# DART GROUP PLC

## Annual Report & Accounts 2017

# Welcome to our Annual Report & Accounts 2017


## Dart Group PLC is a Leisure Travel and Distribution & Logistics group specialising in:

### Leisure Travel

The provision of ATOL licensed Package Holidays by our tour operator, ***Jet2holidays***® and scheduled leisure flights by our airline, ***Jet2.com***®, to holiday destinations in the Mediterranean, the Canary Islands and to European Leisure Cities.

### Distribution & Logistics

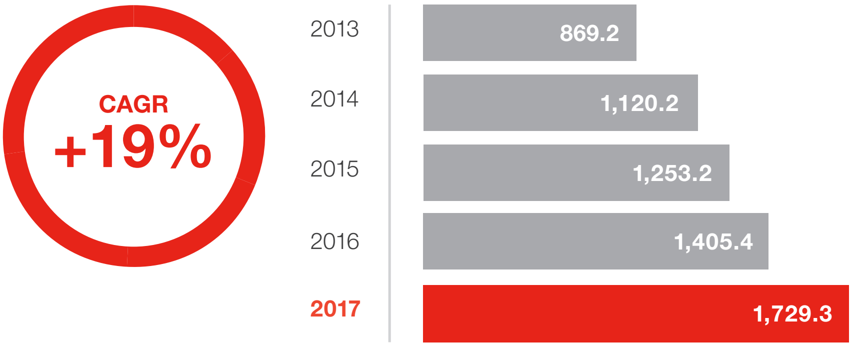
The distribution, by **Fowler Welch®**, of fresh produce, and temperature-controlled and ambient products throughout the UK, on behalf of retailers, processors, growers and importers.

# Contents

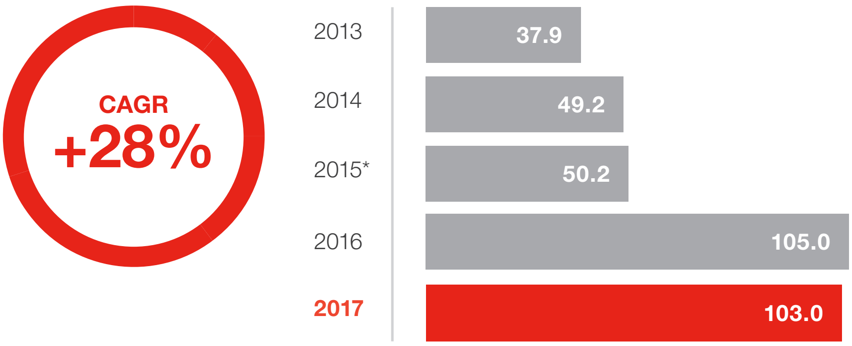


# Financial Highlights

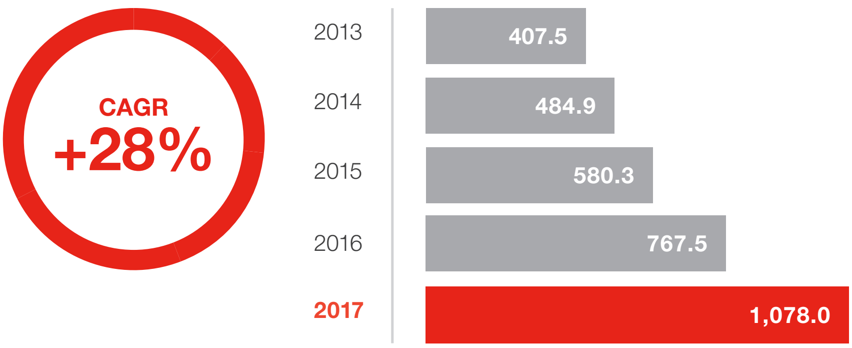
## Revenue (£m)




## Operating Profit (£m)




## Advance Sales at Year End (£m)




* 2015 Operating Profit is stated on an underlying basis excluding a separately disclosed exceptional provision of £17.0m, in relation to possible passenger compensation claims for historical flight delays.

