'000	2001 £'000
Profit on ordinary activities after taxation	**6,308**	6,126
Amortisation of goodwill	**497**	497
	6,805	6,623

Notes to the Accounts

continued

9. Earnings per share – (continued)

The diluted earnings per share is based on earnings for the year ended 31 March 2002 of £6,308,000 (2001 – £6,126,000), and on 34,571,105 ordinary shares (2001 – 34,474,149) calculated as follows:

	2002 000's	2001 000's
Basic weighted average number of shares	**34,255**	34,144
Dilutive potential ordinary share:		
Employee share options	**316**	330
	34,571	34,474

10. Intangible fixed assets

	Goodwill £'000
Group	
Cost	
At 1 April 2001 and 31 March 2002	**9,933**
Amortisation	
At 1 April 2001	(662)
Provided during the year	**(497)**
At 31 March 2002	**(1,159)**
Net Book Value	
At 31 March 2001	9,271
At 31 March 2002	**8,774**

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

11. Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Aircraft & engines £'000	Plant, vehicles & equipment £'000	Total £'000
Cost					
At 1 April 2001	9,442	1,870	59,751	18,777	89,840
Additions	**4,426**	**38**	**20,038**	**2,377**	**26,879**
Disposals	**(322)**	–	**(9,815)**	**(1,681)**	**(11,818)**
Currency revaluation	–	–	**42**	–	**42**
At 31 March 2002	**13,546**	**1,908**	**70,016**	**19,473**	**104,943**
Depreciation					
At 1 April 2001	(893)	(938)	(35,604)	(10,871)	(48,306)
Charge for the year	**(326)**	**(226)**	**(9,478)**	**(2,497)**	**(12,527)**
Disposals	**(128)**	–	**9,520**	**1,288**	**10,680**
Currency revaluation	–	–	–	–	–
At 31 March 2002	**(1,347)**	**(1,164)**	**(35,562)**	**(12,080)**	**(50,153)**
Net book value					
At 31 March 2001	8,549	932	24,147	7,906	41,534
At 31 March 2002	**12,199**	**744**	**34,454**	**7,393**	**54,790**
Net book value of assets held under finance leases					
At 31 March 2001	–	8	–	–	8
At 31 March 2002	–	–	–	–	–

Company	Short leasehold property £'000	Aircraft & engines £'000	Plant, vehicles & equipment £'000	Total £'000
Cost				
At 1 April 2001	864	45,925	942	47,731
Additions	**1**	**13,378**	**260**	**13,639**
Disposals	–	**(300)**	**(59)**	**(359)**
Currency revaluation	–	**42**	–	**42**
At 31 March 2002	**865**	**59,045**	**1,143**	**61,053**
Depreciation				
At 1 April 2001	(329)	(14,395)	(619)	(15,343)
Charge for the year	**(68)**	**(2,196)**	**(191)**	**(2,455)**
Disposals	–	–	**16**	**16**
Currency revaluation	–	–	–	–
At 31 March 2002	**(397)**	**(16,591)**	**(794)**	**(17,782)**
Net book value				
At 31 March 2001	535	31,530	323	32,388
At 31 March 2002	**468**	**42,454**	**349**	**43,271**

Aircraft and engines having an original cost of £58,873,000 (2001 – £45,755,000) and accumulated depreciation of £16,488,000 (2001 – £14,292,000) are held for use in operating leases by a subsidiary company.

Notes to the Accounts

continued

12. Investments

Group	2002 £'000
Shares in other investments at cost:	
At 1 April 2001	**59**
Disposals	**(59)**
At 31 March 2002	**–**

Company	2002 £'000
Shares in subsidiary undertakings at cost, and net investment:	
At 1 April 2001 and 31 March 2002	**18,279**

The principal subsidiary undertakings, which are wholly owned are:

