

DART GROUP PLC

REPORT AND ACCOUNTS 2008

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DART GROUP PLC

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

- the operation of low-cost scheduled, charter and tour operator flights throughout Europe,
- the distribution of fresh produce, temperature-controlled and ambient products to supermarkets and wholesale markets throughout the United Kingdom

For full details of the Group's activities please visit our website – www.dartgroup.co.uk

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Key Milestones

1983	Channel Express formed to fly flowers from the Channel Islands
1988	Channel Express Group Ltd floated on UK Unlisted Securities Market
1991	Channel Express renamed Dart Group PLC and moves to Official List of the London Stock Exchange
1994	Fowler Welch Ltd acquired
1996	Launch customer for the first Airbus A300 passenger to freighter conversion
1999	Coolchain acquired
2001	First two 737-300 "Quick Change" aircraft acquired
2003	<i>Jet2 com</i> starts scheduled flights from Leeds
2004	Over 1 million passengers flown on <i>Jet2 com</i>
2005	First two 757 aircraft acquired
2006	R F Fielding acquired
2007	<i>Jet2holidays com</i> launched
2008	<i>Jet2 com's</i> 5th anniversary – 4 million passengers flown

Chairman's Statement

I am pleased to report on the Group's trading for the year ended 31 March 2008

The year ended 31 March 2008 was another successful year of growth for the Group. Turnover increased by 23% to £429m, driven by further expansion of our scheduled airline operations. This significant growth was partly at the expense of profitability as Jet2 com expanded its route network from 114 to 133 routes. Profit before tax amounted to £11.8m (2007 – loss £3.6m) with earnings per share 6.18p (2007 – 0.46p). If the Group had been in a position to hedge account in 2006/7 under IFRS, profit before tax would have been £3.9m (2007 – £14.1m). Whilst summer 2008 trading remains very encouraging, the Board has concluded that it is not appropriate to pay a final dividend given both the current economic climate and trading performance for the year to 31 March 2008.

In total, capital expenditure reduced to £38.5m (2007 – £70.2m) with no further aircraft acquired in the year. The majority of the capital expenditure related to long term maintenance spend on engines and airframes. As at 31 March 2008 the Group's net debt amounted to £17.2m (2007 – £14.1m).

All of Jet2 com's expected fuel requirements for its passenger operations have been hedged for the year ending 31 March 2009, as have the Group's forecast US\$ and Euro requirements. Neither Jet2 com's freight operations nor Fowler Welch-Coolchain currently has any material exposure to oil price risk as this is substantially covered in their commercial contracts.

Aviation

Jet2 com, the Group's low-cost airline, continued its expansion in 2007/8 with the net addition of 19 new city and sun routes principally from Manchester and Leeds. Passenger volumes grew 32% to 4 million reflecting the continued strong customer demand for flying with Jet2 com. In August 2007, according to the Civil Aviation Authority, Jet2 com flew more passengers from the North of England than any other airline and the service continues to win customer awards.

Encouragingly, a recent customer satisfaction survey conducted by Which? identified Jet2 com as having the highest level of satisfaction amongst UK short haul carriers.

Following its launch in February 2007, over 34,000 holidaymakers travelled with Jet2holidays com, the Group's tour operator, in its first year of operation. We believe that there is an opportunity to significantly grow this segment of our aviation business by packaging attractive hotels with Jet2 com scheduled flights, offering flexible holidays to a wide range of destinations. Consistent with our aim to fly fuller planes, we also see Jet2holidays com as a means of selling last minute flight inventory. This scheduled flight based activity will be supplemented by more specialist trips as exemplified by a series of New York shopping trips launched for this winter.

Our charter airline operations, both freight and passenger, continue to deliver a significant revenue stream. In particular the night flights for Royal Mail on "Quick Change" aircraft allow us to maximise the use of the Group's aircraft, through both day and night time operations. Our ability to respond at very short notice to meet customers' passenger charter requirements has also enabled us to win new business in this competitive area in the current year.

In a very significant development for the business, Jet2 com switched over to its own in-house developed reservation system in February 2008, having served notice to the Group's previous provider of this service. The introduction of our own reservation system allows us to tailor the system more quickly and effectively to meet customer needs and to improve the on-line experience.

Looking forward, Jet2 com will continue to focus its growth on the leisure sector of the airline market, the continuing development of its in-house IT capabilities is recognised as being particularly important to ensure that both its scheduled flights and holiday offerings meet the demands of its growing customer base. The Group also intends to work more closely with the travel trade in making its flight and holiday offerings more accessible to all forms of distribution.

“The year ended 31 March 2008 was another successful year of growth for the Group.”

Distribution

The Group's logistics operation, **Fowler Welch-Coolchain** has had another successful year. The Company primarily provides an integrated supply chain solution to supermarkets and their suppliers as well as food manufacturers, growers and importers. Its capabilities include both chilled and ambient distribution together with warehousing and pick-to-order services.

Despite the poor summer weather impacting on supermarket demand for chilled produce, revenues increased by 10% as a result of growth across all chilled and ambient distribution activities, together with growth in pick-to-order and other warehousing services. The Stockport based ambient business acquired in April 2006 has now been fully integrated into the **Fowler Welch-Coolchain** operations. The fit-out of the Washington facility, one of six which enable the business to offer national coverage for chilled distribution, was completed during the year allowing the business to expand operations in this part of the country.

During the year, the Company continued its strategy of investing in new technology with the introduction of further dual fuel vehicles and double deck trailers into the fleet, together with further investment in its driver training initiative. These investments will not only lead to a reduction in operating costs, but also help reduce carbon emissions.

It is our intention to continue to grow this operation both organically and by selective acquisition, should attractive opportunities arise to add skills or scale.

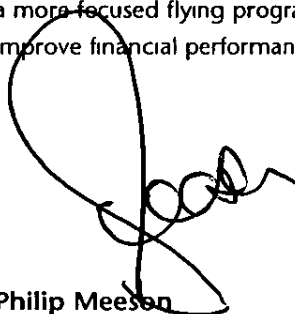
Our Staff

All our businesses have earned a reputation for high quality customer service from their customers. This can only be achieved through the dedication and hard work of all of the Group's operational and administrative staff in **Fowler Welch-Coolchain**, **Jet2.com** and **Jet2holidays.com**. All businesses are customer-focused and operationally demanding at all hours of the day. We are grateful to all and look forward to continuing to grow our business together.

Outlook

We expect to grow both our businesses organically in the year ahead, supplemented particularly in **Fowler Welch-Coolchain** by the possibility of selective acquisitions should sensibly priced opportunities arise.

In the Aviation business, we will continue to invest in the development of both **Jet2.com** and **Jet2holidays.com**, which offers a low cost local airport holiday option to our Northern based customers. The key to success in the scheduled low-cost travel market will increasingly become a load factor as the industry tackles both higher fuel prices and the proposed introduction of an aircraft departure tax to replace the current per passenger Air Passenger Duty. With our expected fuel requirements fully hedged for the current year and with a more focused flying programme, we are well placed to improve financial performance in this financial year.



Philip Meeson
Chairman

23 July 2008

Business and Financial Review

The Group is comprised of two principal operating businesses, Aviation and Distribution, which trade in separate market segments.

2007/8 Performance

Dart Group PLC's financial performance for the year to 31 March 2008 is reported for the first time in line with International Financial Reporting Standards (IFRS). Under IFRS, the Group was not able to adopt hedge accounting in restating its 2006/7 results, since certain internal documentation was not in place in April 2006. In order to provide an understanding of underlying performance, results are presented as if hedge accounting had been available to the Group in both 2006/7 and 2007/8 under IFRS.

Summary Income Statement

	2008 £m	2007 £m
Revenue	429.3	349.0
Net operating expenses	(423.7)	(330.1)
Operating profit	5.6	18.9
Net financing costs	(3.0)	(4.7)
Profit on disposal of fixed assets	1.3	(0.1)
Profit before taxation ¹	3.9	14.1
Profit before taxation ¹	3.9	14.1
Financing costs	3.0	4.7
Depreciation	30.3	20.9
EBITDA ¹	37.2	39.7

Note ¹ stated excluding specific IAS 39 fair value movements

Whilst overall Group turnover increased by 23%, underlying EBITDA fell by 6.3% (to £37.2m) and Group underlying profit before tax fell by 72.3%, reflecting an investment in the continued expansion of *Jet2.com*, our low-cost airline operation. The Group's effective tax rate for the year was 26% (2007: 50%), the reduction principally driven by the recognition of a lower tax rate on deferred taxation in the current year.

After careful consideration, the Group has decided not to pay a final dividend for the year, given both the current economic climate and trading performance for the year to 31 March 2008.

As set out in the Summary Cash Flow below, the Group's net debt position increased by a further £3.1m in the year. This was driven by a combination of lower EBITDA, smaller working capital movements in *Jet2.com*, and lower capital expenditure, with no aircraft being added to the fleet in the year.

Summary Cash Flow

	2008 £m	2007 £m
EBITDA	37.2	39.7
Other P&L adjustments	(1.1)	0.5
Movements in working capital	6.3	22.0
Interest & taxes	(4.8)	(2.1)
Net cash from operating activities	37.6	60.1
Investing activities	(37.0)	(63.6)
Other items	(3.7)	(5.1)
Increase in net debt	(3.1)	(8.6)

The Group's balance sheet changed little in character relative to the previous year end position, with no new aircraft acquisitions in the year. Asset additions largely reflect the capitalisation of long term maintenance expenditure.

Under IFRS, the Group is required to report the fair value of its hedging contracts on the balance sheet, increases in the value of these contracts, primarily reflecting fuel price movements has added to current assets and reduced current liabilities. Gearing has remained stable with net debt at approximately 25% of shareholders' funds (excluding cash-flow hedge reserve).

Summary Balance Sheet

	2008 £m	2007 £m
Non-current assets	204.6	198.3
Net current liabilities	(79.0)	(100.2)
Other liabilities	(29.0)	(21.1)
Borrowings	(21.2)	(18.0)
Shareholders' equity	75.4	59.0
Net debt	(17.2)	(14.1)
Gearing ¹	26%	24%

Note ¹ Net Debt/Equity excluding cash flow hedge reserve

Segmental Performance

Aviation

The Aviation division comprises the Group's passenger and freight charter operations, low-cost scheduled airline and associated tour operator activities trading under the *Jet2.com* and *Jet2holidays.com* brands. It operates 21 Boeing 737-300 aircraft, including eight "Quick-Change" aircraft, and eight Boeing 757-200 aircraft from its home base of Leeds Bradford International Airport and five other Northern bases.

2007/8 was a year of significant expansion for the *Jet2.com* scheduled airline activities. Capacity was increased by 35% with additional aircraft being based at Manchester and Leeds. In the summer, 25 new city and sun routes were added, principally out of Leeds and Manchester. In the winter, additional capacity was added on existing ski routes and the Canary Islands programme was expanded with services added at all six UK bases.

The introduction of these new routes created downward pressure on load factors with revenue growth at 29% lagging capacity growth.

Retail revenues are a very important source of income for the scheduled airline business allowing low fares to be maintained. Revenue per passenger increased from £6.13 to £9.10 in 2007/8 with hold baggage charges being introduced on all routes from November. A new car hire deal was agreed with Hertz in March to improve our earnings from car hire bookings. The *Jet2Plus* service was also introduced in the year, allowing customers access to airport lounges, a pre-ordered meal, and priority check-in.

Jet2.com switched over to its own in-house developed reservation system in February 2008, having served notice to the Group's previous provider of this service. The introduction of our own reservation system allows us to tailor the system more quickly and effectively to meet customer needs and to improve the on-line shopping experience. Retail revenues, in particular on-line seat assignment, have increased significantly as a result of the introduction of this system. Currently a trade website is under development to improve access to the travel trade.

Jet2.com's charter activities were further expanded in the year. The Royal Mail contract, under which night mail flights are undertaken from six UK airports, continues to be serviced well with a 98.6% on time service delivery level in the year. Passenger charter revenue remained in line with prior year, providing flights for tour operators, specialist holiday providers and in support of promotional and sporting events. Increasingly we are working with tour operators on a part aircraft basis to supplement load factor on our scheduled services as well as using charter activity to improve utilisation of aircraft outside peak periods.

Following its launch in February 2007, *Jet2holidays.com* sold over 34,000 holidays in the year, 99% of them on *Jet2.com* flights. Holidays are packaged dynamically by linking flights with accommodation provided by our bed supplier and a range of airport transfer options. As a pilot activity, a small allocation was taken on a third party flight on a destination not served by *Jet2.com*, this being the only inventory risk taken by *Jet2holidays.com*.

In the Aviation business, the cost of fuel has become a significant issue. In common with other carriers, we have sought to delay the impact through hedging strategies and to mitigate these cost increases by developing additional retail revenues. The business has fully hedged its fuel requirement for the year ending 31 March 2009 and has substantially hedged its forecasted summer 2009 requirements. We have also introduced a small fuel supplement, variable by route length, reflecting the additional fuel costs incurred by the business, notwithstanding this hedging activity.

On 1 June 2007, we finalised a long term agreement with Pratt & Whitney for the fixed price maintenance of the CFM56-3 series engines which power our Boeing 737-300 aircraft. Pratt & Whitney have also started to manufacture and supply a range of parts for these engines at attractive pricing under their Global Material Solutions Programme. This agreement delivers cost certainty for the business.

Business and Financial Review

continued

Aviation

	2008 £m	2007 £m
Revenue	308.8	239.0
Operating expenses	(308.5)	(226.0)
Operating profit	0.3	13.0
Net financing income/(costs)	1.3	(2.1)
Profit on disposal of fixed assets	1.3	(0.1)
Profit before interest and tax	2.9	10.8
Net financing income/(costs)	(1.3)	2.1
Depreciation	29.3	19.9
Aviation EBITDA	30.9	32.8
Profit margin	0.9%	4.5%
EBITDA margin	10.0%	13.7%

KPI's

	2008	2007
Number of owned aircraft at 31 March	29	29
Passenger numbers	4.0m	3.0m
Load factors	72%	73%
Net ticket yield	£46.95	£47.56
Retail revenue per passenger	£9.10	£6.13
Average hedged price of fuel US\$ per tonne	\$715	\$654
Percentage of estimated annual fuel requirement hedged for the next financial year	100%	73%
Capital expenditure	£37.4m	£65.4m
Average monthly staff turnover	2.0%	2.3%
Advance sales made at year end date	£96.9m	£88.8m

Jet2.com financial performance was significantly impacted by the expansion of the business in 2007/8, leading to reduced yield and load factors. Total revenue grew by 29% including the increase in retail revenues driven principally by a part year of hold baggage charges.

Cost growth at 36% was in line with the increase in scheduled capacity, despite significant costs associated with a late lease of two aircraft in Summer 2007, caused by delayed maintenance work. The Group has subsequently moved to a different maintenance supplier.

Depreciation has increased year on year reflecting the increase in hours flown by owned aircraft which were brought into service at the end of the 2006/7 year.

Distribution

The Group's Distribution business, Fowler Welch-Coolchain, has distribution centres strategically located in Spalding, Lincolnshire, Stockport, Cheshire, Washington, Tyne and Wear, Teynham and Paddock Wood in Kent, and Portsmouth, Hampshire. It is one of the UK's leading temperature controlled distribution businesses, specialising in the distribution of fresh produce and chilled foods on behalf of UK supermarkets, other retailers and their suppliers. In addition the business has substantial pick-to-order and value added warehousing capabilities, together with an established ambient distribution business. It remains the Company's strategy to grow and invest in each of these business areas.

Distribution

	2008 £m	2007 £m
Revenue	120.5	110.0
Operating expenses	(115.2)	(104.1)
Operating profit	5.3	5.9
Profit on disposal of fixed assets	-	-
Profit before interest and tax	5.3	5.9
Depreciation	1.0	1.0
Distribution EBITDA	6.3	6.9
Profit margin	4.4%	5.4%
EBITDA margin	5.2%	6.3%

KPI's

	2008	2007
Warehouse space – sq.ft	480,000	480,000
Number of tractor units in operation	351	328
Number of trailer units in operation	769	755
Mileage per gallon	8.53	8.44
Fleet mileage per annum	36.3m	33.4m
Average monthly staff turnover	3.3%	3.6%

The business also monitors trailer load fill which again increased marginally during the year.

The distribution market place remains a cost-conscious arena. Despite the pressures of this competitive environment the Company grew its revenue 10% with increased sales in both chilled and ambient distribution, together with significant growth in pick-to-order and other warehousing operations.

The pick-to-order operations growth during 2007/8 was driven by the addition of a Spanish citrus supplier serving a major UK retailer mid way through the financial year. Further volume from a chilled meats supplier, serving all major UK retailers, was secured early in the 2008/9 financial year. Ambient distribution activity and revenue has increased substantially during its first full year of operation with the addition of a new consolidation contract for a major UK retailer, together with the addition of a significant stock hold, order pick and distribution operation for a supplier of bakery products to most UK supermarkets.

Typically Fowler Welch-Coolchain picks and delivers approximately 1.25 million cases of prepared meats, ready meals, citrus juice and pasta on a weekly basis.

During the year the Company identified an opportunity to utilise equipment in what would be traditional periods of down time to collect and distribute containers from ports to UK destinations. It is anticipated this operation will be further developed through 2008/9.

The Company increased its investment in driver training initiatives during the year, particularly with regard to fuel efficiency training and defensive driving techniques, and continues to recruit and train Eastern European drivers, in order to counteract the shortage of domestic LGV drivers in the marketplace.

The fleet replacement programme continues to place increased reliance on new technologies, with further introduction of dual fuel vehicles and double deck trailers into the fleet. This fleet strategy, coupled with reduced empty vehicle running within the network will not only reduce operational costs, but will also lessen the environmental impact of our activities and reduce overall food miles within the supply chain.