# Operational Highlights

## Leisure Travel

## Manchester Hangar

*Our Manchester Hangar*

In November 2016, ***Jet2.com*** opened the doors of its new maintenance hangar at Manchester Airport. This fantastic development gives our business the opportunity to build our base maintenance capability in Manchester, together with our base maintenance facility at Leeds Bradford International Airport.

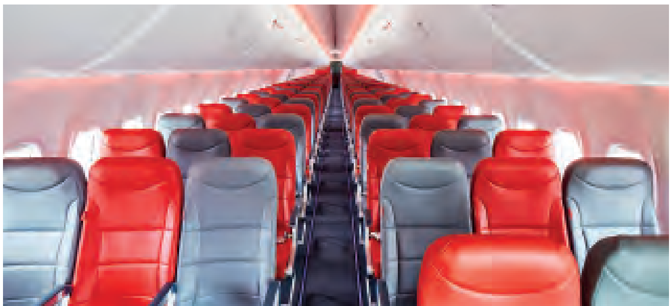
Nearly 65,000 square feet of hangar space will house two Boeing 757-200s – or three Boeing 737-800s – side-by-side, providing enormous flexibility. Since acquisition, a huge amount of work has been undertaken to bring the hangar up to ***Jet2.com*** standards, including internal refurbishment and alterations to the building, the installation of LED lighting throughout, the creation of facilities for Engineers training and a Leisure Travel contact centre. In addition, we have extensively rebranded both the interior and the exterior.


## New Aircraft Deliveries

The financial year was a momentous one for the Group as our first **brand new** Boeing 737-800NG aircraft arrived, touching down at Leeds Bradford International Airport on 15 September 2016.

Deliveries will recommence in September 2017, with the last of the 34 ordered aircraft expected to be delivered in January 2019.

Our new fleet benefits from interior innovations that provide more comfort for our customers, with the Boeing 737 'Sky Interior'. This includes sculpted sidewalls and a cabin design that offers more openness and extra legroom.


*Our new Boeing 737-800NG interior*


*Extra time on holiday for you*

## Expanding Resort Flight Check-In®

Our exclusive 'Resort Flight Check-In®' service allows ***Jet2holidays'*** customers to drop off their bags at their hotel before going to the airport for their flight home.

Customers then have extra time to enjoy themselves at their resort without lugging suitcases around and also to enjoy a speedier journey through to airport security.

This free, safe and secure service has proved to be extremely popular with our customers and as a result we have expanded the service to over 180 hotels in the holiday resorts of Costa Blanca, Majorca, Tenerife, Costa Del Sol, Lanzarote and Cyprus.

# Our Destinations


Karlskirche
Vienna
Sveti Stefan
Montenegro
Bodrum Amphitheatre
Bodrum Resort, Bodrum Area
BERLIN
PRAGUE
KRAKOW
VIENNA
SALZBURG
BUDAPEST
VERONA
VENICE
PULA
MONTENEGRO
SPLIT
DUBROVNIK
PISA
ROME
NAPLES
CORFU
KEFALONIA
ZANTE
HALKIDIKI
BODRUM
KOS
DALAMAN
RHODES
ANTALYA
LARNACA
PAPHOS
CRETE
MALTA
Colosseum
Rome
East Beach
Alanya, Antalya Area

Alicante Almeria

Barcelona Bergerac

Corfu Crete Dalama

Faro (Algarve) Florence

Girona Gran Canaria

Kefalonia Kos Krako

Larnaca (Cyprus) Lyon

Malta Menorca Murci

Paphos (Cyprus) Paris Pisa

Rome Salzburg Split

Toulouse Turin Venice

Amsterdam Antalya

Berlin Bodrum Budapest

n Dubrovnik Düsseldorf

uerteventura Geneva

Grenoble Ibiza Jersey

w La Rochelle Lanzarote

Madeira Majorca Malaga

a Naples New York Nice

Prague Pula Reus Rhodes

Tenerife Thessaloniki (Halkidiki)

Verona Vienna Zante

# Our New Bases


*Happy to Help every step of the way*

Two in one day! ***Jet2.com*** and ***Jet2holidays*** celebrated a major milestone on 30 March 2017, as our first ever flights and holidays took off from TWO brand new UK bases - London Stansted Airport and Birmingham Airport - on the same day!