Name	Principal activity	Country of incorporation or registration
Channel Express (CI) Limited	Provision of freight and flower distribution services to, and from, the Channel Islands	Guernsey
Coolchain Limited	Temperature controlled distribution	England
Fowler Welch Limited	Temperature controlled distribution	England
Fowler Welch BV	Temperature controlled distribution	The Netherlands
Benair Freight International Limited	Freight forwarding	England
Benair Freight Pte Limited	Freight forwarding	Singapore
Channel Express (Air Services) Limited	Operation of cargo and passenger aircraft	England

All subsidiaries are wholly owned by the Company, with the exception of Coolchain Limited (owned by Coolchain Group Limited which is a wholly owned subsidiary undertaking of the Company) and Fowler Welch BV (owned by Fowler Welch Limited). The issued share capital of each subsidiary undertaking consists entirely of ordinary shares.

13. Stock

Group	2002 £'000	2001 £'000
Aircraft parts	**2,233**	1,500
Sundries	**274**	256
	2,507	1,756

14. Debtors

	2002		2001	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade Debtors	**25,510**	**–**	26,638	–
Amounts owed by Group undertakings	**–**	**6,940**	–	4,698
Other debtors and prepayments	**4,307**	**699**	3,327	143
	29,817	**7,639**	29,965	4,841

15. **Creditors:** amounts falling due within one year

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Bank overdraft	**781**	**9,470**	–	3,533
Bank loans	**346**	**–**	346	–
Other loans	**3,658**	**3,658**	2,123	2,123
Trade creditors	**24,754**	**474**	36,816	10,794
Amounts owed to Group undertakings	**–**	**11,830**	–	10,597
Corporation Tax	**1,468**	**–**	1,453	307
Other taxation and social security	**1,658**	**37**	2,016	161
Other creditors and accruals	**5,221**	**823**	4,864	1,105
Obligations under finance leases	**196**	**–**	261	–
Dividend proposed	**1,464**	**1,464**	1,422	1,422
Maintenance fees received in advance	**–**	**7,998**	–	7,379
	39,546	**35,754**	49,301	37,421

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

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Obligations under finance leases	**–**	**–**	196	–
Bank loans	**1,248**	**–**	1,594	–
Other loans	**17,630**	**17,630**	4,867	4,867
Overseas taxation	**92**	**–**	133	–
	18,970	**17,630**	6,790	4,867

Loans and finance leases are repayable as follows:

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Within one year:				
Bank loans	**346**	**–**	346	–
Other loans	**3,658**	**3,658**	2,123	2,123
Finance leases	**196**	**–**	261	–
Between one and two years:				
Bank loans	**346**	**–**	346	–
Other loans	**3,449**	**3,449**	1,880	1,880
Finance leases	**–**	**–**	196	–
Between two and five years:				
Bank loans	**902**	**–**	1,037	–
Other loans	**7,010**	**7,010**	2,987	2,987
Finance leases	**–**	**–**	–	–
Over five years:				
Other loans	**7,171**	**7,171**	211	–
	23,078	**21,288**	9,387	6,990

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

Loans totalling £21,288,000 are secured on seven of the Group's aircraft (2001 – £6,400,000 on five aircraft). Loans totalling £1,594,000 (2001 – £1,940,000) are secured by a legal mortgage over the freehold warehouse and distribution centre owned by Fowler Welch Limited and by a fixed and floating charge over that company's assets.

Bank loans of £1,594,000 (2001 – £1,940,000) wholly repayable within five years bear interest at 1% over bank base rate as determined from time to time and are repayable in equal monthly instalments until August 2006.

Other loans totalling £17,001,000 (2001 – Nil) not wholly repayable within five years bear interest at varying rates. Other loans of £7,022,000 bear interest at a rate of 5.56%. The remaining capital balance of £9,979,000 bears interest at variable rates of between 0.85% and 0.95% over LIBOR. The loans are repayable by monthly instalments of £80,000 until August 2008, with a final payment of £2,028,000 and quarterly instalments of £258,000 until December 2008 with a final payment of £1,898,000.