The Company offers a differentiated service in the FMCG market, with the ability to handle all short order lead time products, both day one collection for day one or day two distribution together with chilled and ambient stock hold and value added services. A new warehouse management system is being rolled out during 2008/9 to support further growth in this core business area. Further developments during 2008/9 include the utilisation of one of the Company's depots to facilitate a trunking, order consolidation and store delivery operation for a leading UK retailer, this combining the use of double deck trailers on the trunking leg, and smaller more efficient city trailers on the delivery leg.

The ongoing need to be cost competitive remains a key driver of the business, and the Company anticipates it will be competitively placed to take full advantage of further opportunities in this sector.

Principal Risks and Uncertainties

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. The principal risks and uncertainties facing the business include the following:

Competition

The Group is impacted by competitor activity in both of its business areas. In the Distribution business, the owner of one of Fowler Welch-Coolchain's major competitors recently announced that it was pulling out of the UK market and this business is now in new hands. This will result in a change in the competitive landscape in this market place, albeit it is too early to establish the precise impact on the Group and its customers. The loss of a substantial customer is the largest financial risk facing the business. This risk is mitigated by Fowler Welch-Coolchain's focus on service levels and cost control, both of which are critical to success in this sector.

The low-cost airline sector is an increasingly competitive market, a position exacerbated by recent very significant increases in jet fuel costs. Headline fare price competition remains very strong, as a result the Group will continue to seek to maximise both its retail revenue income and the load factor on its aircraft.

Fuel price rises

The price of fuel has risen very significantly in the early part of 2008, impacting on the price of both jet fuel and diesel.

The Group's fuel price risk management strategy aims to limit the exposure of the Aviation division to sudden and significant increases in oil prices whilst ensuring the business remains competitive.

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

Economic Conditions

Ultimately economic conditions will have an impact on the level of consumer demand for the Group's airline services. Whilst we believe that UK consumers regard their summer holiday as a very important element of the household budget, it is likely that there will be a reduction in

Business and Financial Review

continued

discretionary travel. To mitigate this risk, the Group will continue to plan its flying programme carefully to take account of trends in demand. Expanding the *Jet2holidays.com* offering also enables the Group to increase revenues from our *Jet2.com* customers.

Government Policy

It is stated UK and EU policy to apply additional taxes to the aviation industry and it is foreseeable that the tax burden will continue on the road haulage sector also. Load factor will become an increasing issue for the sector given the planned changes in Air Passenger Duty and, in due course, the introduction of the EU Emissions Trading Scheme, both of which will be charged on an aircraft basis. There is a risk that the imposition of these taxes, at levels in excess of the economic cost of emissions, may result in reduced passenger demand.

Treasury Management

Bank Facilities

The Group's bank facilities comprise a revolving credit and an overdraft facility. The Group's objective is to manage liquidity risk by maintaining a balance between continuity and flexibility of funding through the use of revolving credit and overdraft facilities whilst seeking to match long-term assets with long-term liabilities wherever possible. After the year-end, the Group reached agreement with its lenders to enable greater flexibility in the use of lease finance for its aircraft fleet.

Fuel and Currency Hedging

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

Details on derivative transactions outstanding at the year end relating to forward currency contracts, cross currency swaps and aviation fuel swaps are detailed in note 21 to the Group accounts.

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

Aviation fuel price risk

The Group's policy is to forward cover future fuel requirements up to 100% up to three years in advance. The magnitude of the aviation fuel swaps held is given in note 21 to the Group accounts. For the year ending 31 March 2009 the Group has fully hedged its current forecasted fuel requirements. Further fuel swap hedges have been taken out for the year ending 31 March 2010, hedging approximately 70% of the expected requirement.

Foreign currency risk

The Group has significant transactional foreign currency exposure, the most significant being the US Dollar.

Transactional currency exposures primarily arise as a result of purchases in foreign currency undertaken in the ordinary course of business, in particular related to expenditure on aviation fuel, aircraft maintenance, air traffic control and airport charges. The Group's policy is to cover all material transactional risks for a minimum period of six months using forward foreign exchange contracts. For the year ending 31 March 2009, the Group has hedged 100% of its forecast foreign exchange requirements. The magnitude of the foreign currency exchange risk is given in note 21 to the Group accounts.

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

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst providing returns for shareholders.

The Group maintains a conservative approach to dividend policy, ensuring funds are retained to support further business growth.

The gearing ratio at 31 March 2008 and 2007 was as follows:

	2008 £m	2007 £m
Net debt (a)	17.2	14.2
Equity reserves	75.4	59.0
Cash-flow hedge reserve	(10.3)	(0.9)
Net equity reserves (b)	65.3	58.1
Gearing (a)/(b)	26.3%	24.4%

International Financial Reporting Standards

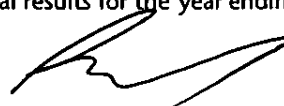
The results for the year ended 31 March 2008 are reported for the first time under International Financial Reporting Standards. The differences between IFRS and the previous basis of reporting (UK GAAP) are limited and are detailed in note 30 to the Group accounts. However, a difference does arise in respect of hedge accounting because of differing internal documentation requirements between IFRS and UK GAAP. Under UK GAAP, the Group hedge accounted for such instruments, deferring recognition of the contract until maturity and reporting the underlying transaction at the contracted rate.

Under IFRS, from 1 April 2007, the Group also hedge accounted for these instruments, having put the necessary internal documentation together to meet the requirements of the new Standards. As such any movements in the market value of these contracts, prior to maturity, will be reported in Reserves, without impacting the income statement for the relevant period, as long as these instruments effectively hedge the relevant risks.

The hedge documentation required under IFRS differs from that required under UK GAAP and this was not in place as at 1 April 2006. As a result, hedge accounting cannot be adopted in restating the results for the year ended 31 March 2007 in accordance with adopted IFRS and therefore fair value movements must be reported within the income statement.

The unavailability of hedge accounting under IFRS in 2006/7 for derivative contracts results in a timing difference in the recognition of changes in the value of these contracts which reverses in subsequent accounting periods.

In order for readers of the accounts to establish the underlying performance of the Group, results are presented in these accounts showing not only the required accounting treatment under IFRS but also the Group's performance should hedge accounting have been possible for the year ended 31 March 2007. It is envisaged that a similar presentation will be adopted in the accounts for the interim and final results for the year ending 31 March 2009.



A D Merrick
Group Finance Director

23 July 2008

Directors and Senior Management

DART GROUP PLC

Philip Meeson Group Chairman and Chief Executive
Andrew Merrick BSc (Hons), FCMA Group Finance Director
Trevor Crowley FCA Senior Independent Non-Executive Director
Brian Templar BA (Hons), MILT Independent Non-Executive Director
Tamsin Winspear Group Company Secretary and Head of Regulatory Affairs

Jet2.com Limited

Philip Meeson Chief Executive
Ian Doubtfire Managing Director
Robin Bradshaw Director, Flight Operations (resigned 30 April 2008)
Ian du Cros Director, Mail and Cargo Operations
Claire Flynn FCIPD Director, Human Resources
Brian Gresham Director, Line Maintenance
Stephen Lee Director, Commercial
Andrew Menzies Director, Technical
Andrew Mondon ACA Director, Accounting
Shane O'Doherty Director, Ground Operations
Antony Sainthill BA (Hons), FIFP Director, Aircraft Management
Robert Trayhurn MIIRSM DipSM Director, Safety Management
Philip Ward Director, Passenger Sales
David Williams Director, IT Business Systems (resigned 23 December 2007)

Jet2holidays Limited

Philip Meeson Chief Executive
Richard Bodin MBA Managing Director
Andrew Merrick Director
Andrew Mondon Finance Director

Fowler Welch-Coolchain Limited

Jim Welch President
Philip Meeson Executive Chairman
David Inglis Managing Director
David Cottam Executive Director
Lee Juniper National Operations Director
Stephen King ACMA Finance Director
John Peall Deputy Managing Director

Directors' Report

The directors present their Annual Report on the affairs of the Group together with the Financial Statements and Auditor's Report for the year ended 31 March 2008

Principal activities

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

- the operation of low-cost scheduled, charter and tour operator flights throughout Europe,
- the distribution of fresh produce, temperature-controlled and ambient products to supermarkets and wholesale markets throughout the United Kingdom

Business review

The Company is required to include a review in its Directors' Report as per section 234ZZB of the Companies Act 1985. The information that fulfils these requirements can be found in the following sections of the Annual Report, which are incorporated into this report by cross reference

- Business and Financial Review pages 4 to 9
- Current Directors' details and Directors who served through the year pages 10 to 12
- Directors' remuneration on pages 15 to 18
- Details of financial instruments and exposure to relevant risks note 21 to the Group accounts

Results and dividends

The results for the year are set out in the consolidated income statement and show a profit, after taxation, of £8.7m (2007 – £0.7m)

A final dividend for the year ended 31 March 2007 of 1.43p (2006 – 1.295p) per share was paid on 24 August 2007. An interim dividend of 0.65p (2007 – 0.65p) per share was paid on 11 January 2008.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2008 (2007 – 1.43p per share), given both the current economic climate and the trading performance of the Group for the year to 31 March 2008.

Directors

Executive Directors

Philip Meeson is Chairman and Chief Executive of Dart Group PLC, Chief Executive of *Jet2.com* and Executive Chairman of Fowler Welch-Coolchain.

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 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 before moving to AIM in 2005.

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.

Andrew Merrick, Group Finance Director, joined the Group in July 2007. He previously held a number of senior financial management positions at both Bradford & Bingley plc and Thomas Cook Group Limited. He is a non-executive director of Incommunities Group Limited (previously known as Bradford Community Housing Trust). Andrew graduated from The City University in 1983 and is a Fellow of the Chartered Institute of Management Accountants. As Group Finance Director, Andrew is responsible for all finance matters, treasury activities, including both fund raising and hedging of the Group's fuel and foreign currency arrangements and the Group's IT infrastructure.

Non-Executive Directors

Trevor Crowley FCA, senior independent non-executive director, has served as a director since 1988. He is currently Chairman of the Audit Committee and his long experience with the Company enables him to provide a positive contribution to all financial aspects of the Group. His training

Directors' Report

continued

and experience in exercising independent judgement in his capacity as an audit Partner in Levy Blair for over thirty years, a London based firm of Chartered Accountants, ensures his continuing independence despite his length of service with the Company. He retired as a partner in April 2007 when the firm merged with another London-based firm, Rayner Essex Chartered Accountants, and he continues to act as a consultant for the combined firm.

Brian Templar has served as an independent non-executive director since 1993. He graduated with a BA (Hons) degree in Psychology. He has considerable experience in the distribution industry, having held senior management positions with NFC, LEX, Federal Express and Iveco. As chairman of logistics consultants Davies & Robson, Brian continues to advise the Boards of both national and international clients on all aspects of supply chain management. His knowledge and understanding of changing market needs brings a valuable insight and independent view to the Board of the Group.

Directors' interests

- (a) The directors who served during the year and their beneficial interests in the Company are set out below

	Ordinary shares 31 March 2008	Ordinary shares 31 March 2007
P H Meeson	56,240,000	56,240,000
A D Merrick	83,000	–
M E Forder	–	307,120
T P Crowley	48,188	48,188
B S Templar	134,712	134,712

- (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 18. There have been no changes to the directors' interests above in the period since 31 March 2008.
- (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.

Material holdings

Apart from the interest of P H Meeson in the capital of the Company, the directors are aware that the following entities were interested, directly or indirectly, in three per cent or more of the issued share capital of the Company as at 24 July 2008:

Schroder Investment Management Institutional Group	16.10
J O Hambro Capital Management Limited	10.47
BlackRock Advisors Institutional Group	7.93
AXA Institutional Group	3.37

Increases in issued share capital

The issued share capital was increased by 126,630 1/25 pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

19 July 2000	18,700	5 December 2003	20,000 (approved)
17 November 2000	31,370	21 June 2004	32,000
18 November 2002	4,160	23 November 2005	10,000 (approved)
3 July 2003	400	23 November 2005	10,000 (unapproved)

Details of the increases in issued share capital are given in note 22 to the Group accounts.

Special business at the Annual General Meeting

At the Annual General Meeting to be held on 28 August 2008 resolutions 6, 7 and 8 will be special business. Ordinary Resolution 5 covers the directors' authority to allot ordinary shares pursuant to section 80 of the Companies Act 1985 up to an aggregate nominal amount of £236,678,825, such authority to expire on the close of the next Annual General Meeting. Special Resolution 6 covers the directors' authority to allot on a non-pre-emptive basis equity securities for cash up to an aggregate nominal amount equal to 5% of the issued share capital of the Company at the date the Resolution is passed. Special Resolution 7 deals with authority for the Company to buy back its own shares. Special Resolution 8 deals with the adoption of new articles of association to take into account of certain changes in English company law in the Companies Act 2006. Further explanatory notes in respect of all of these resolutions under special business are included with the notice of the Annual General Meeting.

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 2008 the Group's creditor days were 32 (2007 – 35)

Political and charitable contributions

The Group made no political contributions during the period (2007 – £nil). The Group made contributions to various local and national charities amounting to £2,523 (2007 – £1,929) during the period.

Corporate and Social Responsibility

The Environment

Dart Group PLC takes its responsibility to the environment seriously with fuel emissions being a significant issue in both the Aviation and Distribution businesses. In addition to environmental concerns, it is in our own and our customers' interests to ensure we operate at maximum fuel efficiency.

In *Jet2 com*, we have a programme in place targeted at improving fuel efficiency and reducing emissions by 4% per annum. This is being achieved by a series of initiatives including further investment in flight planning technology, aircraft maintenance activity focused on reducing drag, and investment in winglets which improve aircraft performance, particularly at take-off.

In respect of the aircraft fleet, all Group aircraft exceed the International Civil Aviation Organisation's requirements for minimising air pollution.

Jet2 com is in the process of introducing a carbon offset scheme should our customers wish to offset directly their carbon footprint.

In *Fowler Welch-Coolchain*, we are undertaking a series of initiatives to maximise fuel efficiency and minimise vehicle emissions. Taking a collaborative approach with our clients through various initiatives including shared user distribution, back-haul, store deliveries and network optimisation, we are contributing to reducing the overall environmental impact per tonne of product delivered.

We have worked with a major retailer to save over 350 tonnes of carbon dioxide emissions per annum by changing the approach to delivery to city and town centre stores. This has been achieved through a more efficient mix of delivery vehicle, using our national network of distribution hubs to split loads onto smaller trailers.

We review route planning on a daily basis to minimise the level of empty vehicle miles and have invested in onboard management systems to enable driving styles to be monitored and improved. We are in the process of upgrading our fleet to Euro 5 rather than Euro 4 engine compliant emission levels. We also have invested in dual fuel vehicles which comprise 15% of the fleet.

All our warehouse sites have been assessed for energy efficiency and programmes are in place in each site to minimise energy usage.

Where on-site re-fuelling facilities are available, fuel traps exist to prevent fuel seeping into the water table.

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 Aviation, Commercial and Special Technical information bulletins, pensions newsletter, circulars and team briefings.

Fowler Welch-Coolchain Ltd was awarded a Business in the Community "Big Tick" award in July 2007 and has successfully completed the re-accreditation process for 2008. This award was made to recognise *Fowler Welch-Coolchain's* Language Tuition Scheme where colleagues for whom English is not the first language are able to attend on-site lessons provided and accredited by the University of Lincoln. This scheme has had a marked impact on both operational efficiency, morale and colleague retention.

Health and Safety at Work

Maintaining the highest standards of safety in all its operations is central to the Group's continuing success. The *Jet2 com* and *Fowler Welch-Coolchain* safety officers support line managers in the discharge of their responsibility for the safety of the operations they control. Providing

Directors' Report

continued

expertise and advice on regulatory compliance and best practice in all aspects of flight safety, driver training and occupational health and safety, the safety officers also maintain the companies' operational quality systems. These safety management systems have helped deliver consistently improving safety statistics together with a commensurate reduction in insurance premium rates.

Equal opportunities

The Group has a policy of treating job applicants and employees in the same way, regardless of their gender, 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.

Our communities

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

Post balance sheet event

Subsequent to the year-end, Dart Group PLC has reached a revised agreement with its bankers, which increases the Group's funding flexibility. The revised arrangements allow the Group to increase significantly the use of lease arrangements which the Group regards as an increasingly important part of its aircraft fleet management plans. Details are provided in note 29 to the Group accounts.

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.

Statement as to disclosure of information to Auditors

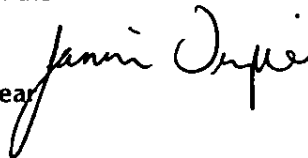
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution proposing the re-appointment of KPMG Audit Plc as auditors to the Group will be put to the forthcoming Annual General Meeting.

By order of the Board

T. Winspear
Secretary



23 July 2008

Report on Directors' Remuneration

Remuneration Committee and Advisers

The Group's Remuneration Committee is chaired by Brian Templar and its other member is Trevor Crowley. The Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for executive directors.

When required, KPMG Audit Plc (the Company's auditor and tax service provider) and Addleshaw Goddard will provide advice on both the approved and unapproved share option schemes. Philip Meeson, Chief Executive, provides advice in relation to the remuneration of other executive and non-executive directors.

Remuneration Policy

The Company's policy on directors' remuneration for 2008/9 and subsequent financial years is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. The package consists of basic salary, benefits, share options and performance related bonuses. In constructing the remuneration packages, the Committee aims to achieve a balance between fixed and variable remuneration. Consideration is given to pay and employment policies elsewhere in the Group, especially when determining annual salary increases.

Executive Remuneration Package

The Remuneration Committee, having taken external advice, believes that the value of the total employment packages of the directors and senior managers, and the extent of performance-related elements within this, is appropriate when compared to analysis of comparable companies. The details of individual components of the remuneration package and service contracts are discussed below.

Basic Salary and Benefits

Base salaries for each executive director are determined by individual performance and reference to external market data. The salary and benefits are reviewed annually. The base salary is the only element of remuneration that is pensionable. Benefits principally comprise a car, pension contributions and private healthcare.