Following these inaugural departures, ***Jet2.com*** flights and ***Jet2holidays*** Package Holidays are now available from nine UK bases, with over 300 routes to sun, city and ski destinations. These new base launches are the latest step in our growth and development since commencing leisure flights from Leeds Bradford Airport in 2003, when we operated to 11 destinations.

There were celebrations in the air at both bases for the first day of flying as hundreds of holidaymakers were waved off with personalised gifts, and the very first customers to check in at each base were surprised with free holiday vouchers.

The official arrival of ***Jet2.com***'s and ***Jet2holidays***' award-winning flights and holidays in the West Midlands and London & The South of England give us a truly national presence, and both bases have seen buoyant trading from direct customers and travel agents.

At London Stansted, we have already added more routes and aircraft to our programme since going on sale in September 2016. We now fly to 35 fantastic leisure destinations on seven brand-new Boeing 737-800NG aircraft. The scale of this operation makes London Stansted our fourth-biggest UK base, with up to 96 weekly flights at peak season. The major investment into the operation has created over 400 jobs in flight and cabin crew, engineering, and ground operations roles.

At Birmingham Airport, we will fly to a total of 36 destinations with flights operating on four brand new Boeing 737-800NG aircraft. More than 300 jobs have been created as a result of the operation, which will see 57 weekly flights at peak times.

## Birmingham


*Checking in at Birmingham Airport*

## London Stansted

*Checking in at London Stansted*

# Strategic Report



# WE TAKE PEOPLE ON HOLIDAY!

# Our Chairman's Statement

**I am pleased to report the Group's trading performance for the year ended 31 March 2017.**

**Profit before taxation** reduced by 14% to £90.1m (2016: £104.2m). This result includes considerable investment to launch our two new ***Jet2.com*** operating bases at Birmingham and London Stansted Airports and also includes a £10.9m charge for foreign exchange revaluation losses (2016: £1.3m). Before accounting for these revaluation losses, **underlying profit before taxation** reduced by 4% to £101.0m (2016: £105.5m). **Basic earnings per share** fell by 14% to 51.80p (2016: 60.22p).

In consideration of these results, the Board is recommending a final dividend of 3.897p per share (2016: 3.100p), which will bring the total proposed dividend to 5.272p per share for the year (2016: 4.000p), an increase of 32%. This final dividend is subject to shareholders' approval at the Company's Annual General Meeting on 7 September 2017 and will be payable on 27 October 2017 to shareholders on the register at the close of business on 22 September 2017.

The profit performance in the year primarily reflects the continuing investment in, and success of, the Group's Leisure Travel business, which combines both ***Jet2.com***, our leisure airline and ***Jet2holidays***, our Package Holidays provider.

***Jet2.com*** flew a total of 7.10m passengers (one-way passenger sectors) (2016: 6.07m), to and from popular sun, city and ski destinations during the year, an increase of 17%. Demand for our ***Real Package Holidays™*** continued to grow as ***Jet2holidays*** took 1.73m customers on Package Holidays (2016: 1.22m), an increase of 42%, representing 49% of overall flown passengers (2016: 40%). Our important flight-only product was enjoyed by 3.64m passengers in the year (2016: 3.63m). Average airline ticket yields at £86.65 (2016: £91.11) and average load factors at 91.5% (2016: 92.5%) were respectively 5% and one percentage point lower than those achieved in the prior year. The average price of a Package Holiday was £617 (2016: £616). As a result, revenue in our Leisure Travel business increased by 24% to £1,565.8m (2016: £1,261.4m).