17. Provision for liabilities and charges

	2002		2001	
	Group	**Company**	Group	Company
Deferred Tax	**£'000**	**£'000**	£'000	£'000
Accelerated capital allowances	**4,432**	**3,987**	3,787	3,207
Tax losses carried forward	**–**	**–**	(218)	–
Provision for deferred tax	**4,432**	**3,987**	3,569	3,207
Provision at start of period	**3,569**	**3,207**		
Deferred tax charge in profit and loss account for period	**863**	**780**		
Provision at end of period	**4,432**	**3,987**		

There are no unprovided deferred taxation liabilities.

18. Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of financial instruments in managing the risks of the Group can be found in the Financial Review on page 14. The disclosures given below exclude trade debtors and trade creditors except for those relating to currency exposure.

Fair Values

Set out below is a comparison of book values and fair values of all of the Group's financial assets and financial liabilities.

	Book value	**Fair value**	Book value	Fair value
	2002		2001	
	£'000	**£'000**	£'000	£'000
Primary financial instruments				
Fixed asset investments	–	–	59	59
Short-term borrowings and current portion of long-term borrowings	**(4,981)**	**(4,984)**	(2,730)	(2,730)
Long-term borrowings	**(18,878)**	**(18,904)**	(6,657)	(6,657)
Cash and short-term deposits	**1,356**	**1,356**	7,061	7,061
Derivative financial instruments held to hedge the currency exposure on future costs				
Forward foreign currency contracts	–	**(136)**	–	260
Fuel derivatives	–	**117**	–	–

Forward foreign currency contracts and fuel derivatives are measured at market value and all relate to exercise dates within one year of the balance sheet date.

Interest Risk – Financial Liabilities	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest is payable	Total
	£'000	**£'000**	**£'000**	**£'000**
2002				
Sterling	–	**5,867**	**174**	**6,041**
US Dollar	**7,022**	**12,245**	–	**19,267**
Other	–	**561**	–	**561**
	7,022	**18,673**	**174**	**25,869**
2001				
Sterling	–	8,797	590	9,387

The fixed rate liabilities comprise aircraft mortgages which bear interest at a total rate of 5.56%. This rate is fixed for a remaining period of 3 years and 8 months.

The floating rate liabilities comprise aircraft and property mortgages, bank overdrafts and finance leases which bear interest at rates between 0.75% and 1% over either bank base rates or LIBOR.

The weighted average period until maturity on financial liabilities on which no interest is paid is 0.4 years.

18. Financial instruments – (continued)

Interest Risk – Financial Assets

2002	Floating rate financial assets £'000	Financial assets on which no interest is payable £'000	Total £'000
Sterling	–	**2,458**	**2,458**
US Dollar	–	**4**	**4**
Singapore Dollar	**350**	**365**	**715**
Other	–	**979**	**979**
	350	**3,806**	**4,156**
2001	£'000	£'000	£'000
Sterling	3,300	762	4,062
US Dollar	2,065	72	2,137
Singapore Dollar	263	192	455
Other	–	466	466
	5,628	1,492	7,120

The floating rate financial assets comprise cash on overnight money market deposits at various market rates according to their currency. The Group operates composite bank accounts which allow the offset of individual bank and overdraft accounts in different currencies. Included within the amounts above are bank account balances of £2,800,000 (2001 – Nil) which have been offset against bank overdrafts in these financial statements.

Currency Exposure

The table below shows the Group's currency exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise monetary assets and liabilities that are not denominated in the functional currency of the operating unit involved.

Currency	US Dollar £'000	Euro £'000	SGD £'000	Other £'000	Total £'000
2002					
Sterling	**2,765**	**(330)**	**(108)**	**(615)**	**1,712**
2001					
Sterling	408	(782)	(151)	(1,650)	(2,175)

As at 31 March 2002 the Group also held open various forward exchange contracts taken out to hedge expected foreign currency requirements.

Hedges

Gains and losses on instruments used for hedging currency and fuel price risk are not recognised until the instruments mature. Unrecognised gains at 31 March 2002 amounted to £41,000 (2001 – £237,000) which are expected to be recognised during the next 12 months. Gains included in the profit and loss account that arose in previous years amounted to £237,000 (2001 – losses of £152,000).