Share Options

Share options under the Unapproved Scheme are awarded periodically (subject to available headroom) by the Remuneration Committee to directors and senior managers. Share options under the Approved Scheme are awarded at the discretion of the Board to a wide range of key personnel up to the current statutory limit. Other than for share options granted on 5 December 2003, 21 November 2005, 3 August 2007 and 18 December 2007, the details of which are given below, there are no performance targets linked to the exercise of options once awarded.

For options granted on 5 December 2003 earnings must increase by at least an average of 5% over RPI per annum from the adjusted base financial year 2002/03 net profit figure of £9 468m for the three and six consecutive years to the financial years 2005/6 and 2008/9 respectively.

For options granted on 21 November 2005, earnings must increase by at least an average of 5% over RPI per annum of the base financial year 2004/5 net profit on ordinary activities before taxation figure of £13 472 million for the three and six consecutive years to financial years 2007/8 and 2010/11 respectively.

For options granted on 3 August 2007 and 18 December 2007 earnings must increase by at least an average of 5% over RPI per annum from the adjusted base financial year 2006/7 net profit figure of £14 1m for the three and six consecutive years to the financial years 2009/10 and 2012/13 respectively.

Report on Directors' Remuneration

continued

For options granted in 2008, earnings must increase by at least an average of 5% over RPI per annum from the adjusted base financial year 2007/8 net profit figure of £3.9m for the three and six consecutive years to the financial years 2010/11 and 2013/14

Inland Revenue Approved Schemes

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

All share options awarded are exercisable at the higher of the nominal value of the shares and the market price at the date of the award.

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

Dart Group PLC Unapproved Share Option Plan 2005

This Scheme was adopted by the Board on 8 November 2005. Options may be granted to employees, but not non-executive directors of Dart Group PLC, selected at the discretion of the Board. The full details of the scheme are summarised below.

- 1 Individual limit
 - 1.1 The maximum number of shares which may on any day be placed under option for subscription under the Scheme, when added to the number of shares previously placed under option for subscription under the Scheme or allocated for subscription in the preceding ten years under any other employees' share scheme adopted by the Company, shall not exceed 10% of the Company's issued share capital on that day.
 - 1.2 For the purpose of the above limits options which have lapsed are disregarded.
- 2 Grant of Options
 - 2.1 The Scheme allows for the grant of options to take place at any time during the period of 42 days after the announcement by the Company of its results.
 - 2.2 The grant of options will be subject to the discretion of the directors based upon the satisfaction of performance conditions. Performance conditions will be a combination of Earnings per Share for the Group and, in the case of subsidiary directors, the profitability of the individual subsidiary company as applicable.
 - 2.3 No option may be granted more than ten years after the adoption of the Scheme.
 - 2.4 Options are personal to the option holder and may not be transferred or assigned. Options will be non-pensionable. No payment will be required for the grant of any option.
- 3 Option Price

The holder of an option will be entitled to acquire ordinary shares at a price per share to be determined by the Board at the time when the option is granted. The option price will not be less than the nominal value of an ordinary share on which the option is granted.

4 Exercise of Options

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

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

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

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

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

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

5 Voting, dividend, transfer and other rights

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

5.2 Shares issued and allotted under the Scheme following the exercise of an option will rank *pari passu* in all respects with the then existing shares of the same class of the Company, with the exception of rights attaching by reference to a record date on or before the date of allotment

Performance Related Bonuses

These are assessed each year by the Remuneration Committee taking into account both individual and company performance. The maximum bonus payable under the short term performance related scheme is 50% of base salary. Andrew Merrick is also entitled to participate in a Long Term Incentive Plan. Under this scheme, subject to certain performance conditions being met, he could be entitled to an award of up to 100% of his base salary in either shares or cash, of which 50% would be payable in 2010 and a further 50% in 2013.

Pensions

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

Fees

The fees for non-executive directors are determined by the executive directors. The non-executive directors are not involved in any discussions or decisions about their own remuneration.

Service Contracts

Both P H Meeson and A D Merrick have service contracts that contain a rolling notice period of six months for either party.

Neither of the non-executive directors have service contracts. The remuneration of the non-executive directors takes the form of fees, which are set by the executive directors having taken advice on appropriate levels.

There are no predetermined special provisions for executive or non-executive directors with regard to compensation in the event of loss of office. The remuneration committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

The service contracts and letters of appointment of the directors who served in the year include the following terms

Executive directors	Date of contract	Notice period (months)
P H Meeson	20 May 2003	6
A D Merrick	6 June 2007	6

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

P H Meeson retires from the Board at the Annual General Meeting and, being eligible, offers himself for re-election.

Report on Directors' Remuneration

continued

Directors' remuneration

The remuneration of the directors is as follows

	Basic Salary and fees	Benefits ⁽¹⁾	Performance Related Bonuses	Total 2008	Total 2007
	£	£	£	£	£
Executive directors					
P H Meeson	187,591	18,896	–	206,487	197,216
A D Merrick	130,050	4,119	65,625	200,794	–
M E Forder ⁽²⁾	59,563	3,123	–	62,686	181,498
Non-Executive directors					
T P Crowley ⁽³⁾	25,000	–	–	25,000	25,000
B S Templar	25,000	–	–	25,000	25,000
	427,204	26,138	65,625	519,967	428,714

⁽¹⁾ The remuneration package of each executive director includes non-cash benefits comprising the provision of a company car and private health insurance

⁽²⁾ During the year the aggregate amount of pre-tax gain on share options exercised by M E Forder was £nil (2007 – Gain made by M E Forder £93,000)

⁽³⁾ T P Crowley was a partner of Levy Blair, a firm of Chartered Accountants which has recently merged with Rayner Essex Chartered Accountants. The remuneration included above represents fees payable to Levy Blair for services of T P Crowley as a non-executive director for the year to 31 March 2007

Pension entitlement

In respect of 2008 the employer contributed to one of the Group's money purchase schemes an amount of £25,257 (2007 – £25,253) in respect of P H Meeson and £18,375 (2007 – £nil) in respect of A D Merrick

Interests in options

The Company has four share option schemes by which executive directors and other senior executives are able to subscribe for ordinary shares in the Company and acquire shares in the Company. The interests of the directors who served during the year were as follows

Director	Share scheme	Exercise price	At 1 April 2007 No	Granted during the year No	Lapsed in the year No	At 31 March 2008 No
A D Merrick	Approved	101 75p	–	(a) 29,484	–	29,484
M E Forder	Unapproved	47 5p	50,000	–	(50,000)	–
	Unapproved	31 25p	100,000	–	(100,000)	–
	Unapproved	78 5p	80,000	–	(80,000)	–

(a) up to 50 per cent for 3 August 2010 and up to 100 per cent from August 2013, subject to performance conditions as described on page 15, all of these options expire on 3 August 2017

The share based payment charge to the Group profit and loss account in respect of the above share options amounted to £7,035 (2007 – £6,754)

The mid-market price of the Company's shares on 31 March 2008 was 27 pence per 1 25 pence ordinary share. The highest and lowest closing mid-market prices during the year were 136 75 pence and 18 pence respectively

The interests of the directors to subscribe for or acquire ordinary shares have not changed since the year end

On behalf of the Board

B S Templar

Director, Chairman of the Remuneration Committee

23 July 2008

The Workings of the Board and its Committees

As the Company is now listed on AIM, there is no requirement to report on compliance with the Combined Code

The Board

The Board currently comprises Philip Meeson, who owns 39.9% of the issued share capital of Dart Group PLC and performs the role of Chairman and Chief Executive, Andrew Merrick, the Group Finance Director, and two independent non-executive directors, Trevor Crowley and Brian Templar. The biographies of the directors appear on page 11 and 12. 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 Annual Report and Financial Statements is set out on page 21 and a statement on going concern is given within the Notes to the Group Accounts.

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

The Board meets at least 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:

Board Committees

The number of full Board Meetings and Committee Meetings scheduled, held and attended by each Director during the year was as follows -

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Philip Meeson, Chairman and Chief Executive	4	1*	–
Mike Forder, Group Finance Director (until 24 July 2007)	1	–	1*
Andrew Merrick, Group Finance Director (from 24 July 2007)	3	–	2*
Trevor Crowley, Senior Independent Non-Executive Director	3	1	3
Brian Templar, Non-Executive Director	3	1	3

* By invitation

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.

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 report before their submission to the Board and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders.

The Workings of the Board and its Committees

continued

In 2008 the Audit Committee, operating under its previous terms of reference, discharged its responsibilities by

- reviewing the Group's draft 2008 annual report and 2007 interim results statement prior to Board approval and reviewing the external auditor's reports thereon,
- reviewing and approving the restatement under IFRS of the 2007 financial statements, following the first time adoption of IFRS during the year;
- reviewing the appropriateness of the Group's accounting policies,
- reviewing and approving the 2008 audit fee and reviewing non-audit fees payable to the Group's external auditors in 2008,
- reviewing the external auditor's plan for the audit of the Group's 2008 accounts, including key risks on the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit,
- reviewing an annual report on the Group's systems of internal control and its effectiveness and reporting to the Board on the results of the review

Since 2005, the Audit Committee has met at least twice a year. The Committee meets with Executive Directors and management, as well as privately with the external auditors.

The Company does not have an independent internal audit department capable of performing a full and regular monitoring role of the Company's procedures. Despite this, it is felt that the financial record keeping is robust and capable of highlighting significant departures from procedures. Other areas of risk assessment and monitoring which may normally be carried out by an internal audit department are, in the main, covered by the Board either as a whole or within the various meetings highlighted.

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.

Relations with Shareholders

Communications with shareholders are given high priority. The Business and Financial Review on pages 4 to 9 includes 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 28 August 2008 can be found in the Notice of the Meeting.

Statement of Directors' Responsibilities

in Respect of the Directors' Report and the Financial Statements

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

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

The Group financial statements are required by law and IFRS, as adopted by the EU, to present fairly the financial position and the performance of the Group, the Companies Act 1985 provides in relation to such financial statements that reference in the relevant part of that Act to financial statements giving a true and fair view are references to achieving a fair presentation. The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company

In preparing each of the Group and Parent Company financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

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

Independent Auditor's Report

To The Members of Dart Group PLC

KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW

We have audited the Group and Parent Company financial statements (the "financial statements") of Dart Group PLC for the year ended 31 March 2008 which comprise the Consolidated Group Income Statement, the Consolidated Group and Parent Company Balance Sheets, the Consolidated Group Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs), as adopted by the EU, and for preparing the Parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 21.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information

given in the Directors' Report is consistent with the financial statements. The information given in the Director's Report included that specific information presented in the Chairman's Statement and Business and Financial Review that is cross referenced from the Directors' Report. In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's 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 Group financial statements give a true and fair view, in accordance with IFRSs, as adopted by the EU, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended,
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 March 2008,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 July 2008

Consolidated Group Income Statement

for the year ended 31 March 2008

	Note	Year ended 31 March 2008			Year ended 31 March 2007		
		Results before specific IAS 39 fair value movements £m	Specific fair value movements ⁽¹⁾ £m	Results for the year £m	Results before specific IAS 39 fair value movements £m	Specific fair value movements ⁽¹⁾ £m	Results for the year £m
Revenue	5	429.3	–	429.3	349.0	–	349.0
Net operating expenses	6	(423.7)	7.9	(415.8)	(330.1)	(17.7)	(347.8)
Operating profit	5,7	5.6	7.9	13.5	18.9	(17.7)	1.2
Finance income	8	2.7	–	2.7	2.4	–	2.4
Finance costs	8	(5.7)	–	(5.7)	(7.1)	–	(7.1)
Net financing costs		(3.0)	–	(3.0)	(4.7)		(4.7)
Profit/(loss) on disposal of fixed assets		1.3	–	1.3	(0.1)	–	(0.1)
Profit/(loss) before taxation		3.9	7.9	11.8	14.1	(17.7)	(3.6)
Taxation	11	(0.8)	(2.3)	(3.1)	(3.5)	5.3	1.8
Profit/(loss) for the year from continuing operations		3.1	5.6	8.7	10.6	(12.4)	(1.8)
Profit from discontinued operations, net of tax	9	–	–	–	2.5	–	2.5
Profit/(loss) for the year		3.1	5.6	8.7	13.1	(12.4)	0.7
Earnings per share – total							
– basic	13	2.15p		6.18p	9.29p		0.46p
– diluted	13	2.12p		6.13p	9.22p		0.46p
Earnings/(loss) per share – continuing operations							
– basic	13	2.15p		6.18p	7.54p		(1.29)p
– diluted	13	2.12p		6.13p	7.48p		(1.28)p

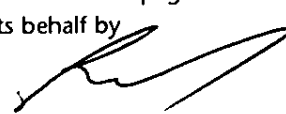
⁽¹⁾ In order to assist the reader to understand the underlying business performance, the Group discloses separately within the income statement specific IAS 39 fair value movements (refer to note 2 Accounting Policies – Basis of preparation)

Consolidated Group Balance Sheet

at 31 March 2008

	Note	2008 £m	2007 £m
Non-current assets			
Goodwill	14	6 8	6 8
Property, plant and equipment	15	193 4	185 5
Derivative financial instruments	21	1 6	0 5
Deferred tax assets	11	2 8	5 5
		204 6	198 3
Current assets			
Inventories	16	0 3	0 2
Trade and other receivables	17	50 0	44 0
Derivative financial instruments	21	13 7	1 1
Cash and cash equivalents		4 0	3 9
		68 0	49 2
Total assets		272 6	247 5
Current liabilities			
Trade and other payables	18	147 1	138 1
Derivative financial instruments	21	5 9	11 3
		153 0	149 4
Non-current liabilities			
Other non current liabilities	19	2 9	–
Borrowings	20	21 2	18 0
Derivative financial instruments	21	2 5	6 8
Deferred tax liabilities	11	18 6	14 3
		45 2	39 1
Total liabilities		198 2	188 5
Net assets		74 4	59 0
Shareholders' equity			
Share capital	22	1 8	1 8
Share premium	23	9 3	9 2
Cash flow hedging reserve	23	10 0	0 9
Retained earnings	23	53 1	47 1
Other reserves	23	0 2	–
Total shareholders' equity		74 4	59 0

The accounts on pages 24 to 60 were approved by the Board of Directors at a meeting held on 23 July 2008 and were signed on its behalf by


A D Merrick
Director

Consolidated Group Cash Flow Statement

for the year ended 31 March 2008

	Note	2008 £m	2007 £m
Cash flows from operating activities			
Profit/(loss) before taxation from continuing operations		11 8	(3 6)
Adjustments for			
Finance income		(2 7)	(2 4)
Finance costs		5 7	7 1
(Profit)/loss on disposal of property, plant and equipment		(1 3)	0 1
Profit from discontinued operations before taxation		–	0 2
Depreciation		30 3	20 9
Equity settled share-based payments		0 2	0 2
Specific fair value adjustments		(7.9)	17 7
Operating cash flows before movements in working capital		36.1	40 2
Increase in inventories		(0 1)	(0 7)
Increase in trade and other receivables		(6 5)	(21 5)
Increase in trade and other payables		12 9	44 2
Cash generated from operations		42 4	62 2
Interest received		0 1	1 1
Interest paid		(4 4)	(2 2)
Income taxes paid		(0 5)	(1 0)
Net cash from operating activities		37 6	60 1
Cash flows from investing activities			
Disposal of subsidiary		–	3 8
Purchase of property, plant and equipment	15	(38.5)	(70 2)
Proceeds from sale of property, plant and equipment		1 5	2 8
Net cash used in investing activities		(37 0)	(63 6)
Cash flows from financing activities			
Proceeds from issue of share capital		0 1	0 7
Net proceeds from/(repayments) of borrowers		3 2	(13 5)
Equity dividends paid	12	(2 9)	(2 7)
Net cash generated from/(used in) financing activities		0.4	(15 5)
Effect of foreign exchange rate changes		(0.9)	(3 1)
Net increase/(decrease) in cash in the year		0 1	(22 1)
Cash and cash equivalents at beginning of year		3 9	26 0
Cash and cash equivalents at end of year	26	4 0	3 9

Consolidated Statement of Recognised Income and Expense

for the year ended 31 March 2008

	2008 £m	2007 £m
Fair value (losses)/gains, gross of tax		
On cash flow hedges		
Transfers to profit and loss on maturity of cash flow hedges	(0.9)	(3.6)
Changes in fair value of cash flow hedges	13.9	–
Taxation on items taken directly to equity	(3.9)	1.6
Exchange differences on translation of foreign operations	0.2	–
Net Income and expense recognised directly in equity	9.3	(2.0)
Profit for the year	8.7	0.7
Total recognised income and expense for the year attributable to equity holders of the parent	18.0	(1.3)

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

1. Authorisation of financial statements and statement of compliance

The Group's financial statements for the year ended 31 March 2008 were authorised by the Board of directors on 23 July 2008 and the balance sheet was signed on the Board's behalf by Andrew Merrick, Group Finance Director. Dart Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

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

2. Accounting policies

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

The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP, these are presented on pages 61 to 70.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in preparing an opening IFRS balance sheet at 1 April 2006 for the purposes of the transition to Adopted IFRSs.

Transition to Adopted IFRSs

In preparing the Group's IFRS balance sheet at 1 April 2006 ("transition date"), the Group has followed the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, which in general requires the full retrospective adoption of IFRS accounting policies. However, IFRS 1 contains certain mandatory exceptions and certain optional exemptions from this principle. The following optional exemptions from full retrospective adoption of IFRS have been adopted:

(a) **Business combinations** The Group has chosen not to restate business combinations prior to the transition date of 1 April 2006 on an IFRS 3 *Business Combinations* basis.

(b) **Cumulative translation differences** One of the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* is that exchange differences arising on the retranslation of the results and net assets of overseas operations must be held as a separate component of equity and on a subsequent disposal of an overseas operation, the cumulative amount of exchange differences previously recognised directly in equity for that operation are to be transferred to the income statement as part of the profit or loss on disposal. The Group has adopted the exemption allowing cumulative translation differences to be reset to zero at the transition date such that any profit or loss on disposal will exclude translation differences that arose before the transition date.