In July and September 2016, we were delighted to announce Birmingham and London Stansted Airports as our 8th and 9th UK operating bases. Operations at both commenced on 30 March 2017, providing customers with a combined 58 new routes to Mediterranean and Canary Island holiday destinations. We believe both bases have great potential for our holiday business, further strengthening our position in the Midlands and enabling us to serve, for the first time, customers in North & East London and the East of England.

Our Distribution & Logistics business, **Fowler Welch**, achieved revenue growth of 14% to £163.5m (2016: £144.0m), primarily due to new contracts which commenced during the year. However, operating profit fell by £0.9m to £4.5m (2016: £5.4m) as operating margins were impacted by very competitive market conditions, particularly in the ambient sector, and a £0.4m bad debt write-off relating to a customer who went into administration.

*Package Holidays You Can Trust*

The Group generated increased net cash from operating activities of £331.1m (2016: £243.9m). Total capital expenditure of £473.9m (2016: £213.5m) included the purchase of new and mid-life Boeing 737-800NG aircraft and pre-delivery payments, which have been substantially financed, for further new aircraft deliveries. We also invested in a new engineering facility at Manchester Airport, added a fourth flight simulator to our training centre in Bradford and continued to invest in the long-term maintenance of our aircraft fleet, whilst at **Fowler Welch** we completed the extension to our Teynham distribution centre.

As at 31 March 2017, the Group's cash and money market deposit balances had increased by £277.0m (2016: £109.2m) to £689.0m (2016: £412.0m) which included advance payments from Leisure Travel customers of £553.9m (2016: £385.8m) in respect of their future holidays and flights. Net cash (stated after borrowings) was £168.5m (2016: £321.1m).

I am also very pleased to announce that from the financial year starting 1 April 2018, the Group will implement a Discretionary Colleague Profit Sharing Scheme. This Scheme is intended to reward those colleagues who do not already participate in a performance related bonus or commission scheme and who have been continuously employed for at least 12 months. The profit share will be calculated at the rate of 5% of profit before taxation, excluding foreign currency revaluations and other exceptional items, for the respective Leisure Travel or Distribution & Logistics businesses, and will be paid in proportion to each colleague's basic salary. The first payment will be made in July 2019 following the audit of the financial results for the year ending 31 March 2019.

## Leisure Travel

***We take people on holiday!*** Our leading UK Leisure Travel business specialises in scheduled holiday flights by our award-winning leisure airline, ***Jet2.com***, to destinations in the Mediterranean, the Canary Islands and to European Leisure Cities and the provision of ATOL licensed Package Holidays by our tour operator ***Jet2holidays***.

In summer 2016, ***Jet2.com*** operated 63 aircraft from our then seven Northern UK airport bases to 63 destinations, serving 440 holiday resorts, including the addition of three new destinations: Girona in Spain, Naples and Berlin. With the commencement of operations from Birmingham and London Stansted Airports and the addition of two new destinations, Costa de Almeria in Spain and Halkidiki in Greece, the aircraft fleet has increased to 75 for summer 2017, with a commensurate increase in pilots, engineers and cabin crew.

Whether taking a holiday flight with ***Jet2.com***, or end-to-end ***Real Package Holidays™*** with ***Jet2holidays***, we recognise that this is one of the most important family experiences of the year. Our core principles therefore are to be family friendly, offer value for money and give great service, so each of our customers ***"has a lovely holiday"***.

Passengers travel on ***Jet2.com*** operated aircraft, ensuring that we carefully control the quality of the flight experience. Our passenger numbers allow us to serve many of our destinations daily and others several times a week during the spring, summer and autumn months, enabling us to offer a great choice of variable duration holidays at affordable prices, whilst optimising load factors which are consistently above 90%.

For those passengers who have arranged their own accommodation, our flights offer competitive fares, convenient flight times, allocated seating and a 22kg baggage allowance. At check-in, we aim to deliver a speedy and friendly experience with customer helpers on hand to assist, whilst on board, our cabin crew and pilots are intent on ensuring that the holiday starts and finishes with a relaxed and pleasant flight.