18. Financial instruments – (continued)

Maturity of financial liabilities

Financial liabilities comprise loans, bank overdrafts and finance leases. The maturity of the loans, bank overdrafts and finance leases is given in Note 16.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March 2002 in respect of which all conditions precedent had been met at that date are as follows:-

	2002	2001
	£'000	£'000
Expiring in one year or less	**15,710**	13,500
Expiring in more than two years	**4,723**	5,600
	20,433	19,100

19. Called up share capital

	Number of shares	**2002 £'000**	2001 £'000
Authorised ordinary shares of 5p each	40,000,000	**2,000**	2,000
Allotted, called-up and fully paid			
As at 1 April 2001	34,196,442	**1,710**	1,704
Options exercised	114,780	**6**	6
As at 31 March 2002	34,311,222	**1,716**	1,710

The Company received the sum of £114,000 (2001 – £119,000) in respect of options exercised during the year.

Notes to the Accounts

continued

19. Called up share capital – (continued)

The Company has granted options to employees under the Dart Group Company Share Option Scheme in respect of 892,560 (2001 – 928,468) ordinary shares of 5p each. At 31 March 2002 the following options had not been exercised:

Number of shares	*Option price*	*Option exercisable*
20,000	79.0p per share	On all the shares before the options expire on 23 December 2004
82,620	115.5p per share	On 27,320 shares from 22 July 1999 and on all the shares from 22 July 2002. The options expire on 22 July 2006.
101,200	123.75p per share	On 29,100 shares from 19 December 1999 and on all the shares from 19 December 2002. The options expire on 19 December 2006
51,940	107.75p per share	On 970 shares from 26 June 2000 and on all the shares from 26 June 2003. The options expire on 26 June 2007.
10,000	138.75p per share	On all the shares from 12 December 2003. The options expire on 12 December 2007.
28,332	225.0p per share	On 11,666 shares from 21 July 2001 and on all the shares from 21 July 2004. The options expire on 21 July 2008.
92,500	178.5p per share	On 40,000 shares from 14 December 2001 and on all the shares form 14 December 2004. The options expire on 14 December 2008.
55,000	210.0p per share	On half of the shares from 12 July 2002 and on all the shares from 12 July 2005. The options expire on 12 July 2009.
69,280	210.0p per share	On half of the shares from 3 December 2002 and on all the shares from 3 December 2005. The options expire on 3 December 2009.
111,000	257.5p per share	On half of the shares from 19 July 2003 and on all the shares from 19 July 2006. The options expire on 19 July 2010.
141,788	302.5p per share	On half of the shares from 17 November 2003 and on all the shares from 17 November 2006. The options expire on 17 November 2010.
39,000	355.0p per share	On half of the shares from 25 June 2004 and on all the shares from 25 June 2007. The options expire on 25 June 2011.
89,900	290.5p per share	On half of the shares from 19 November 2004 and on all the shares form 19 November 2007. The options expire on 19 November 2011.

20. Reserves

	Group		Company	
	Share premium £'000	Profit & loss £'000	Share premium £'000	Profit & loss £'000
At 1 April 2001	7,551	20,725	7,551	1,853
Issue of shares under share option schemes	**108**	–	**108**	–
Retained profit/(loss) for the year	–	**4,214**	–	**594**
Currency translation differences	–	**(18)**	–	–
At 31 March 2002	**7,659**	**24,921**	**7,659**	**2,447**

The Company has taken advantage of the provisions of Section 230 of the Companies Act 1985 and has not published its own Profit and Loss Account. Of the profit on ordinary activities after taxation for the year a profit of £2,688,000 (2001 – £3,324,000) is dealt with in the accounts of the holding company, including dividends from subsidiaries of £2,681,000 (2001 – £3,110,000). The cumulative goodwill written off against reserves as at 31 March 2002 amounted to £2,279,000 (2001 – £2,279,000).