(c) **Share based payment transactions** The Group has adopted the exemption allowing the application of IFRS 2 *Share based Payments* only to those equity instruments granted after 7 November 2002 which had not vested at the date of transition of 1 April 2006.

Basis of preparation

The financial statements have been prepared under the historical cost convention except for all derivative financial instruments, that have been measured at fair value, and disposal groups held for sale, that have been measured at the lower of fair value, less costs to sell, and their carrying amounts prior to the decision to treat them as held for sale.

In order to allow a better understanding of the financial information presented, and specifically the Group's underlying business performance, the Group presents its income statement in three columns such that it identifies (i) results excluding specific IAS 39 fair value movements, (ii) the effect of specific IAS 39 fair value movements, and (iii) results for the year. For the purpose of clarity, in the explanation of the basis of preparation applied in these consolidated financial statements, we describe these columns as the "left hand column", the "middle column" and the "right hand column" respectively.

The Group uses forward foreign currency contracts, currency option products and aviation fuel swaps to hedge exposure to foreign exchange rates and aviation fuel price volatility. Such derivative financial instruments are stated at fair value.

2. Accounting policies – (continued)

Ineffectiveness in qualifying cash flow hedges under IAS 39 can arise as a result of the difference between the contractual profile of a hedge and the profile of transactions defined as the hedged item. IAS 39 requires ineffectiveness in qualifying cash flow hedges to be recorded in the income statement, and therefore the Group records this ineffectiveness in the left hand column when it relates to a cash flow hedge.

IFRS compliant hedge documentation was not in place prior to 1 April 2007. Movements in the fair value of derivatives in existence at this time, along with subsequent fair value movements on these cash flow hedges that would have qualified for hedge accounting had the documentation requirement been met, are separately presented in the middle column to assist the reader's understanding of underlying business performance and to provide a more meaningful presentation.

The right hand column presents the results for the year showing all gains and losses recorded in the Consolidated Group Income Statement.

Going Concern

The Group's loans are subject to security from the lending banks and are subject to standard financial and non-financial covenants.

The directors have prepared financial forecasts for the Group, comprising operating profit, balance sheet and cash flows to 31 March 2009.

For the purposes of their assessment of the appropriateness of the preparation of the Group's accounts on a going concern basis, the directors have considered the principal areas of uncertainty within the forecast and the underlying assumptions, in particular these relate to market and customer risks, raw material input costs, cost management and working capital management. A number of these are subject to market uncertainty and impact financial covenants. Recognising the potential uncertainty, the directors have considered a range of actions available to mitigate the impact of these potential uncertainties and also reassessed the key strategies which underpin elements of the forecast and the Group's ability to implement them successfully.

On the basis of these forecasts and these considerations, the directors have assessed future covenant compliance and headroom for the foreseeable future and concluded that it is appropriate for the financial statements for the period ended 31 March 2008 to be prepared on a going concern basis.

Basis of consolidation

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

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

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

Revenue

Turnover (which excludes Value Added Tax and Air Passenger Duty) arises from passenger aircraft operations, holidays, retail activities, charter and cargo aircraft operations and, warehousing and distribution activities conducted by the Group.

Revenue from ticket sales for scheduled passenger flights and total revenue from holidays is recognised at the date of departure. Charter aircraft income is recognised in the period in which the service is provided. Retail revenue from cabin service sales, excess baggage charges and extra leg room charges are also recognised once the relevant flight has taken place. Separately identified incremental credit card charges and call centre booking fees are recognised at the date of booking and booking change fees are recognised when the change is made, in line with the costs which such charges are designed to cover. Commission earned from hire car and hotel bookings is recognised on departure and from travel insurance on booking, reflecting the time when commission can no longer be recovered on cancellation. Amounts received from customers for which revenue has not yet been recognised are recorded in the balance sheet within trade and other payables as deferred revenue.

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

Notes to the Consolidated Financial Statements

continued

2. Accounting policies – (continued)

Foreign currencies

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

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

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

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

Investments

Investments are recorded at cost, less provisions for impairment in value where appropriate. Certain of the Group's activities are conducted through corporate interests, which are accounted for as joint arrangements. The Group accounts for its own assets, liabilities and cash flows measured in accordance with the terms of the joint arrangement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Interest attributable to the purchase of aircraft and other assets and progress payments on account, whilst such aircraft are undergoing conversion from passenger to freighter or quick change is capitalised and added to the cost of the asset concerned. Interest is capitalised at rates equal to the rates paid on the financial instruments used to finance the purchase and conversion of aircraft.

Depreciation is calculated to write off the cost of property, plant and equipment down to their estimated residual value using the straight-line method over their estimated useful economic lives or the estimated useful economic lives of their individual major components as follows:

Short leasehold property	Over the life of the lease
Freehold property	30 years
Aircraft and engines	3-10 years
Plant, vehicles and equipment	3-7 years

Freehold land is not depreciated.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of its engines and airframes and is amortised over a period ranging from one to ten years from the date of acquisition. Subsequent costs incurred which lend enhancement to future periods such as long-term scheduled maintenance and major overhaul of aircraft and engines are capitalised and amortised over the length of period benefiting from the enhancements. All other maintenance costs are expensed to the income statement as incurred.

Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying value and fair value less costs to sell, with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

2. Accounting policies – (continued)

Discontinued operations are presented on the income statement (including the comparative period) in a single line which comprises the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations

Impairment of assets excluding goodwill

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

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

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

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

Goodwill

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

Prior to 1 April 2006, goodwill was amortised over its estimated useful life, such amortisation ceased on 31 March 2006. Goodwill previously written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not taken into account in calculating any profit or loss on disposal of a business.

Goodwill is allocated to a cash-generating unit for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets, or groups of assets. Impairment of goodwill is not reversed.

Inventories

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

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

Aircraft maintenance provisions

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

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

Leased aircraft

Provision is made for the estimated future costs of major overhauls of leased airframes, engines and auxiliary power units by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the year as a consequence of aircraft rectification obligations arising from the operating lease agreements.

Owned aircraft

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

Notes to the Consolidated Financial Statements

continued

2. Accounting policies – (continued)

Borrowings

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

Cash and cash equivalents

Cash equivalents are defined as including short term deposits with original maturity within three months. For the purposes of the consolidated cash flow statement, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Classification of financial instruments issued by the Group

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

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

Financial instruments

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value.

Interest bearing loans and borrowing

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

Derivative financial instruments and hedging

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

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

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

For all other cash flow hedges, the recycling of the cash flow hedge is taken to the income statement in the same period in which the hedged commitment affects profit and loss, through the left hand column for all hedges entered into since 1 April 2007 or through the middle column for hedges entered into prior to this date.

2. Accounting policies – (continued)

Leases

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

Taxation

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

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

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

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

Employee benefits

Defined contribution plans

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

Share based payments

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

The Group has applied the exemption available under IFRS 1 to apply IFRS 2 only to those options granted after 7 November 2002.

3. Accounting estimates and judgements

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

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

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

Goodwill

Goodwill was tested for impairment on transition to IFRS and annually thereafter, with no impairment identified. The smallest cash generating unit to which goodwill is attributable is Fowler Welch-Coolchain Limited whose principal activity is temperature-controlled distribution. The impairment review takes account of the recoverable amount of this cash generating unit which is based on a value in use calculation utilising the unit's annual budget for the forthcoming year and forecasts for the following four years. Thereafter a growth rate of 2.5% has been assumed. Projected cash flows have been discounted utilising a discount rate of 7.5%.

The key sensitivity in this calculation is the discount rate used, although the directors consider that it is unlikely that any currently foreseeable change in the discount rate would give rise to impairment.

Notes to the Consolidated Financial Statements

continued

3. Accounting estimates and judgements – (continued)

Impairment of assets excluding goodwill

Aircraft carrying values were tested for impairment on transition to IFRS and annually thereafter, with no impairment identified. The smallest cash generating unit to which this can be applied is by aircraft fleet type.

The impairment review takes account of the recoverable amount of this cash generating unit which is based on a value in use calculation utilising the unit's annual budget for the forthcoming year and forecasts for the following four years. Thereafter a growth rate of 2.5% has been assumed. Projected cash flows have been discounted utilising a discount rate of 7.5%.

4. New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements. Their adoption is not expected to have a material effect on the financial statements of the Group except for additional segmental disclosures when IFRS 8 comes into effect.

IASB documents not yet endorsed

- IAS 23 (Amendment) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009),
- IAS 1 *Presentation of Financial Statements* (effective for accounting periods beginning on or after 1 January 2009),
- IAS 27 (Amendment) *Consolidated and Separate Financial Statements* (effective for accounting periods beginning on or after 1 January 2009),
- IFRS 2 (amendment) *Share Based Payments* (effective for accounting periods beginning on or after 1 January 2009),
- IFRS 3 (Revised) *Business Combinations* (effective for accounting periods beginning on or after 1 July 2009);
- IASB documents that have been endorsed:
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009)

5. Segmental reporting

Business segments

The primary reporting segment format is business segments as the Group's risk and rates of return are affected predominantly by the different services provided. Secondary segmental information is reported geographically.

Year ended 31 March 2008

	Distribution £m	Aviation £m	Unallocated £m	Total continuing £m
Revenue	120.5	308.8	–	429.3
Operating profit before specific fair value adjustments	5.3	0.3	–	5.6
Specific fair value adjustments	–	7.9	–	7.9
Operating profit after specific fair value adjustments	5.3	8.2	–	13.5
Profit on disposal of property, plant and equipment	–	1.3	–	1.3
Finance income	–	2.6	0.1	2.7
Finance costs	–	(1.3)	(4.4)	(5.7)
Profit/(loss) before taxation	5.3	10.8	(4.3)	11.8
Taxation	–	–	(3.1)	(3.1)
Profit/(loss) for the year after taxation	5.3	10.8	(7.4)	8.7
Asset and Liabilities				
Segment assets	39.7	228.2	–	267.9
Unallocated assets**	–	–	4.7	4.7
Total Assets	39.7	228.2	4.7	272.6
Segment liabilities	(16.0)	(160.8)	–	(176.8)
Unallocated liabilities***	–	–	(21.4)	(21.4)
Total Liabilities	(16.0)	(160.8)	(15.7)	(198.2)
Net Assets	23.7	67.4	(16.7)	74.4
Other Segment Information				
Property, plant and equipment additions	1.1	37.4	–	38.5
Depreciation, amortisation and impairment	(1.0)	(29.3)	–	(30.3)

** Unallocated assets include £4m Cash and cash equivalents managed on a group basis and £0.7m of recoverable income taxes.

*** Unallocated liabilities include £21.2m of borrowings managed on a group basis and £0.2m of recoverable foreign taxes.

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continued

5. Segmental reporting – (continued)

Year ended 31 March 2007

	Distribution £m	Aviation £m	Unallocated £m	Total continuing £m
Revenue	110 0	239 0	–	349 0
Operating profit before specific fair value adjustments	5 9	13 0	–	18 9
Specific fair value adjustments	–	(17 7)	–	(17 7)
Operating profit/(loss) after fair value adjustments	5 9	(4 7)	–	1 2
Loss on disposal of property, plant and equipment	–	(0 1)	–	(0 1)
Finance income	–	0 4	2 0	2 4
Finance costs	–	(2 5)	(4 6)	(7 1)
Profit/(loss) before taxation	5 9	(6 9)	(2 6)	(3 6)
Taxation	–	–	1 8	1 8
Profit/(loss) for the year after taxation	5 9	(6 9)	(0 8)	(1 8)
Asset and Liabilities				
Segment assets	38 9	203 6	–	242 5
Unallocated assets **	–	–	5 0	5 0
Total Assets	38 9	203 6	5 0	247 5
Segment liabilities	(17 0)	(153 2)	–	(170 2)
Unallocated liabilities***	–	–	(18 3)	(18 3)
Total Liabilities	(17 0)	(153 2)	(18 3)	(188 5)
Net Assets	21 9	50 4	(13 3)	59 0
Other Segment Information				
Property, plant and equipment additions	5 5	64 7	–	70 2
Depreciation, amortisation and impairment	(1 0)	(19 9)	–	(20 9)

** Unallocated assets include £3 9m Cash and cash equivalents managed on a group basis and £1 1m of recoverable Income taxes

*** Unallocated liabilities include £18 0m of borrowings managed on a group basis and £0 3m of Income taxes

Geographical segments

	2008 £m	2007 £m
Revenue arising		
Within the United Kingdom and the Channel Islands	175 3	156 2
Between the United Kingdom and Mainland Europe	254 0	192 8
	429 3	349 0

Segment assets are all principally located in the UK and all capital expenditure arises principally in the UK

6. Net operating expenses

	2008	2007
	£m	£m
Direct operating costs		
Fuel	105.4	78.5
Landing, Navigation & Handling	60.7	47.1
Aircraft and Vehicle rentals	21.9	19.4
Maintenance costs	16.2	14.7
Sub-contractor charges	32.7	30.6
Other direct operating costs	38.3	41.1
Staff costs	83.7	71.8
Depreciation of property, plant and equipment	30.3	20.9
Other operating charges	28.6	24.2
Other operating income	(2.0)	(0.5)
	<u>415.8</u>	<u>347.8</u>

Other operating income includes rents receivable, proceeds from the disposal of airport slots and other sundry income

7. Operating profit

	2008	2007
	£m	£m
Operating profit is stated after charging		
Operating lease rentals land and buildings	1.6	0.6
plant and machinery	19.9	18.2
	<u></u>	<u></u>

Auditor's Remuneration

	2008	2007
	£m	£m
Audit of these financial statements	0.1	0.1
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	0.1	0.1
Other services pursuant to such legislation	-	0.1
Other services relating to taxation	0.1	0.1
	<u></u>	<u></u>

8. Net finance costs

	2008	2007
	£m	£m
Finance income		
Interest receivable	0.1	0.6
Interest payable capitalised within property, plant and equipment	-	0.8
Exchange gains on financial instruments (note 21)	2.6	1.0
	<u>2.7</u>	<u>2.4</u>
Finance costs		
Borrowings	(3.9)	(2.0)
Exchange losses on financial instruments (note 21)	(1.3)	(2.6)
Other interest payable	-	(0.4)
Net foreign exchange losses on cash and borrowings	(0.5)	(2.1)
	<u>(5.7)</u>	<u>(7.1)</u>
Net finance costs	<u>(3.0)</u>	<u>(4.7)</u>

Notes to the Consolidated Financial Statements

continued

9. Profit from discontinued operations, net of tax

On 3 July 2006 the Group completed the sale of the trade, assets and liabilities of Channel Express (CI) Limited to a third party specialising in Channel Islands' distribution. The results of the Group's discontinued operations were as follows

	2008 £m	2007 £m
Revenue	–	3.0
Operating costs	–	(2.8)
Operating profit	–	0.2
Finance income	–	0.5
Profit before tax from discontinued operations	–	0.7
Income taxes	–	(0.2)
Profit after tax from discontinued operations	–	0.5
Post-tax profit on disposal of discontinued operations	–	2.0
Discontinued operations profit for the year	–	2.5

The 2007 pre-tax profit on disposal of discontinued operations of £2.2m, which is analysed below, attracted a tax charge of £0.2m

	2007 £m
Property, plant and equipment	0.5
Trade and other receivables	2.4
Trade and other payables	(1.3)
Net identifiable assets and liabilities	1.6
Costs of disposal	0.2
Profit on disposal of discontinued operations	2.2
Consideration	4.0
Satisfied by	
Cash	4.0

During the year ended 31 March 2007 Channel Express (CI) Limited contributed £0.4m of the Group's net operating cash flows, interest received of £0.1m, paid income taxes of £0.1m and utilised £nil for purchases of property, plant and equipment

Profit per share from discontinued operations for the year ended 31 March 2007 was 1.75 pence, and 1.74 pence on a fully diluted basis. Profit per share is calculated using profit of discontinued operations of £2.5m and a weighted average number of shares of the 140,073,882 (fully diluted weighted average number of shares of 141,122,024)

10. Employees

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

	2008 Number	2007 Number
Continuing operations		
Operations	2,026	1,659
Administration	397	390
	<u>2,423</u>	<u>2,049</u>
Discontinued operations		
Operations	–	41
Administration	–	23
	<u>–</u>	<u>64</u>
	<u>2,423</u>	<u>2,113</u>

	Continuing operations £m	Discontinued operations £m	2008 Total £m	Continuing operations £m	Discontinued operations £m	2007 Total £m
Wages and salaries	75.7	–	75.7	64.8	0.5	65.3
Share options – value of employee services	0.2	–	0.2	0.2	–	0.2
Social security costs	6.5	–	6.5	5.6	–	5.6
Other pension costs	1.3	–	1.3	1.1	–	1.1
	<u>83.7</u>	<u>–</u>	<u>83.7</u>	<u>71.7</u>	<u>0.5</u>	<u>72.2</u>

Remuneration of the Directors, who are key management personnel of the Group, is set below in aggregate. Further details of directors' remuneration along with information concerning options and retirement benefits are set out in the Report on Directors' Remuneration on pages 15 to 18. There are no personnel, other than the Directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly of Dart Group PLC. No member of key management had any material interest during the year in a contract of significance (other than a service contract) with the Company or any of its subsidiaries.