Our ***Real Package Holidays™*** give us the opportunity to deliver a memorable experience to which we add value through innovation and customer service - the delivery of great service is at the heart of ***Jet2.com*** and ***Jet2holidays*** brand values. To underpin these values, we deliver a company-wide engagement programme called 'Take Me There', to ensure that every colleague in the business has received training on the importance of delivering service excellence at every point in our customers' journey.

Over 41% of our Package Holidays were sold on an all-inclusive basis offering a 'Defined Price' for the whole holiday experience, including flights, transfers, meals, alcohol for the adults and ice lollies for the kids. This is a resilient, great value offering for families on a tight budget and is particularly attractive for times of economic uncertainty.

Over the last 10 years, we have carefully developed relationships with over 2,900 hotels. We often place substantial deposits to secure a dependable and competitive room offering in the most attractive hotels, always ensuring that we are satisfying our customers' need for choice and quality. Encompassing a wide range of great value 2 to 5-star accommodation, catering for young & old and families alike, many hotels have adjacent water parks and other great attractions included in the package, adding enjoyment and interest to the overall holiday experience. And in June 2017, we launched ***Jet2Villas***, so our customers can now enjoy the freedom of a great value Villa Holiday wrapped up in one package, with ***Jet2.com*** flights, accommodation and car hire all included.

In summer 2017, over 450 customer helpers will be employed in our holiday resorts to look after our customers, backed up by 24-hour helplines to give practical assistance in all eventualities. Together with our airport-to-hotel transfer services, everything is organised to make our customers' holidays easy and carefree. Our **Resort Flight Check-In®** service, introduced at many hotels in summer 2016, has proven to be extremely popular and has been expanded to over 180 hotels for summer 2017. This service allows ***Jet2holidays*** customers to check-in their baggage for their return flight at their hotel, letting them enjoy their final day, bag and hassle free.

Having built a strong brand and reputation in the North of the UK for providing ***Package Holidays you can trust®***, we are committed to achieving the same reputation for providing wonderful holidays from our new bases at Birmingham and London Stansted Airports. Sustained levels of investment in product, brand and customer service excellence, plus the delivery of an attractive end-to-end product, which has proved its resilience over a number of years, gives us the greatest opportunity to retain and attract customers. We therefore believe we have a great future in the UK Leisure Travel marketplace.

## Distribution & Logistics

Our distribution business, **Fowler Welch**, is one of the UK's leading providers of food supply chain services, serving retailers, processors, growers and importers through its distribution network. A full range of added value services is provided, including the packing of fruits, storage and case-level picking and an award-winning national distribution network.

The business operates from nine prime UK distribution sites, with major temperature-controlled operations in the key produce growing and importing areas of Spalding in Lincolnshire; Teynham and Paddock Wood in Kent and Hilsea near Portsmouth.


*ISS packing lines, Teynham*

Further regional distribution sites are located at Nuneaton near Coventry, Washington, Tyne and Wear and at Newton Abbott, Devon. Ambient (non-temperature-controlled) consolidation and distribution services are provided at Heywood near Bury, Greater Manchester and Desborough, Northamptonshire.

During the first half of the year, the business completed a 50,000 square foot extension to its Teynham facility. This demand-led capacity increase enabled the expansion of **Fowler Welch**'s joint venture fruit ripening and packing business, **Integrated Service Solutions (ISS)**, and builds capacity for further revenue opportunities at the site which serves local Kent growers, and is located close to the port of Dover and the Channel Tunnel, main arteries for fruit and produce imported into the UK.

In June 2016, a transport and distribution solution for Dairy Crest Limited based at Nuneaton in the Midlands, a new region for the business, was introduced to the network. Following a seamless implementation, which included the transfer of Dairy Crest colleagues and fleet to **Fowler Welch**, the business contributed positively in the year. This operation provides an important additional revenue stream and adds to the geographical reach of our significant chilled distribution services.