21. Reconciliation of movements in shareholders' funds

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Profit for the year	**6,308**	6,126	**2,688**	3,324
Dividends	**(2,094)**	(2,040)	**(2,094)**	(2,040)
	4,214	4,086	**594**	1,284
Currency translation differences	**(18)**	33	–	–
Issue of shares under share option schemes	**114**	119	**114**	119
Net addition to shareholders' funds	**4,310**	4,238	**708**	1,403
Opening shareholders' funds	**29,986**	25,748	**11,114**	9,711
Closing shareholders' funds	**34,296**	29,986	**11,822**	11,114

22. Commitments

(a) Capital commitments:

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Contracted for but not provided	**279**	**–**	933	–

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

	2002		2001	
	Land & buildings	**Plant & machinery**	Land & buildings	Plant & machinery
Group	**£'000**	**£'000**	£'000	£'000
Operating leases which expire:				
within one year	**186**	**1,225**	509	2,013
between two and five years	**145**	**2,062**	394	3,974
over five years	**628**	**310**	521	2
	959	**3,597**	1,424	5,989

23. Contingent liabilities

The Group has issued various guarantees in the ordinary course of business, none of which are expected to lead to a financial gain or loss.

The Company has cross guarantees in respect of the banking arrangements of certain of its subsidiary undertakings.

24. Gross cash flows

	2002 £'000	2001 £'000
Returns on investment and servicing of finance		
Interest paid: bank and other loans	**(1,360)**	(832)
Interest element of finance lease rental payments	**(20)**	(44)
Interest received: bank	**123**	284
	(1,257)	(592)
Taxation		
Corporation and overseas tax paid	**(2,343)**	(2,089)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(37,221)**	(13,620)
Disposal of tangible fixed assets	**957**	743
Disposal of investments	**59**	–
	(36,205)	(12,877)
Financing		
Ordinary share capital issued	**114**	120
Other loans repaid	**(14,518)**	(7,583)
Bank loans repaid	**(345)**	(346)
Other loans advanced	**28,816**	–
Capital elements of finance lease rental payments	**(262)**	(338)
	13,805	(8,147)

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

	2002 £'000	2001 £'000
Operating Profit	**10,512**	9,785
Depreciation	**12,527**	14,690
Amortisation of goodwill	**497**	497
(Increase)/decrease in stock	**(751)**	17
Decrease/(increase) in debtors	**148**	(4,776)
(Decrease)/increase in creditors	**(1,349)**	4,663
Exchange differences	**(18)**	33
Net cash inflow from operating activities	**21,566**	24,909

26. Analysis of net debt

	At 31 March 2002 £'000	Cashflow £'000	At 1 April 2001 £'000
Bank loans due within one year	**(346)**	**–**	(346)
Bank loans due after one year	**(1,248)**	**345**	(1,593)
Other loans due within one year	**(3,658)**	**(1,535)**	(2,123)
Other loans due after one year	**(17,630)**	**(12,763)**	(4,867)
Finance leases	**(196)**	**262**	(458)
Total Debt	**(23,078)**	**(13,691)**	(9,387)
Cash at bank and in hand, net of bank overdrafts	**575**	**(6,486)**	7,061
Net debt	**(22,503)**	**(20,177)**	(2,326)

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

27. Related party transactions

There are no related party transactions, except those as disclosed in the Report on Directors' Remuneration on page 20.

28. Post balance sheet event

On 3 May 2002 the company exchanged contracts for the purchase of four Boeing 737-300 passenger aircraft. The company expects the total cost of the aircraft purchase, together with the associated costs of conversion to freighter or Quick Change configuration and introduction into service, to be approximately US$44m which will be met from existing and new facilities which are now in place.