	2008 £m	2007 £m
Short term employee benefits	2.8	3.0
Post employment benefits	0.3	0.3
Termination benefits	–	–
Share based payments	0.1	0.1
Total employee benefit costs of key management personnel	<u>3.2</u>	<u>3.4</u>

Notes to the Consolidated Financial Statements

continued

11. Taxation

	2008 £m	2007 £m
Current taxation		
UK Corporation Tax based upon the profits for the year		
– current year	–	–
– prior year	(0 2)	(0 1)
– foreign tax	0 2	0 3
Current tax charge for the year	–	0 2
Deferred taxation		
Origination and reversal of temporary differences		
– current year	3 7	(1 6)
– prior year	0 4	(0 4)
Rate changes	(1 0)	–
	3 1	(2 0)
Total tax in income statement for the year	3 1	(1 8)

Reconciliation of effective tax rate

	2008 £m	2007 £m
Profit/(loss) before taxation	11 8	(3 6)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 – 30%)	3 5	(1 1)
Effects of		
Expenses not deductible for tax purposes	0 5	0 1
Lower tax rates on overseas earnings	(0 1)	(0 1)
Profit on disposals not taxable	–	(0 4)
Tax rate change	(1 0)	–
Prior year tax credit/(charge)	0 2	(0 3)
Total (see above)	3 1	(1 8)

There are no unrelieved tax losses carried forward

Deferred income tax assets and liabilities are only offset when there is a legally enforceable right to offset current taxes in that jurisdiction and when the deferred income taxes relate to the same fiscal authority and there is an intention to settle the balance net

11. Taxation (continued)

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

	2008 £m	2007 £m
Deferred tax assets	2 8	5 5
Deferred tax liabilities	(18 6)	(14 3)
	<u>(15 8)</u>	<u>(8 8)</u>

The movement in the net deferred tax liability is as follows

	2008 £m	2007 £m
As at 1 April	(8 8)	(11 7)
(Charge)/credit to income statement	(3 1)	1 3
Taken direct (to)/from equity	(3 9)	1 6
	<u>(15 8)</u>	<u>(8 8)</u>

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

	Deferred tax assets
At 1 April 2006	0 2
Credit to income	5 6
(Charge) to equity	(0 3)
At 31 March 2007	5 5
(Charge) to income	(2 9)
Credit to equity	0 2
At 31 March 2008	<u>2 8</u>

	Deferred tax liabilities			
	Accelerated capital allowances £m	Financial instruments £m	Other £m	Total £m
At 1 April 2006	9 1	–	0 7	9 8
Charge/(credit) to income	4 8	–	(0 3)	4 5
At 31 March 2007	13 9	–	0 4	14 3
Charge to income	0 2	–	–	0 2
Charge to equity	–	4 1	–	4 1
At 31 March 2008	<u>14 1</u>	<u>4 1</u>	<u>0 4</u>	<u>18 6</u>

There are no un-provided deferred taxation assets or liabilities at either the current or previous year end

A credit to the income statement of £0 3m in the year to 31 March 2009 is expected to arise from impact of the forthcoming withdrawal of industrial buildings allowances in the Finance Bill 2008

Notes to the Consolidated Financial Statements

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12. Dividends

	2008 £m	2007 £m
Interim 0.65 pence (2007 – 0.65 pence) per share – paid	0.9	0.9
Final 1.43 pence (2007 – 1.295 pence) per share – paid	2.0	1.8
	<u>2.9</u>	<u>2.7</u>

13. Earnings per share

Earnings per share is presented both before specific IAS 39 fair value movements and after specific IAS 39 fair value movements in order to allow a better understanding of the financial information presented, and specifically the Group's underlying business performance. Further details of the specific IAS 39 fair value movements can be found in note 21 to these consolidated financial statements.

	2008 Number	2007 Number
Basic weighted average number of shares in issue	141,029,664	140,073,882
Dilutive potential ordinary shares		
Employee share options	2,062,732	1,048,142
Diluted weighted average number of shares in issue	<u>143,092,396</u>	<u>141,122,024</u>
Basis of calculation – earnings (basic and diluted)	£m	£m
Profit before specific IAS 39 fair value movements	3.1	13.1
Specific IAS 39 fair value movements	5.6	(12.4)
Profit after specific IAS 39 fair value movements for the purposes of calculating basic and diluted earnings	<u>8.7</u>	<u>0.7</u>

	Year to 31 March 2008		Year to 31 March 2007	
	Before specific IAS 39 fair value movements	After specific IAS 39 fair value movements	Before specific IAS 39 fair value movements	After specific IAS 39 fair value movements
Earnings per share – Total				
– basic	2.15p	6.18p	9.29p	0.46p
– diluted	2.12p	6.13p	9.22p	0.46p
Earnings per share – Continuing				
– basic	2.15p	6.18p	7.54p	(1.29)p
– diluted	2.12p	6.13p	7.48p	(1.28)p
Earnings per share – Discontinued				
– basic	–	–	1.75p	1.75p
– diluted	–	–	1.74p	1.74p

14. Goodwill

	£m
<i>Cost</i>	
As at 1 April 2006, 1 April 2007 and 31 March 2008	6.8
<i>Impairment provision</i>	
As at 1 April 2006, 1 April 2007 and 31 March 2008	-
<i>Net Book Value</i>	
As at 31 March 2007 and 31 March 2008	6.8

15. Property, plant and equipment

	Freehold property £m	Short leasehold property £m	Aircraft & engines £m	Plant, vehicles & equipment £m	Total £m
<i>Cost</i>					
At 1 April 2006	12.1	1.8	209.4	19.9	243.2
Additions	4.6	0.3	61.0	4.3	70.2
Disposal of business	-	(0.1)	-	(1.7)	(1.8)
Disposals	(0.4)	-	(9.7)	(1.3)	(11.4)
At 1 April 2007	16.3	2.0	260.7	21.2	300.2
Additions	1.0	-	32.7	4.8	38.5
Disposals	-	-	-	(1.7)	(1.7)
At 31 March 2008	17.3	2.0	293.4	24.3	337.0
<i>Depreciation</i>					
At 1 April 2006	(2.3)	(1.5)	(85.2)	(14.7)	(103.7)
Charge for the year	(0.5)	-	(18.5)	(1.9)	(20.9)
Disposal of business	-	0.1	-	1.2	1.3
Disposals	-	-	7.4	1.2	8.6
At 1 April 2007	(2.8)	(1.4)	(96.3)	(14.2)	(114.7)
Charge for the year	(0.6)	-	(27.1)	(2.6)	(30.3)
Disposals	-	-	-	1.4	1.4
At 31 March 2008	(3.4)	(1.4)	(123.4)	(15.4)	(143.6)
<i>Net book value</i>					
At 31 March 2008	13.9	0.6	170.0	8.9	193.4
At 31 March 2007	13.5	0.6	164.4	7.0	185.5
At 31 March 2006	9.8	0.3	124.2	5.2	139.5

Included within the cost of aircraft and engines is £1.6m of interest capitalised. Aircraft and engine additions in the year include £nil (2007 – £0.8m) of interest capitalised.

Notes to the Consolidated Financial Statements

continued

16. Inventories

	2008 £m	2007 £m
Consumables	0.3	0.2

Included within direct operating costs of sales are £11.7m (2007 – £11.8m) of inventories recognised as an expense in the year. Included within direct operating costs is £0.4m (2007 – £0.2m) of inventories written down and recognised as an expense in the year.

17. Trade and other receivables

	2008 £m	2007 £m
Current		
Trade receivables	37.9	30.7
Income taxes	0.6	1.0
Other receivables	11.5	12.3
	<u>50.0</u>	<u>44.0</u>

Included within Other receivables is £1.3m (2007 – £nil) recoverable after more than one year.

Aged analysis of trade receivables

	31 March 2008			31 March 2007		
	Gross receivables	Provision for doubtful debts	Net trade receivables	Gross receivables	Provision for doubtful debts	Net trade receivables
Not past due	37.1	–	37.1	30.3	–	30.3
Up to 1 month past due	0.3	–	0.3	0.3	–	0.3
Over 1 month past due	0.6	(0.1)	0.5	0.2	(0.1)	0.1
Individually impaired amounts	–	–	–	–	–	–
	<u>38.0</u>	<u>(0.1)</u>	<u>37.9</u>	<u>30.8</u>	<u>(0.1)</u>	<u>30.7</u>

18. Trade and other payables

	2008 £m	2007 £m
Current		
Trade payables	29.6	36.3
Overseas taxes	0.2	0.7
Other taxation and social security	4.5	5.2
Deferred income	96.9	88.8
Other creditors and accruals	15.9	7.1
	<u>147.1</u>	<u>138.1</u>

19. Other non current liabilities

	2008 £m	2007 £m
Other creditors and accruals	2.9	–

20. Borrowings

	2008 £m	2007 £m
Bank loans	21.2	18.0
Loans are repayable as follows		
	2008 £m	2007 £m
Within one year	–	–
Between one and two years	–	–
Between two and five years	21.2	18.0
Over five years	–	–
	21.2	18.0

The loan above of £21.2m (2007 – £18.0m) is net of £0.8m (2007 – £1.0m) of facility arrangement fees which are being amortised over the term of the loan

The loan balances of £21.2m (2007 – £18.0m) bear interest at variable rates of up to 1.45% (2007 – up to 1.45%) over LIBOR, and are secured over the Group's aircraft and freehold properties

Following the year end certain revisions have been made to the Group's borrowing facilities as set out in note 29 to the Group accounts

21. 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 Business and Financial Review on pages 4 to 9

Currency derivatives

The Group is exposed to currency risk on purchases that are denominated in a currency other than sterling. The currencies in which these transactions are primarily denominated are US dollar and Euro. The Group can experience adverse or beneficial effects arising from foreign exchange rate movements. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible receipts and payments in each individual currency.

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

Commodity derivatives – aviation fuel

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

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

Under IAS 39, the forward currency derivatives and fuel swaps are eligible for cash flow hedge accounting, but for the year ended 31 March 2007 the appropriate hedge documentation required by IAS 39 was not in place such that although these instruments acted as economic hedges during that period, hedge accounting was not available and movements in fair value were taken to profit and loss. Movements in fair value are summarised in section (b) below.

Cash flow hedges relate to forecast cash flows through to 31 March 2010.

Notes to the Consolidated Financial Statements

continued

21 Financial instruments – (continued)

(a) Carrying amount and fair values of financial instruments

Set out below is a comparison by category of the carrying amounts and fair value of all the Group's financial assets and liabilities as at 31 March 2008

	31 March 2008 Carrying amount £m	31 March 2007 Carrying amount £m
Financial Assets		
Financial Assets.		
Cash and cash equivalents	40	39
Loans and receivables		
Trade receivables	37.9	30.7
At fair value through profit or loss		
Forward US dollar contracts	0.5	1.0
Forward Euro contracts	–	0.1
Forward Jet fuel contracts	–	0.5
Designated cash flow hedge relationships		
Forward US dollar contracts	0.2	–
Forward Euro contracts	2.1	–
Forward Jet fuel contracts	12.5	–
Total financial assets	57.2	36.2

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

	31 March 2008		31 March 2007	
	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m
Financial Liabilities				
Financial liabilities at amortised cost				
Trade payables	29.6	29.6	36.3	36.3
Bank loans	21.2	22.0	18.0	19.0
At fair value through profit or loss				
Forward US dollar contracts	–	–	13.9	13.9
Forward Euro contracts	–	–	0.4	0.4
Forward Jet fuel contracts	–	–	3.8	3.8
Designated cash flow hedge relationships				
Forward US dollar contracts	8.4	8.4	–	–
Total financial liabilities	59.2	60.0	72.4	73.4

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

- Fair values are based on market values of equivalent instruments at the balance sheet date
- Due to their short maturities, the fair values of trade receivables, other receivables and trade payables have been stated at their book value
- The fair value of the Group's foreign currency and fuel swaps and options have been measured by reference to the fair value of the instruments, as provided by external counterparties
- The fair value of fuel derivatives is based on the expected full recovery of these assets from the relevant counterparties

21. Financial instruments – (continued)**(b) Movements in fair value of financial instruments**

Net movements in fair value of financial instruments are as follows

2008	Cash flow hedges		Not designated as hedges		Total	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Net carrying amount at 1 April 2006	–	–	0.5	(3.8)	0.5	(3.8)
Fair value movements credited/(charged) in income statement	–	–	1.1	(14.3)	1.1	(14.3)
At 31 March 2007	–	–	1.6	(18.1)	1.6	(18.1)
Reclassifications	–	(11.5)	–	11.5	–	–
Transfers to/(from) equity	14.8	(0.6)	–	–	14.8	(0.6)
Charged in income statement	–	4.5	(1.1)	5.8	(1.1)	10.3
At 31 March 2008	14.8	(7.6)	0.5	(0.8)	15.3	(8.4)

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

	2008 £m	2007 £m
Amounts credited/(charged) in the Income statement		
Operating expenses		
Fair value movements – Fuel derivatives	2.3	(3.3)
Fair value movements – Forward Currency contracts	4.7	(18.0)
Amounts recycled from equity – Forward Currency contracts	0.9	3.6
Amount credited/(charged) as operating expenses	7.9	(17.7)
Finance costs		
Fair value movements – Fuel derivatives	1.0	(1.0)
Fair value movements – Forward Currency contracts	0.3	(0.6)
	9.2	(19.3)

(c) Maturity profile of financial assets and liabilities

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

Financial liabilities	31 March 2008			31 March 2007		
	Derivative financial instruments £m	Other loans & payables £m	Total £m	Derivative financial instruments £m	Other loans & payables £m	Total £m
< 1 Year	5.9	29.6	35.5	11.3	36.3	47.6
1 – 2 Years	2.5	–	2.5	3.7	–	3.7
2 – 5 years	–	21.2	21.2	3.1	18.0	21.1
	8.4	50.8	59.2	18.1	54.3	72.4

Notes to the Consolidated Financial Statements

continued

21 Financial instruments – (continued)

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

Financial assets	31 March 2008			31 March 2007		
	Derivative financial instruments	Other receivables	Total	Derivative financial instruments	Other receivables	Total
	£m	£m	£m	£m	£m	£m
< 1 Year	13.7	40.6	54.3	1.1	34.6	37.5
1 – 2 Years	1.6	1.3	2.9	0.5	–	0.5
2 – 5 years	–	–	–	–	–	–
	<u>15.3</u>	<u>41.9</u>	<u>57.2</u>	<u>1.6</u>	<u>34.6</u>	<u>36.2</u>

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

The maximum credit exposure to credit risk is limited to the carrying value of each asset as summarised above.

(d) Borrowing facilities

The Group has various borrowing facilities available to it. The total borrowing facilities available at 31 March 2008 in respect of which all conditions precedent had been met at that date are as follows:

	Amounts drawdown		Facilities available	
	2008	2007	2008	2007
	£m	£m	£m	£m
Committed facilities				
Revolving credit facility	21.2	18.0	100.0	100.0
Bank overdrafts	–	–	10.0	10.0
	<u>21.2</u>	<u>18.0</u>	<u>110.0</u>	<u>110.0</u>

The outstanding loan shown above is disclosed net of amortising arrangement fees as disclosed in note 20 to the Group accounts.

Of the £100.0m revolving credit facility, which is committed until March 2012, £76.5m (2007 – £71.0m) is committed to a Letter of Credit issued to a credit card processing company with respect to Jet2.com advance ticket sales.

Following the year end certain revisions have been made to the Group's borrowing facilities, as set out in note 29 to the Group accounts.

(e) Interest rate risk

Financial Liabilities

	31 March 2008			31 March 2007		
	Floating rate financial liabilities	Financial liabilities on which no interest is payable	Total	Floating rate financial liabilities	Financial liabilities on which no interest is payable	Total
	£m	£m	£m	£m	£m	£m
Sterling	21.2	–	21.2	18.0	–	18.0

The floating rate liabilities comprise aircraft mortgages and bank overdrafts which bear interest at rates of up to 1.45% (2007 – 1.45%) over LIBOR.

21. Financial instruments – (continued)

The following table illustrates the sensitivity of financial instruments on profit before tax for the year to a reasonably possible change in interest rate with effect from the beginning of the year. The calculations are based on financial instruments held at each balance sheet date with all other variables held constant

	31 March 2008 Effect on profit before tax 100 basis points + / - £m	31 March 2007 Effect on profit before tax 100 basis points + / - £m
Group		
Floating rate instruments	0.3	0.2

Financial Assets	31 March 2008			31 March 2007		
	Floating rate financial assets £m	Financial assets on which no interest is receivable £m	Total £m	Floating rate financial assets £m	Financial assets on which no interest is receivable £m	Total £m
Sterling	-	-	-	1.9	-	1.9
US Dollar	-	-	-	0.1	0.1	0.2
Other	4.0	-	4.0	-	1.8	1.8
	<u>4.0</u>	<u>-</u>	<u>4.0</u>	<u>2.0</u>	<u>1.9</u>	<u>3.9</u>

The floating rate financial assets comprise cash on 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.

(f) Currency Exposure

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

Currency	US Dollar £m	Euros £m	Other £m	Total £m
2008				
Sterling	<u>(4.6)</u>	<u>(1.1)</u>	<u>(0.2)</u>	<u>(5.9)</u>
2007				
Sterling	<u>(3.1)</u>	<u>(1.0)</u>	<u>(0.6)</u>	<u>(4.7)</u>

(g) Sensitivity analysis

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

	31 March 2008 £m	31 March 2007 £m
10% increase in Jet Fuel prices	0.4	(0.3)
10% decrease in Jet Fuel prices	(0.4)	0.3
5% movement of Sterling	2.2	0.6

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continued

22. Called up share capital

	Number of shares	2008 £m	2007 £m
Authorised ordinary shares of 1 25p each	160,000,000	2 0	2 0
Allotted, called-up and fully paid			
As at 1 April 2007	140,939,064	1 8	1 7
Options exercised	126,630	–	0 1
As at 31 March 2008	141,065,694	1 8	1 8

The Company received the sum of £0 1m (2007 – £0 7m) in respect of options exercised during the year

Employee share schemes

Dart Group Plc has a number of share based options schemes in operation, which are described in detail in the Report on Directors' Remuneration. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, "Share based payments" which means that IFRS 2 has been applied to all grants of employee share based payments that had not vested at 31 March 2008.