**Fowler Welch** has a strong and experienced management team and a skilled workforce that prides itself on high standards of customer service, price competitiveness and an ability to provide flexible and innovative solutions, critical qualities in a sector where both supplier and retailer supply chains are perpetually evolving to meet consumers' ever-changing shopping habits.

We are therefore pleased that several of the business initiatives laid in place by management are now coming to fruition and we remain encouraged by the many opportunities still available. We believe there is a bright, interesting and profitable future ahead for **Fowler Welch**.

## Outlook

Both our **Leisure Travel** and **Distribution & Logistics** businesses have made satisfactory starts to the new financial year. Given visibility on current forward bookings and the recent successful launch of our new operating bases at Birmingham and London Stansted Airports, the Board expects to meet current market expectations of underlying profit before taxation for the year ending 31 March 2018.

Looking further ahead, there remains considerable uncertainty around "Brexit" negotiations and the effect these could have, both on our freedom to fly and on our customers' ability to travel to our leisure destinations. This is unsettling; however, we believe that the UK Government recognises the importance of aviation services, and similarly, European countries appreciate the value that British tourists bring to their respective economies. Therefore, for the long-term, we remain confident in the resilience of our Leisure Travel business and we are encouraged by the increasing proportion of customers choosing our great value, ***Real Package Holidays™***, which are not easily replicated by non-specialists, and have proven particularly popular in challenging economic times.

**Philip Meeson**
Executive Chairman
13 July 2017

# Business & Financial Review


Our Pilots, Engineers and Cabin Crew Training Centre

The Group's financial performance for the year ended 31 March 2017 is reported in line with International Financial Reporting Standards ("IFRS"), as adopted by the EU.

| **Summary Income Statement** | **2017 £m** | 2016 £m | *Change* |
|---|---|---|---|
| Revenue | **1,729.3** | 1,405.4 | *23%* |
| Net operating expenses | **(1,626.3)** | (1,300.4) | *(25%)* |
| **Operating profit** | **103.0** | 105.0 | *(2%)* |
| Net financing (costs) / income | **(2.0)** | 0.5 | |
| **Group profit before FX revaluations and taxation** | **101.0** | 105.5 | *(4%)* |
| Net FX revaluation losses | **(10.9)** | (1.3) | |
| **Group profit before taxation** | **90.1** | 104.2 | *(14%)* |
| | | | |
| Net financing costs (including net FX revaluations) | **12.9** | 0.8 | |
| Depreciation | **87.0** | 88.7 | *(2%)* |
| **EBITDA** | **190.0** | 193.7 | *(2%)* |
| | | | |
| Operating profit margin | **6.0%** | 7.5% | *(1.5 ppts)* |
| Group profit before FX revaluations & taxation margin | **5.8%** | 7.5% | *(1.7 ppts)* |
| Group profit before taxation margin | **5.2%** | 7.4% | *(2.2 ppts)* |
| EBITDA margin | **11.0%** | 13.8% | *(2.8 ppts)* |

Strong customer demand and resilient ticket pricing for the summer 2016 season gave way to heavier price discounting in the second half of the year to achieve the planned growth in customer volumes for the Leisure Travel business. This customer volume increase, plus a 14% increase in Distribution & Logistics revenue to £163.5m (2016: £144.0m), resulted in Group revenue increasing by 23% to £1,729.3m (2016: £1,405.4m).

Whilst our higher margin Package Holidays product increased as a percentage of overall sales, contributing positively to the Group trading performance, increased losses in the second half of the year, primarily due to the considerable investment to launch the two new operating bases at Birmingham and London Stansted Airports, resulted in Group operating profit reducing by 2% to £103.0m (2016: £105.0m).

**"Strong customer demand and resilient ticket pricing for the summer 2016 season gave way to heavier price discounting in the second half of the year to achieve the planned growth in customer volumes."**

Net financing costs of £12.9m (2016: £0.8m) included a £10.9m charge (2016: £1.3m) for foreign exchange revaluation losses, arising from US dollar denominated debt used to fund the acquisition of aircraft, and other foreign currency denominated balances. The revaluation of the US dollar aircraft debt cannot be naturally offset against the value of the aircraft, which is fixed in pounds sterling at the point of acquisition in order to comply with the requirements of IFRS.