Secretary and Advisers

Secretary and Registered Office	Nigel Lawrence BA(Hons) Building 470 Bournemouth International Airport Christchurch Dorset BH23 6SE	
Auditors	Ernst & Young LLP Wessex House 19 Threefield Lane Southampton SO14 3QB	
Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers	Barclays Corporate Banking Centre Barclays Bank PLC P.O. Box 612 Ocean Way Ocean Village Southampton SO14 2ZP	National Westminster Bank PLC Carlyle House Carlyle Road Cambridge CB4 3DH
Stockbrokers	Collins Stewart Limited 9th Floor, 88 Wood Street London EC2V 7QR	
Solicitors	Theodore Goddard 150 Aldersgate Street London EC1A 4EJ	
Financial Advisors	Smith & Williamson Corporate Finance No 1 Riding House Street London W1A 3AS	
Market Makers in Company Shares	Collins Stewart Limited London Merrill Lynch International Limited London	Winterflood Securities Limited London

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 9.30 a.m. on 8 August 2002 at 107 Cheapside, London EC2V 6DT, for the transaction of the following business:

Ordinary business

(1) To receive and consider the Directors' Report and Accounts for the year ended 31 March 2002, together with the Auditors' Report.

(2) To declare a final dividend for the year ended 31 March 2002 of 4.26 pence per ordinary share.

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

(4) To re-appoint Ernst & Young LLP as auditors and authorise the directors to fix their remuneration.

Special business

(5) To consider and, if thought fit, approve the following resolution which it is intended to propose as a Special Resolution:

That the directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash, as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment provided that this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, and shall be limited to:

(a) the allotment of equity securities in connection with a rights issue or open offer to ordinary shareholders in proportion (or as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements, record dates, or other legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise howsoever); and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount equal to 5% of the issued share capital at the time of the passing of this resolution,

save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

(6) To consider and, if thought fit, approve the following resolution which it is intended to propose as an Ordinary Resolution:

That the establishment of the Dart Group PLC 2002 Unapproved Share Option Scheme ("the Scheme") in order to further incentivise selected directors of the Company and Group companies as summarised in the Directors' Report and Accounts for the year ended 31 March 2002 and the notes to this notice of meeting, be approved and the directors be and are hereby authorised to do all things necessary to carry the same into effect.

Dated 12 July 2002
By order of the Board

N A Lawrence
Secretary

Registered Office
Building 470
Bournemouth International Airport
Christchurch
Dorset BH23 6SE

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and a proxy need not be a member of the Company.

The register of directors' shareholdings and copies of directors' service contracts will be available for inspection at the registered office during normal business hours on any weekday excluding Saturdays and public holidays from the date of this notice until the date of the meeting and at the place of the meeting from 9.15 a.m. until the conclusion of the meeting.

The full text of the Dart Group PLC 2002 Unapproved Share Option Scheme is available for inspection until the date of the meeting between normal business hours at 9th Floor, 88 Wood Street, London, EC2V 7QR and at the Company's registered office and will be available at the place of the meeting from 9.15 a.m. until the conclusion of the meeting. In summary, the principal features are:-

- annual performance conditions
- individual and overall scheme limits (the latter refers to the maximum number of shares which on any day may be placed under option for subscription under the Scheme, when added to the number of shares primarily 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, excluding options issued under SAYE share option schemes, which shall not exceed 7 per cent (subject to Inland Revenue approval) of the Company's issued ordinary share capital on that day)
- the option price per ordinary share, which will not be less than the market value of an ordinary share on the day on which the option is granted or the nominal value if higher.

A form of proxy is enclosed herewith and attention is directed to the guidance in the footnotes thereon. To be valid, forms of proxy must be returned to Capita IRG Plc, 390-398 High Road, Ilford, Essex IG1 1BR so as to be received not later than 48 hours before the time of the meeting.

Completion and return of a form of proxy does not preclude a member entitled to attend and vote at the meeting from doing so if he so wishes.

Financial Calendar

Annual General Meeting	8 August 2002
Final dividend payment	23 August 2002
Results for the six months to 30 September 2002	November 2002
Interim dividend payment	January 2003
Results for the twelve months to 31 March 2003	June 2003

DART GROUP PLC

BUILDING 470

BOURNEMOUTH INTERNATIONAL AIRPORT

CHRISTCHURCH

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