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

	2008 £m	2007 £m
Equity-settled share based payments	0 2	0 2

Summary of options outstanding

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

The Company has granted options to employees under the Dart Group Plc Approved Share Option Plan 2005 in respect of 1,126,268 (2007 – 732,400) ordinary shares of 1 25p each. At 31 March 2008 the following options had not been exercised

Number of shares	Option price	Options exercisable
594,800	79 125p per share	In respect of 292,400 shares from 23 November 2008 and in respect of all remaining shares from 23 November 2011. The options expire on 23 November 2015.
401,468	101 75p per share	In respect of half of the shares from 3 August 2010 and in respect of all remaining shares from 3 August 2013. The options expire on 21 June 2017.
130,000	53 25p per share	In respect of half of the shares from 18 December 2010 and in respect of all remaining shares from 18 December 2013. The options expire on 18 December 2017.

22. Called up share capital – (continued)

The Company has granted options to employees under the Dart Group Executive and Dart Group Company Share Option Schemes in respect of 1,211,476 (2007 – 1,460,236) ordinary shares of 1 25p each. At 31 March 2008 the following options had not been exercised

<i>Number of shares</i>	<i>Option price</i>	<i>Options exercisable</i>
40,000	44 625p per share	In respect of all shares before the options expire on 14 December 2008
10,000	52 50p per share	In respect of all shares before the options expire on 12 July 2009
4,000	52 50p per share	In respect of all shares before the options expire on 3 December 2009
84,000	64 375p per share	In respect of all shares before the options expire on 19 July 2010
74,384	75 625p per share	In respect of all shares before the options expire on 17 November 2010
30,000	88 75p per share	In respect of all shares before the options expire on 25 June 2011
60,000	72 625p per share	In respect of all shares before the options expire on 19 November 2011
82,272	65 875p per share	In respect of 41 136 shares from 3 July 2005 and in respect of all remaining shares from 3 July 2008. The options expire on 3 July 2012
58,420	47 50p per share	In respect of 24,130 shares from 18 November 2005 and in respect of all remaining shares from 18 November 2008. The options expire on 18 November 2012
84,000	37 125p per share	In respect of 24,000 shares from 3 July 2006 and in respect of all remaining shares from 3 July 2009. The options expire on 3 July 2013
374,400	31 25p per share	In respect of 144,200 shares from 5 December 2006 and in respect of all remaining shares from 5 December 2009. The options expire on 5 December 2013
112,000	37 125p per share	In respect of 48,000 shares from 21 June 2007 and in respect of all remaining shares from 21 June 2010. The options expire on 21 June 2014
198,000	78 75p per share	In respect of half of the shares from 19 November 2007 and in respect of all remaining shares from 19 November 2010. The options expire on 19 November 2014

The Company has granted options to employees under the Dart Group 2002 Unapproved Share Option Scheme in respect of 900,000 (2007 – 1,180,000) ordinary shares of 1 25p each. At 31 March 2008 the following options had not been exercised

<i>Number of shares</i>	<i>Option price</i>	<i>Options exercisable</i>
320,000	47 50p per share	In respect of 30,000 shares from 18 November 2005 and in respect of all remaining shares from 18 November 2008. The options expire on 18 November 2012
580,000	31 25p per share	In respect of 170,000 shares from 5 December 2006 and in respect of all remaining shares from 5 December 2009. The options expire on 5 December 2013

The Company has granted options to employees under the Dart Group Unapproved Share Option Plan 2005 in respect of 955,200 (2007 – 1,285,200) ordinary shares of 1 25p each. At 31 March 2008 the following options had not been exercised

<i>Number of shares</i>	<i>Option price</i>	<i>Options exercisable</i>
955,200	78 50p per share	In respect of half of the shares from 21 November 2008 and in respect of all remaining shares from 21 November 2011. The options expire on 21 November 2015

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22. Called up share capital – (continued)

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

Approved share option plan 2005	Number Granted	Fair value at measurement date	Share price at date of grant	Exercise price	Dividend Yield	Employee exit rate	Expected volatility	Risk free interest rate
2008								
Grant #1	408,968	£0.1m	101.75p	101.75p	1.8%	2%	32.6%	5.35%
Grant #2	130,000	£0.1m	53.25p	53.25p	1.8%	2%	46.2%	4.69%

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

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

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

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

	2008		2007	
	Number of options	Weighted average exercise price Pence	Number of options	Weighted average exercise price Pence
Outstanding at 1 April	4,182,100	60.2	5,474,660	56.6
Granted	538,968	90.1	–	–
Exercised (see below)	(76,560)	47.0	(926,080)	40.0
Lapsed	(836,220)	62.2	(366,480)	57.1
Outstanding at 31 March	3,808,288	63.1	4,182,100	60.2
Exercisable at 31 March	539,330	42.4	435,760	36.7
Estimated weighted average share price of options exercised in year		110.2		120.5

Options outstanding at 31 March are in respect of all options issued since 7 November 2002 (refer note 2).

The options outstanding at the year end have an exercise price in the range of 31.25p to 101.75p and a weighted average contractual life of 7 years.

23. Reserves

	Share Capital £m	Share Premium £m	Cash flow hedging reserve £m	Retained earnings £m	Translation reserves £m	Total £m
At 1 April 2006	1.7	8.6	4.5	48.9	–	63.7
Fair value movements recycled to income statement	–	–	(3.6)	–	–	(3.6)
Fair value movements recycled to property, plant and equipment	–	–	(1.6)	–	–	(1.6)
Deferred tax relating to cash flow hedges	–	–	1.6	–	–	1.6
Profit for the year	–	–	–	0.7	–	0.7
Issue of shares under share option scheme	0.1	0.6	–	–	–	0.7
Reserve movement arising from share-based payments charge	–	–	–	0.2	–	0.2
Dividends paid in the year	–	–	–	(2.7)	–	(2.7)
At 31 March 2007	1.8	9.2	0.9	47.1	–	59.0
Fair value movements recycled to income statement	–	–	(0.9)	–	–	(0.9)
Fair value movements on cash flow hedges	–	–	13.9	–	–	13.9
Deferred tax relating to cash flow hedges	–	–	(3.9)	–	–	(3.9)
Profit for the year	–	–	–	8.7	–	8.7
Currency translation differences	–	–	–	–	0.2	0.2
Issue of shares under share option scheme	–	0.1	–	–	–	0.1
Reserves movement arising from share-based payment charge	–	–	–	0.2	–	0.2
Dividends paid in the year	–	–	–	(2.9)	–	(2.9)
At 31 March 2008	1.8	9.3	10.0	53.1	0.2	74.4

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

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary

Notes to the Consolidated Financial Statements

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24. Commitments

(a) Capital commitments	2008 £m	2007 £m
Contracted for but not provided	–	4.7

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

	Land & Buildings		Plant & Machinery	
	2008 £m	2007 £m	2008 £m	2007 £m
Group				
Less than one year	1.1	1.2	8.9	18.8
Between two and five years	3.4	3.8	15.8	15.4
Over five years	0.7	0.4	1.5	1.2
	<u>5.2</u>	<u>5.4</u>	<u>26.2</u>	<u>35.4</u>

25. Contingent liabilities

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

The Group is in litigation in the US against Sutra Inc and Novak Niketic, who provided use of the reservation system operated by *Jet2.com* until February 2008, in relation to the termination of the use of this system. An unspecified counterclaim has been lodged which is being vigorously defended by the Group in respect of which the Directors estimate approx \$2.5m liability in the unlikely event that the counterclaim is successful.

26. Notes to the cash flow statement

Changes in net debt	At 1 April 2007 £m	Cashflow £m	Exchange differences £m	At 31 March 2008 £m
Cash at bank and in hand	3.9	–	0.1	4.0
Bank overdrafts	–	–	–	–
Cash and cash equivalents	<u>3.9</u>	<u>–</u>	<u>0.1</u>	<u>4.0</u>
Bank loans due after one year	(18.0)	(3.2)	–	(21.2)
Net debt	<u>(14.1)</u>	<u>(3.2)</u>	<u>0.1</u>	<u>(17.2)</u>

27. Pension scheme

The Group operates a defined contribution scheme. The pension charge for the period represents contributions payable by the Group to the scheme and amounted to £1.4m (2007 – £1.1m). There were no outstanding or prepaid contributions at either the current or previous year end.

28. Related party transactions

The Group and Company undertook the following transactions in the ordinary course of business during the year with related parties

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Sales to subsidiaries	–	–	25.3	16.1
Purchases from subsidiaries	–	–	–	–
Amounts owed by subsidiaries	–	–	2.3	1.3
Amounts owed to subsidiaries	–	–	(46.1)	(35.7)

Subsidiaries

Transactions with subsidiaries are carried out on an arm's length basis. Outstanding balances that relate to trading balances are placed in inter-company accounts with no specified credit period. Long term loans owed to and from the Company by subsidiary undertakings bear market rates of interest.

Compensation of key management personnel

The key management personnel of the Group comprises the Chairman, Executive and Non Executive Directors, as outlined on pages 10 to 12 of the Annual Report. The compensation of key management personnel can be found in note 10 to the Group accounts and the Directors' Remuneration Report set out on pages 15 to 18 of the Annual Report.

29. Post balance sheet event

Subsequent to the year-end, Dart Group PLC has reached a revised agreement with its bankers, which increases the Group's funding flexibility. The revised arrangements allow the Group to increase significantly the use of lease arrangements which the Group regards as an increasingly important part of its aircraft fleet management plans. In return for making this amendment, a reduction in the facility term to October 2009 and an increase in the margin to 2% has been agreed with the syndicate banks, but the Directors believe this increased flexibility puts the Group in a stronger position in the current market environment.

30. Transition to IFRS

For all periods up to and including 31 March 2007, the Group prepared its consolidated financial statements in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). These are the Group's first consolidated financial statements prepared in accordance with Adopted IFRS.

In preparing financial statements under IFRS, the Group has started from an opening balance sheet as at 1 April 2006, the date of transition to IFRS, and made changes in accounting policies and other restatements required by IFRS 1 for first time adoption of IFRS. This note explains the adjustments made in restating the Group's consolidated balance sheet at the transition date and its previously published UK GAAP financial statements for the year ended 31 March 2007. There were no material adjustments to the consolidated cash flow statement as a result of the adoption of IFRS.

The exemptions applied on transition are set out in note 2, accounting policies.

a) IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The application of IFRS 5 results in presentational differences compared with UK GAAP in accounting for the disposal of Channel Express (CI) Limited which was sold on 3 July 2006.

The assets and liabilities of Channel Express (CI) Limited constitute a disposal group under IFRS 5 and are presented separately on the face of the balance sheet at the transition date of 1 April 2006. On the face of the income statement for the year ended 31 March 2007 the post-tax profit of Channel Express (CI) Limited up to the date of disposal of £0.5m and the post-tax profit on disposal of £2.0m are presented separately as a single combined post-tax figure of £2.5m in arriving at Group profit for the year. There is no overall impact for the year ended 31 March 2007 on profit for the year or equity.

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30. Transition to IFRS – (continued)

b) IAS 16 – Property, plant and equipment

IAS 16 requires that spare parts held by an entity are classified as property, plant and equipment if they are expected to be used over more than one period and are not held for resale. Accordingly, aircraft spare parts with a carrying value of £8.0m at 31 March 2007 (2006 – £7.3m) have been reclassified from inventories to property, plant and equipment and the related depreciation expense has been reclassified from direct operating costs to depreciation and amortisation, both included within net operating expenses. There is no impact on operating profit or equity.

c) IAS 39 – Financial Instruments: Recognition and Measurement

Under UK GAAP, the Group deferred gains and losses on hedges of future cash flows, recognising them in profit and loss or the initial carrying value of non-monetary assets when the hedged cash flow crystallised.

Under IAS 39, derivative financial instruments are recorded at fair value at each balance sheet date. Changes in fair value are recorded in profit and loss unless cash flow hedge accounting criteria are met. The Group uses instruments such as aviation fuel swaps and forward foreign currency contracts as cash flow hedges and accordingly, where cash flow hedge accounting criteria are met, changes in fair value from the inception of the hedge relationship are posted to equity and recycled through profit and loss at the time that the hedged cash flow impacts profit and loss. Where the hedged cash flow results in the recognition of a non-monetary asset or liability, the gain or loss within equity is recycled into the initial carrying amount of the asset or liability. Application of IAS 39 has resulted in the following adjustments:

- a) The transitional arrangements of IFRS 1.30 have been applied in relation to derivative financial instruments held at 31 March 2006. As a result of this, a cash flow hedging reserve of £4.5m was recognised at transition, comprising fair value gains of £6.4m net of deferred tax of £1.9m. Of these fair value gains, £5.2m was recycled to profit and loss or to property, plant and equipment in the year ended 31 March 2007.
- b) Hedge documentation required by IAS 39 was put in place prospectively from 1 April 2007 and cash flow hedge accounting has been applied to eligible derivative financial instruments from that date. Between 1 April 2006 and 31 March 2007, changes in fair value have been recorded through profit and loss together with associated movements in deferred tax. This resulted in a reduction in profit before tax of £17.7m for the year ended 31 March 2007. The disapplication of UK GAAP hedge accounting for the recognition of hedged items of property, plant and equipment for the same period resulted in a further reduction of £1.6m in profit before tax.

The aggregate impact of these adjustments is to reduce reported profit before tax for the year ended 31 March 2007 by £19.3m and to reduce equity by £12.6m at that date.

d) IAS 12 – Income taxes

Under UK GAAP, deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, subject to various exemptions.

Under IAS 12 deferred tax is recognised in respect of all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying value for reporting purposes. Deferred tax is not recognised where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

An adjustment of £0.1m has been made to the deferred tax provision at transition relating to differences between the tax base and carrying value of certain freehold properties acquired as part of a business combination where the initial recognition exemption does not apply.

In addition, adjustments made to the financial statements on transition to adopted IFRS result in related adjustments to deferred tax. The overall impact for the year ended 31 March 2007 is to lower the tax charge by £5.9m, primarily relating to the financial instruments adjustment, and to increase equity by £5.5m at that date. The revised presentation requirements for the disposal of Channel Express (CI) Limited described above result in the transfer of £0.4m from income taxes to a component of the discontinued operations profit for the period within the consolidated income statement.

e) IFRS 3 – Business combinations

Goodwill arising on acquisition is no longer amortised under IFRS 3 but is instead subjected to annual impairment tests. The carrying value of goodwill was tested as at the transition date of 1 April 2006 and as at 31 March 2007 and no impairment was identified. The impact on the Group's income statement is to increase operating profit by £0.5m for the year ended 31 March 2007 and to increase equity by the same amount.

f) Presentational changes

Costs of £0.1m classified as exceptional operating expenses under UK GAAP in the consolidated income statement for the year ended 31 March 2007 have been reclassified as operating expenses under IFRS, with no impact on profit before tax or net assets.

30. Transition to IFRS – (continued)**Transition to IFRS Consolidated balance sheet at 1 April 2006, IFRS reconciliation**

	Adjustments					IFRS £m
	UK GAAP £m	a Held for sale £m	b Aircraft spare parts £m	c Financial instruments £m	d Taxation £m	
Non-current assets						
Property, plant and equipment	131.5	(0.9)	7.3	–	–	137.9
Goodwill	6.8	–	–	–	–	6.8
Derivative financial instruments	–	–	–	1.3	–	1.3
Deferred tax assets	–	–	–	0.2	–	0.2
	<u>138.3</u>	<u>(0.9)</u>	<u>7.3</u>	<u>1.5</u>	<u>–</u>	<u>146.2</u>
Current assets						
Inventories	7.5	–	(7.3)	–	–	0.2
Trade and other receivables	23.8	(2.2)	–	–	–	21.6
Cash and cash equivalents	26.0	–	–	–	–	26.0
Derivative financial instruments	–	–	–	5.7	–	5.7
	<u>57.3</u>	<u>(2.2)</u>	<u>(7.3)</u>	<u>5.7</u>	<u>–</u>	<u>53.5</u>
Assets classified as held for sale	–	3.1	–	–	–	3.1
	<u>57.3</u>	<u>0.9</u>	<u>(7.3)</u>	<u>5.7</u>	<u>–</u>	<u>56.6</u>
Total assets	<u>195.6</u>	<u>–</u>	<u>–</u>	<u>7.2</u>	<u>–</u>	<u>202.8</u>
Current liabilities						
Trade and other payables	94.3	(1.7)	–	–	–	92.6
Derivative financial instruments	–	–	–	0.5	–	0.5
Borrowings	3.5	–	–	–	–	3.5
Current tax payable	0.8	–	–	–	–	0.8
	<u>98.6</u>	<u>(1.7)</u>	<u>–</u>	<u>0.5</u>	<u>–</u>	<u>97.4</u>
Liabilities directly associated with assets classified as held for sale	–	1.7	–	–	–	1.7
	<u>98.6</u>	<u>–</u>	<u>–</u>	<u>0.5</u>	<u>–</u>	<u>99.1</u>
Non-current liabilities						
Borrowings	28.0	–	–	–	–	28.0
Derivative financial instruments	–	–	–	0.1	–	0.1
Deferred tax	9.7	–	–	2.1	0.1	11.9
	<u>37.7</u>	<u>–</u>	<u>–</u>	<u>2.2</u>	<u>0.1</u>	<u>40.0</u>
Total liabilities	<u>136.3</u>	<u>–</u>	<u>–</u>	<u>2.7</u>	<u>0.1</u>	<u>139.1</u>
Net assets	<u>59.3</u>	<u>–</u>	<u>–</u>	<u>4.5</u>	<u>(0.1)</u>	<u>63.7</u>
Capital and reserves						
Share capital	1.7	–	–	–	–	1.7
Share premium	8.6	–	–	–	–	8.6
Cash flow hedging reserve	–	–	–	4.5	–	4.5
Retained earnings	49.0	–	–	–	(0.1)	48.9
Total equity attributable to equity holders of the parent	<u>59.3</u>	<u>–</u>	<u>–</u>	<u>4.5</u>	<u>(0.1)</u>	<u>63.7</u>

Notes to the Consolidated Financial Statements

continued

30. Transition to IFRS – (continued)

Transition to IFRS Consolidated balance sheet at 31 March 2007, IFRS reconciliation

	Adjustments				IFRS £m
	UK GAAP £m	e Business combinations £m	b Aircraft spare parts £m	c Financial instruments £m	
Non-current assets					
Property, plant and equipment	179.1	–	8.0	(1.6)	185.5
Goodwill	6.3	0.5	–	–	6.8
Derivative financial instruments	–	–	–	0.5	0.5
Deferred tax assets	–	–	–	5.5	5.5
	<u>185.4</u>	<u>0.5</u>	<u>8.0</u>	<u>4.4</u>	<u>198.3</u>
Current assets					
Inventories	8.2	–	(8.0)	–	0.2
Trade and other receivables	43.0	–	–	–	43.0
Tax debtor	1.0	–	–	–	1.0
Cash and cash equivalents	3.9	–	–	–	3.9
Derivative financial instruments	–	–	–	1.1	1.1
	<u>56.1</u>	<u>–</u>	<u>(8.0)</u>	<u>1.1</u>	<u>49.2</u>
Total assets	<u>241.5</u>	<u>0.5</u>	<u>–</u>	<u>5.5</u>	<u>247.5</u>
Current liabilities					
Trade and other payables	137.4	–	–	–	137.4
Derivative financial instruments	–	–	–	11.3	11.3
Current tax payable	0.7	–	–	–	0.7
	<u>138.1</u>	<u>–</u>	<u>–</u>	<u>11.3</u>	<u>149.4</u>
Non-current liabilities					
Borrowings	18.0	–	–	–	18.0
Derivative financial instruments	–	–	–	6.8	6.8
Deferred tax	14.3	–	–	–	14.3
	<u>32.3</u>	<u>–</u>	<u>–</u>	<u>6.8</u>	<u>39.1</u>
Total liabilities	<u>170.4</u>	<u>–</u>	<u>–</u>	<u>18.1</u>	<u>188.5</u>
Net assets	<u>71.1</u>	<u>0.5</u>	<u>–</u>	<u>(12.6)</u>	<u>59.0</u>
Capital and reserves					
Share capital	1.8	–	–	–	1.8
Share premium	9.2	–	–	–	9.2
Cash flow hedging reserve	–	–	–	0.9	0.9
Retained earnings	60.1	0.5	–	(13.5)	47.1
Total equity attributable to equity holders of the parent	<u>71.1</u>	<u>0.5</u>	<u>–</u>	<u>(12.6)</u>	<u>59.0</u>

30. Transition to IFRS – (continued)

Transition to IFRS Consolidated income statement reconciliation for the year ended 31 March 2007

	Adjustments						IFRS £m
	UK GAAP £m	a Discontinued operations £m	e Business combinations £m	c Financial instruments £m	d Taxation £m	f Presentational changes £m	
Revenue	352 0	(3 0)	-	-	-	-	349 0
Net operating expenses	(332 8)	2 8	-	(17 7)	-	(0 1)	(347 8)
Goodwill amortisation	(0 5)	-	0 5	-	-	-	-
Exceptional operating expenses	(0 1)	-	-	-	-	0 1	-
	(333 4)	2 8	0 5	(17 7)	-	-	(347 8)
Operating profit/(loss)	18 6	(0 2)	0 5	(17 7)	-	-	1 2
Profit on disposal of discontinued operations	2 2	(2 2)	-	-	-	-	-
Loss on disposal of fixed assets	(0 1)	-	-	-	-	-	(0 1)
Finance income	1 9	(0 5)	-	1 0	-	-	2 4
Finance costs	(4 5)	-	-	(2 6)	-	-	(7 1)
Profit/(loss) before taxation	18 1	(2 9)	0 5	(17 3)	-	-	(3 6)
Taxation	(4 5)	0 4	-	-	5 8	0 1	1 8
Profit/(loss) for the year from continuing operations	13 6	(2 5)	0 5	(13 5)	0 1	-	(1 8)
Discontinued operations profit for the period	-	2 5	-	-	-	-	2 5
Profit/(loss) for the year attributable to equity shareholders	13 6	-	0 5	(13 5)	0 1	-	0 7
Earnings per share	9 73p						0 46p
Basic – pence	9 66p						0 46p
Diluted – pence							
Earnings per share – continuing operations	7 98p						(1 29)p
Basic – pence	7 92p						(1 28)p
Diluted – pence							

Notes to the Consolidated Financial Statements

continued

30. Transition to IFRS – (continued)

Expanded presentation Consolidated income statement for the year ended 31 March 2007 under IFRS

	Results before specific IAS 39 fair value movements £m	Specific IAS 39 fair value movements £m	IFRS £m
Revenue	349.0	–	349.0
Net operating expenses	(330.1)	(17.7)	(347.8)
Operating profit/(loss)	18.9	(17.7)	1.2
Loss on disposal of fixed assets	(0.1)	–	(0.1)
Finance income	2.4	–	2.4
Finance costs	(7.1)	–	(7.1)
Profit/(loss) before taxation	14.1	(17.7)	(3.6)
Taxation	(3.5)	5.3	1.8
Profit/(loss) for the year from continuing operations	10.6	(12.4)	(1.8)
Discontinued operations profit for the period	2.5	–	2.5
Profit/(loss) for the year attributable to equity shareholders	13.1	(12.4)	0.7

As described in note 2 above, movements in fair value of financial instruments for which hedge accounting would have been available in 2006/7 if hedge documentation compliant with IFRS had been in place are shown separately in the middle column so as to facilitate understanding of the underlying business performance

Company Balance Sheet

at 31 March 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible fixed assets	4	174.6	166.0
Investments	5	20.8	20.6
		195.4	186.6
Current assets			
Debtors	6	3.8	4.2
Cash and cash equivalents		–	–
		3.8	4.2
Current liabilities			
Creditors amounts falling due within one year	7	(129.1)	(132.6)
Net current liabilities		(125.3)	(128.4)
Total assets less current liabilities		70.1	58.2
Creditors amounts falling due after more than one year	8	(21.2)	(18.0)
Provisions for liabilities	9	(17.4)	(13.7)
Net assets		31.5	26.5
Shareholders' equity			
Share capital	12	1.8	1.8
Share premium	12	9.3	9.2
Profit and loss account	12	20.4	15.5
Total shareholders' equity	13	31.5	26.5

The accounts on pages 61 to 70 were approved by the Board of Directors at a meeting held on 23 July 2008 and were signed on its behalf by


A D Merrick
Director

Notes to the Company Financial Statements

for the year ended 31 March 2008

1. Basis of preparation

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

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

2. Accounting policies

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

Turnover

Turnover represents operating lease rentals receivable in the year, exclusive of Value Added Tax and is recognised as the services are provided

Foreign currencies

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

Investments

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Interest attributable to the purchase of aircraft and other assets and progress payments on account whilst such aircraft are undergoing conversion from passenger to freighter or "Quick Change" is capitalised and added to the cost of the asset concerned. Interest is capitalised at rates equal to the rates paid on the financial instruments used to finance the purchase and conversion of aircraft

Depreciation is calculated to write off the cost of property, plant and equipment down to their estimated residual value using the straight-line method over their estimated useful economic lives or the estimated useful economic lives of their individual major components as follows

Short leasehold property	Over the life of the lease
Freehold property	30 years
Aircraft and engines	3-10 years
Plant, vehicles and equipment	3-7 years

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of its engines and airframes and is amortised over a period ranging from one to ten years from the date of acquisition. Subsequent costs incurred which lend enhancement to future periods such as long-term scheduled maintenance and major overhaul of aircraft and engines are capitalised and amortised over the length of period benefiting from the enhancements

Aircraft maintenance costs

Jet2 com Limited, a wholly owned subsidiary undertaking, leases aircraft from the Company and has a legal obligation to undertake specific periodic maintenance on the aircraft it operates. These obligations require *Jet2 com* Limited to continue to maintain the aircraft and its engines in accordance with the aircraft manufacturers published maintenance programmes during the term of the lease and to ensure that the aircraft is returned to the Company in a satisfactory condition

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

The monthly security deposit payment is set at a level which is estimated to cover the cost of future maintenance procedures when they occur, matching the initial monthly maintenance charges on operating leased aircraft and the amortisation of capitalised maintenance on owned aircraft

2. Accounting policies – (continued)

Impairment of assets excluding goodwill

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

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

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

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

Borrowings

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

Leases

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

Cash and cash equivalents

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

Financial instruments

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value.

Interest bearing loans and borrowing

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

Derivative financial instruments

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

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

Notes to the Company Financial Statements

continued

2. Accounting policies – (continued)

Taxation

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

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

Deferred tax is 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.

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.

Employee benefits

Pension costs

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

Share based payments

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

The Company has taken advantage of the transitional provisions of FRS 20 in respect of the fair value of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 31 March 2008.

Going Concern

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

3. Profit of the Parent Company

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 £7.7m (2007 – £7.9m) is dealt with in the accounts of the Company.

4. Tangible fixed assets

	Short leasehold property £m	Aircraft & engines £m	Plant, vehicles & equipment £m	Total £m
<i>Cost</i>				
At 1 April 2007	1.2	207.8	2.1	211.1
Additions	–	15.3	1.1	16.4
Disposals	–	–	–	–
At 31 March 2008	1.2	223.1	3.2	227.5
<i>Depreciation</i>				
At 1 April 2007	(0.6)	(42.8)	(1.7)	(45.1)
Charge for the year	–	(7.5)	(0.3)	(7.8)
Disposals	–	–	–	–
At 31 March 2008	(0.6)	(50.3)	(2.0)	(52.9)
<i>Net book value</i>				
At 31 March 2008	0.6	172.8	1.2	174.6
At 31 March 2007	0.6	165.0	0.4	166.0

Aircraft and engines having an original cost of £223.1m (2007 – £207.8m) and accumulated depreciation of £50.3m (2007 – £42.8m) are held for use by a subsidiary company under operating leases

5. Investments

Company	£m
Shares in subsidiary undertakings at cost, and net investment	
At 1 April 2007	20.6
Additions	0.2
At 31 March 2008	20.8

The principal subsidiary undertakings are

Name	Principal activity	Country of incorporation or registration
Fowler Welch-Coolchain Limited	Temperature controlled distribution	England
Fowler Welch-Coolchain BV	Temperature controlled distribution	The Netherlands
Jet2.com Limited	Operation of cargo and passenger aircraft	England
Jet2holidays Limited	Provision of package holidays	England

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

Notes to the Company Financial Statements

continued

6. Debtors

	2008 £m	2007 £m
Current:		
Amounts owed by group undertakings	1 5	1 3
Other debtors and prepayments	2 3	2 9
	<u>3 8</u>	<u>4 2</u>

7. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Bank overdraft	81 2	95 0
Trade creditors	0 6	0 1
Amounts owed to group undertakings	46 1	35 7
Corporation tax	–	0 3
Other taxation and social security	–	0 7
Other creditors and accruals	1 2	0 8
	<u>129 1</u>	<u>132 6</u>

Included in amounts owed to Group undertakings are maintenance security deposits repayable to *Jet2 com* Limited of £26 8m (2007 – £18 3m)

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

8. Creditors: amounts falling due after more than one year

	2008 £m	2007 £m
Other loans	<u>21 2</u>	<u>18 0</u>
Loans are repayable as follows		
	2008 £m	2007 £m
Within one year	–	–
Between one and two years	–	–
Between two and five years	21 2	18 0
Over five years	–	–
	<u>21 2</u>	<u>18 0</u>

The loan above of £21 2m (2007 – £18 0m) is net of £0 8m (2007 – £1 0m) of facility arrangement fees which are being amortised over the term of the loan

The loan balances of £21 2m (2007 – £18 0m) bear interest at variable rates of up to 1 45% (2007 – up to 1 45%) over LIBOR, and are secured over the Group's aircraft and freehold properties

Following the year end certain revisions have been made to the Group's borrowing facilities, as set out in note 10 to the Company Financial Statements

9. Provisions for liabilities

	2008 £m	2007 £m
Deferred tax		
Accelerated capital allowances		
Provision at start of year	13.1	10.2
Profit and loss account	3.7	2.9
Provision at end of year	16.8	13.1
Other short term timing differences		
Provision at start of year	0.6	0.6
Profit and loss account	-	-
Provision at end of year	0.6	0.6
Total deferred tax		
Provision at start of year	13.7	10.8
Provision at end of year	17.4	13.7

10. Post balance sheet event

Subsequent to the year-end, Dart Group PLC has reached a revised agreement with its bankers, which increases the Group's funding flexibility. The revised arrangements allow the Group to increase significantly the use of lease arrangements which the Group regards as an increasingly important part of its aircraft fleet management plans. In return for making this amendment, a reduction in the facility term to October 2009 and an increase in the margin to 2% has been agreed with the syndicate banks, but the Directors believe this increased flexibility puts the Group in a stronger position in the current market environment.

11. Financial Instruments

An explanation of the Company's objectives, policies and strategies for the role of financial instruments in managing the risks of the Company can be found in the Business and Financial Review on pages 4 to 9. 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 Company's financial assets and financial liabilities.

	2008		2007	
	Book Value £m	Fair Value £m	Book Value £m	Fair Value £m
<i>Primary financial instruments</i>				
Short-term borrowings and current portion of long-term borrowings	(81.2)	(81.2)	(95.0)	(95.0)
Long-term borrowings	(21.2)	(22.0)	(18.0)	(19.0)
Cash and short-term deposits				
<i>Derivative financial instruments held to hedge the exposure on future costs</i>				
Forward foreign currency contracts	-	(0.2)	-	(0.2)

Forward foreign currency and cross currency swaps are measured at market value and all relate to exercise dates within four years of the balance sheet date, in accordance with the Company's risk management policy.

Notes to the Company Financial Statements

continued

11. Financial Instruments – (continued)

Interest Risk – Financial Liabilities

Floating rate financial liabilities	2008 £m	2007 £m
Sterling	105.1	112.9
US Dollar	46.5	12.5
	<u>151.6</u>	<u>125.4</u>

The floating rate liabilities comprise revolving credit facilities and bank overdrafts which bear interest at rates of up to 1.45% (2007 – up to 1.45%) over LIBOR

The maturity profile of the above financial liabilities is shown in note 8 to the Company financial statements

Interest Risk – Financial Assets

Floating rate financial assets	2008 £m	2007 £m
US Dollar		
Floating rate financial assets	39.7	1.1
Financial assets on which no interest is payable	9.5	11.3
	<u>49.2</u>	<u>12.4</u>

The floating rate financial assets comprise cash on money market deposits at various market rates according to their currency. The Company operates composite bank accounts which allow the offset of individual bank and overdraft accounts in different currencies.

The financial assets on which no interest is payable comprise cash in hand and bank current account balances.

Currency Exposure

The table below shows the Company's net 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 Company. All exposures relate to transactions with other Group companies.

Currency	US Dollar £m
2008	
Sterling	<u>(27.4)</u>
2007	
Sterling	<u>(18.3)</u>

As at 31 March 2008 the Company 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, interest and fuel price risk are not recognised until the instruments mature. Unrecognised losses at 31 March 2008 amounted to £0.2m (2007 – loss £0.2m) of which £0.2m (2007 – loss £0.2m) is expected to be recognised in the profit and loss account in the year ended 31 March 2009. Losses included in the profit and loss account that arose in previous years amounted to £0.2m (2007 – loss £1.3m).

Maturity of financial liabilities

Financial liabilities comprise loans and bank overdrafts. The maturity of the loans and bank overdrafts is given in note 8 to the Company financial statements.

Borrowing facilities

The Company has various borrowing facilities available to it as part of the overall Group banking facility. Details of the facilities available at 31 March 2008 are included within note 22 to the consolidated financial statements of the Group.

Following the year end certain revisions have been made to the Group's borrowing facilities, as set out in note 10 to the Company Financial Statements.

12. Reserves

	Share capital £m	Share premium £m	Profit & loss £m
At 1 April 2007	1 8	9 2	15 5
Profit for the year	–	–	7 7
Dividends paid in the year	–	–	(2 9)
Reserves movement arising from share based payment charge	–	–	0 1
Issue of shares under share option schemes	–	0 1	–
At 31 March 2008	1 8	9 3	20 4

13. Reconciliation of movements in shareholders' funds

	2008 £m	2007 £m
Profit for the year	7.7	7.9
Dividends paid in the year	(2.9)	(2.7)
Reserves movement arising from share based payment charge	0.1	0.2
	4.9	5.4
Issue of shares under share option schemes	0.1	0.7
	5.0	6.1
Net addition to shareholders' funds	26.5	20.4
Opening shareholders' funds	31.5	26.5
Closing shareholders' funds	31.5	26.5

14 Directors and employees

	2008 £m	2007 £m
Wages and salaries	0.8	1.1
Social security costs	0.1	0.2
Other pension costs	0.1	0.1
	1.0	1.4

On average the Company had 7 employees during the year ended 31 March 2008 (2007 – 23). Details of directors' emoluments are set out in the Directors' Remuneration Report on page 18.

Notes to the Company Financial Statements

continued

15. Share based payments

Details of share based payment schemes operated by the Group are disclosed in note 22 to the Group Financial Statements. Amounts charged in the Company accounts for the year were £20,442 (2007 – £nil).

16. Contingent liabilities

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

The Group is in litigation in the US against Sutra Inc and Novak Niketic, who provided use of the reservation system operated by *Jet2.com* until February 2008, in relation to the termination of the use of this system. An unspecified counterclaim has been lodged which is being vigorously defended by the Group in respect of which the Directors estimate approx \$2.5m liability in the unlikely event that the counterclaim is successful.

17. Related Party Transactions

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

18. Other information

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

Glossary of Terms

Passenger numbers	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Load Factor	The percentage relationship of passengers carried to total seat capacity available.
Net ticket Yields	Total net ticket revenue divided by number of passengers.
Retail Revenue	Revenue earned in addition to scheduled fare revenue, this includes credit card fees, baggage charges, advance seat assignment fees, extra leg room fees, in-flight sales and commissions earned on products.
Mileage per Gallon	Average number of miles driven for every Gallon of fuel used.
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation.
Net equity reserves	Total Equity reserves net of cash flow hedging reserve.
Gearing	Ratio of Net Debt to Net Equity reserves.

Secretary and Advisers

Secretary and Registered Office	Tamsin Winspear Low Fare Finder House Leeds Bradford International Airport Yeadon Leeds LS19 7TU	
Auditors	KPMG Audit Plc 1 The Embankment Neville Street Leeds LS1 4DW	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers	Barclays Corporate Banking Centre Barclays Bank PLC 4th Floor Apex Plaza Forbury Road Reading RG1 1AX	Allied Irish Bank 61 Temple Row Birmingham B2 5LT
	Bank of Scotland 1st Floor Jellicoe House Botleigh Grange Hedge End Southampton SO30 2AF	Fortis Bank S A /N V 5 Aldermanbury Square London EC2V 7HR
Stockbrokers	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR	
Solicitors	Addleshaw Goddard 150 Aldersgate Street London EC1A 4EJ	
Financial Advisers	Smith & Williamson Corporate Finance 25 Moorgate London EC2R 6AY	
Market Makers in Company Shares	Collins Stewart Limited London	Merrill Lynch London
	Winterflood Securities Limited London	Liberium Capital Limited London
	KBC Peel Hunt London	

Notice of Annual General Meeting

Notice is given that the 2008 Annual General Meeting of Dart Group PLC will be held at 9.30 a.m. on Thursday 28 August 2008 at 45 Moorfields, London, EC2Y 9AE to consider and, if thought fit, pass the following resolutions

Resolutions 1 to 5 inclusive will be proposed as ordinary resolutions and resolutions 6 to 8 inclusive will be proposed as special resolutions

Ordinary Business

- 1 To receive the accounts of the Company for the financial year ended 31 March 2008, together with the directors' and auditor's reports on them
- 2 To re-elect P H Meeson (who is retiring by rotation) as a director of the Company
- 3 To re-appoint KPMG Audit Plc as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid
- 4 To authorise the directors to determine the auditor's remuneration
- 5 That the directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £236,678,825, and so that
 - (a) this authority shall expire on 28 November 2009 or, if earlier, on the conclusion of the Company's 2009 annual general meeting, and
 - (b) before such expiry, the Company may make any offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the directors may allot relevant securities pursuant to any such offer or agreement,

and so that this authority shall be in substitution for all other authorities vested in the directors to exercise the powers of the Company to allot relevant securities

- 6 That the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of that Act) pursuant to the authority conferred on them by resolution 6 in the notice of this meeting or by way of a sale of treasury shares as if section 89(1) of that Act did not apply to any such allotment, provided that this power shall be limited to
 - (a) the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer which is open for acceptance for a period determined by the directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to (i) fractions of such securities, (ii) the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, (iii) the use of one or more currencies for making payments in respect of such offer, (iv) any such shares or other securities being represented by depositary receipts, (v) treasury shares or (vi) any legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory, and
 - (b) the allotment of equity securities (other than pursuant to paragraph 7(a) above) up to an aggregate nominal amount of £88,166 05,

and shall expire at such time as the authority conferred on the directors by resolution 6 in the notice of this meeting expires, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the directors may allot equity securities pursuant to any such offer or agreement. References in this resolution to the power to allot equity securities for cash otherwise than on a pre-emptive basis shall include the power to sell or transfer treasury shares under section 162D(1) of the Companies Act 1985

Notice of Annual General Meeting

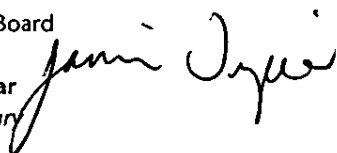
continued

Special Business

- 7 That the Company be and is hereby generally and unconditionally authorised pursuant to section 166 of the Companies Act 1985 to make market purchases (as defined in section 163(3) of that Act) of ordinary shares of 1 25 pence each in the capital of the Company and, where shares are held as treasury shares, to use them, *inter alia*, for the purposes of employee share plans operated by the Company, provided that
- (a) the maximum aggregate number of such shares that may be purchased under this authority is 14,106,569 Ordinary Shares,
 - (b) the minimum price which may be paid for such a share is 1 25 pence (exclusive of expenses),
 - (c) the maximum price (exclusive of expenses) which may be paid for such a share is an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the AIM Appendix to the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the share is contracted to be purchased,
 - (d) this authority shall expire on 28 November 2009 or, if earlier, on the conclusion of the Company's 2009 annual general meeting, and
 - (e) Company may complete or conclude, in whole or in part, a purchase of shares after the expiry of this authority pursuant to a contract entered into before such expiry
- 8 That the regulations produced to the meeting (and, for the purpose of identification, initialled by the chairman of the meeting) be and they are hereby approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association

By order of the Board

Tamsin Winspear
Company Secretary



Registered office

Low Fare Finder House
Leeds Bradford Airport
Yeadon
Leeds
West Yorkshire
LS19 7TU

Dated 23 July 2008

Notes

- 1 A member must be registered as the holder of Ordinary Shares as at 6 00 p m on Tuesday 26 August 2008 (or, in the case of an adjournment, as at 6 00 p m on the day two days immediately preceding the day fixed for the adjourned meeting) in order to be entitled to attend and vote at the meeting as a member in respect of those shares
- 2 A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company. A proxy form is enclosed and attention is directed to the guidance in the footnotes thereon
- 3 To be valid, the completed form of proxy must arrive not later than 48 hours before the time set for the meeting at 9 30 a m. on Thursday 28 August 2008 (or, in the case of an adjournment, by the time 48 hours before the time appointed for the adjourned meeting) to the Company's Registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU during usual business hours, together with any power of attorney or other written authority under which the proxy form is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority. Completing and returning a proxy form will not prevent a member from attending in person and voting at the meeting should he so wish. Electronic proxy appointment is not available for the meeting. Nor may any document or information in relation to proceedings at the meeting (including proxies) be sent by any other electronic means
- 4 Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under section 146 of the Companies Act 2006 (a "nominated person") may have a right under an agreement between him and such member to be appointed, or to have someone else appointed, as a proxy for the meeting. If he has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 2 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned
- 5 As at the date of this document (being the latest practicable date prior to the printing of this document), the Company's issued share capital consists of 141,065,694 Ordinary Shares, all carrying one vote each. The Company does not hold any shares in treasury. Accordingly, the total voting rights in the Company are 141,065,694
- 6 Arrangements will be put in place at the meeting in order to facilitate voting by representatives of members which are corporations ("corporate representatives" and "corporate shareholders") so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all its other corporate representatives at the meeting, those corporate representatives will be able to give voting directions to the chairman in respect of the poll and the chairman will be able to vote (or withhold a vote) on the poll as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, all of them will be able to nominate one of their number as a "designated" corporate representative to vote on a poll for them all and the others will be able to give voting directions to it accordingly. Further information about this procedure is set out in the Institute of Chartered Secretaries and Administrators' January 2008 guidance note on "Proxies and Corporate Representatives at General Meetings" (accessible at www.icsa.org.uk)
- 7 Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays in the UK excepted) from the date of this notice until the conclusion of the 2008 Annual General Meeting
 - 1 the existing articles of association of the Company,
 - 2 the proposed new articles of association of the Company,
 - 3 a document showing all of the differences between the existing articles of association of the Company and the proposed new articles of association of the Company, and
 - 4 copies of the terms and conditions of appointment of the non-executive directors of the Company

Notice of Annual General Meeting

continued

Explanatory notes

The ordinary business to be proposed at the 2008 Annual General Meeting is set out in Resolutions 1 to 6 inclusive. In compliance with article 87 of the Company's articles of association, one-third of the Directors are required to retire at the 2008 Annual General Meeting. Accordingly, P H Meeson will retire at the 2008 Annual General Meeting. P H Meeson will offer himself for re-election as a Director at the 2008 Annual General Meeting and he is recommended by the Board for re-election.

Resolution 5 – authority to allot Ordinary Shares

Your Board is proposing to renew the general authority, last given at the Company's 2007 annual general meeting, to allot Ordinary Shares. Resolution 5 would give the Directors the authority to allot up to 18,934,306 authorised but unissued Ordinary Shares, being all of the authorised but unissued Ordinary Shares and representing approximately 13.4% of the issued ordinary share capital of the Company as at 18 July 2008. This authority would expire on the earlier of the conclusion of the Company's next annual general meeting and 28 November 2009. The Board has no present intention of exercising this authority and intends to seek its renewal at subsequent annual general meetings of the Company.

Resolution 6 – disapplication of statutory pre-emption provisions

Your Board is proposing to renew the Directors' authority to allot Ordinary Shares for cash other than pro rata to existing shareholders. This authority would expire on the earlier of the conclusion of the Company's next annual general meeting and 28 November 2009.

Resolution 6 would restrict the number of new Ordinary Shares which may be allotted for cash to an aggregate maximum of 7,053,284 Ordinary Shares, being equivalent to approximately 5% of the issued ordinary share capital of the Company as at 18 July 2008. The new authority would also permit allotments to shareholders on a pre-emptive basis subject only, where necessary, to dealing with fractional entitlements and entitlements of foreign shareholders.

Resolution 7 – authority to purchase Ordinary Shares

This special resolution seeks shareholders' authority for the Company to make market purchases of its own Ordinary Shares. The Directors have no present intention of exercising this authority, but would wish to have the flexibility to do so in the future. Purchases of own Ordinary Shares would only be made through AIM. Any Ordinary Shares purchased would be cancelled (in which case the number of Ordinary Shares in issue would thereby be reduced) or held in treasury. The Directors will only exercise the authority to make purchases of Ordinary Shares granted by this resolution if they believe that to do so would result in an improvement in earnings per share and/or is in the best interests of the shareholders generally. The maximum number of Ordinary Shares which may be purchased is 14,106,569, representing approximately 10% of the issued ordinary share capital of the Company as at 18 July 2008. The authority would expire on the earlier of the conclusion of the Company's next annual general meeting and 28 November 2009. The minimum price that could be paid for an Ordinary Share would be 1.25 pence and the maximum price would be equal to 105 per cent of the average of the middle market quotations for an Ordinary Share, as derived from the AIM Appendix to the London Stock Exchange Daily Official List (as applicable at the time the proposed purchase is to be contracted) for the five business days immediately preceding the day on which the share is contracted to be purchased, in each case excluding expenses. The Directors expect that, if the authority were to be exercised, the consideration for such purchases would be defrayed by utilising the distributable reserves of the Company.

The Companies Act 1985 permits the Company to purchase its own shares and, rather than cancel those shares, to hold them as treasury shares, in which case they would carry no voting rights and no entitlement to any dividend for as long as they are held as treasury shares.

The Directors also intend to seek renewal of this authority at future annual general meetings.

As at 31 March 2008, options over a total of 4,690,676 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents approximately 3.3% of the Company's issued ordinary share capital as at the same date. It would represent approximately 3.7% of the issued ordinary share capital if the authority to purchase the Company's own Ordinary Shares conferred by Resolution 8 had been exercised in full at that date.

Resolution 8 - adopting new articles of association

Resolution 8 is a special resolution to adopt new articles of association of the Company in order to update the Company's existing articles of association to take account of certain changes in English company law effected, or to be effected, by the Companies Act 2006

Below is a summary of the principal differences between the Company's existing articles of association and the proposed new articles of association (other differences which are of a minor or clarifying nature or which merely reflect changes made by the Companies Act 2006 have not been summarised)

- **Age limit for directors** – restrictions on the appointment of a person aged 70 or over as a Director will be removed. These restrictions mirror provisions in the Companies Act 1985 that have been repealed
- **Directors' conflicts of interest** – a new article will authorise the board to approve a Director coming into or remaining in a situation in which he has or could have an interest or duty that conflicts with the Company's interest or his duty to the Company. This power of authorisation is permitted under section 175 of the Companies Act 2006. If this power is not given to the Board, situations could arise in which a Director would be unable to remain on the Board through no fault of his own as a result of changes to the law that are expected to take effect on 1 October this year
- **General meetings (except AGMs) held on 14 days' notice** – a new provision will allow the Company to hold a general meeting at which a special resolution is to be proposed on 14 days' notice, as permitted by the Companies Act 2006, rather than on 21 days' notice as required by the Company's existing articles of association
- **Proxies** – new provisions will be added relating to proxies. One will confirm the right that proxies now have under the Companies Act 2006 to speak at shareholder meetings. Another will allow the Company to disregard non-working days when determining the time by which proxy forms must be lodged prior to a shareholder meeting. This will enable the Company to fix a deadline for lodging a proxy that is up to 48 hours earlier (and sometimes more) than what is permitted under the Company's existing articles of association
- **Shareholder resolutions and meetings** – various amendments will be made to make the provisions in the Company's existing articles of association concerning shareholder resolutions and meetings consistent with those in the Companies Act 2006 that came into force last October. One purpose of these changes is to minimise the risk of a conflict between the articles and the Companies Act 2006 jeopardising the validity of any resolution passed at a shareholder meeting
- **Electronic communications between the Company and its shareholders** – various amendments will be made to the provisions in the Company's existing articles of association concerning electronic communications so as to make them more flexible and consistent with the 'company communication provisions' of the Companies Act 2006
- **Statutory references and definitions** – references to sections of the Companies Act 1985 will be replaced by references to the corresponding sections of the Companies Act 2006, where applicable. Certain terms used in the Companies Act 1985, but not in the Companies Act 2006, will be removed from the articles of association. For example (i) references to any "extraordinary general meeting" will become any "general meeting" and (ii) references to any "extraordinary resolution" will be replaced by any "special resolution" or will be removed altogether

The proposed new articles of association of the Company, together with a document showing all of the differences between them and the Company's existing articles of association, are available for inspection in accordance with note 7 to the Notice of AGM

Financial Calendar

Annual General Meeting	28 August 2008
Results for the six months to 30 September 2008	20 November 2008
Interim Dividend Payment	January 2009
Results for the 12 months to 31 March 2009	June 2009

DART GROUP PLC

Form of Proxy

Form of proxy for use at the annual general meeting of the Company to be held at 45 Moorfields, London, EC2Y 9AE on Thursday 28 August 2008 at 9 30 a m and at any adjournment of that meeting

Please read the notice of meeting and the explanatory notes below before completing this form

IN BLOCK CAPITALS PLEASE

I/We

of

being (a) holder(s) of ordinary shares of 1 25p each in the Company, hereby appoint the chairman of the meeting or the following person (see note 2)

Name of proxy

Number of Shares (see note 1)

to be my/our proxy to vote for me/us in respect of my/our ordinary shares at the annual general meeting of the Company to be held on 28 August 2008 at 9 30 a m and at any adjournment meeting

Please mark this box if this proxy is one of multiple proxy appointments being made by the same shareholder (see note 1) ☐

I/We have indicated with a "x" how I/we wish my/our votes to be cast on the resolutions to be proposed at the meeting I/we further direct that my/our proxy will vote (or refrain from voting) as he/she thinks fit for me/us and on my/our behalf on any other matter which may properly come before the meeting or any adjourned meeting If no indication is given, the proxy will vote or refrain from voting at his/her discretion

Please indicate how you wish your proxy to vote or abstain by inserting "X" in the appropriate box

ORDINARY BUSINESS

Ordinary Resolutions	For	Against	Withheld (see note 4)
1 To receive the accounts and the directors' and auditor's report on them			
2 To re-elect P H Meeson as a director			
3 To re-appoint KPMG Audit Plc as auditor			
4 To authorise the directors to determine the auditor's remuneration			
5 To authorise the directors to allot shares			
Special Resolutions			
6 To disapply pre-emption rights			

SPECIAL BUSINESS

7 To authorise the Company to make market purchases of its own shares			
8 To adopt new articles of association			

Date

Signature

Please mark this box if signing on behalf of a member under a power of attorney or other authority ☐

Notes

- 1 A proxy need not be a member of the Company. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend, speak and vote at the meeting or any adjournment of it, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. The following options are available:
 - (a) to appoint the chairman as your sole proxy in respect of all of your shares, simply fill in any voting instructions in the appropriate box and sign and date the form of proxy,
 - (b) to appoint a person other than the chairman as your sole proxy in respect of all of your shares, delete the words "the chairman of the meeting" and insert the name and address of the person appointed as your proxy in the space provided. Then fill in any voting instructions in the appropriate box and sign and date the form of proxy. The chairman of the meeting will act as your proxy whether or not such deletion is made, if no other name is inserted,
 - (c) to appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by the member). Please also indicate if the proxy instruction is one of the multiple instructions being given in the appropriate box. All forms must be signed and should be returned together in the same envelope.
- 2 Unless otherwise instructed a proxy may vote or refrain from voting on the resolutions, and in respect of any other business which may properly come before the meeting, at his discretion.
- 3 The "Vote Withheld" option enables members to instruct their proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the votes "For" or "Against" a resolution.
- 4 In the case of joint holders, the signature of any one holder will be sufficient, but the names of the joint holders should be stated. The vote of the senior joint holder (according to the order in which the names stand in the register in respect of the holding) who tenders a vote in person or by proxy will be accepted to the exclusion of the vote of the other joint holder(s).
- 5 In the case of a corporation, this form must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney.
- 6 The form of proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
- 7 To be valid, the form of proxy together with any power of attorney or other written authority under which it is signed or a notationally certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority must be completed, signed and returned so as to reach the Company's Registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 9 30 a m on Tuesday 26 August 2008. Electronic proxy appointment is not available for this meeting. Nor may any document or information relating to proceedings at the meeting (including proxies) be sent by any other electronic means.
- 8 Any alteration to this form must be initialled.
- 9 Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person at the meeting.
- 10 If you prefer, you may return the proxy form to the Company's Registrars, Capita Registrars in an envelope addressed to FREEPOST RLYX-GZTU KRRG Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent, BR3 9ZA.

SECOND FOLD

BUSINESS REPLY SERVICE
LICENCE No MB122

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**Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4BR**

FIRST FOLD

THIRD FOLD

Dart Group PLC
Low Fare Finder House
Leeds Bradford International Airport
Yeadon
Leeds
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