As a result, the Group achieved a statutory profit before taxation of £90.1m (2016: £104.2m). Group EBITDA decreased by 2% to £190.0m (2016: £193.7m).

The Group's effective tax rate of 15% (2016: 15%) was lower than the 20% headline rate of corporation tax due to certain deferred tax liability reductions. Basic earnings per share reduced by 14% to 51.80p (2016: 60.22p).

| Summary of Cash Flows | 2017 £m | 2016 £m | *Change* |
|---|---|---|---|
| EBITDA | **190.0** | 193.7 | *(2%)* |
| Other P&L adjustments | **0.4** | 0.1 | *300%* |
| Movements in working capital | **147.9** | 61.0 | *142%* |
| Interest and taxes | **(7.2)** | (10.9) | *34%* |
| **Net cash generated from operating activities** | **331.1** | 243.9 | *36%* |
| Purchase of property, plant & equipment | **(473.9)** | (213.5) | *(122%)* |
| Movement on borrowings | **424.4** | 81.9 | *418%* |
| Other items | **(4.6)** | (3.1) | *(48%)* |
| **Net increase in cash and money market deposits** | **277.0** | 109.2 | *154%* |

Net cash generated from operating activities was £331.1m (2016: £243.9m), out of which capital expenditure of £473.9m (2016: £213.5m) was incurred. New loans totalling £515.6m (2016: £82.8m) were taken up, as the Group secured both commercial debt and finance lease funding for the purchase of its new Boeing 737-800NG aircraft deliveries, offset by £91.2m (2016: £0.9m) of aircraft pre-delivery loan repayments. This resulted in a net cash inflow[a] of £277.0m (2016: £109.2m) and a year-end gross cash position, including money market deposits, of £689.0m (2016: £412.0m). Net cash, stated after borrowings of £520.5m (2016: £90.9m), was £168.5m (2016: £321.1m).

The Group continues to be funded, in part, by payments received in advance of travel from its Leisure Travel customers, which at the reporting date amounted to £553.9m (2016: £385.8m). Of these customer advances, £82.9m (2016: £68.5m) was considered restricted by the Group's merchant acquirers as collateral against a proportion of forward bookings paid for by credit or debit card. These balances become unrestricted once our customers have travelled. At the reporting date, the business had no cash placed with counterparties in the form of margin calls to cover out-of-the-money hedge instruments (2016: £5.2m).

| Summary Balance Sheet | 2017 £m | 2016 £m | *Change* |
|---|---|---|---|
| Non-current assets [b] | **813.3** | 426.6 | *91%* |
| Net current assets [c] | **533.9** | 372.3 | *43%* |
| Cash and money market deposits | **689.0** | 412.0 | *67%* |
| Deferred revenue | **(1,078.0)** | (767.5) | *(40%)* |
| Borrowings | **(520.5)** | (90.9) | *(473%)* |
| Other liabilities | **(53.5)** | (29.2) | *(83%)* |
| Derivative financial instruments | **47.2** | (4.6) | |
| **Total shareholders' equity** | **431.4** | 318.7 | *35%* |

[a] Cash flows are reported including the movement on money market deposits (cash deposits with maturity of more than three months from point of placement) to give readers an understanding of total cash generation. The Consolidated Cash Flow Statement reports net cash flow excluding these movements.
[b] Stated excluding derivative financial instruments.
[c] Stated excluding cash and cash equivalents, money market deposits, deferred revenue, borrowings and derivative financial instruments.

The Group continues to exceed the UK Civil Aviation Authority's required levels of 'available liquidity', which is defined as free cash plus available undrawn banking facilities.

Total shareholders' equity increased by £112.7m (2016: £161.5m) which comprised profit after taxation of £76.7m (2016: £88.8m) and a favourable movement in the cash flow hedging reserve. This movement was a result of the reversal of adverse mark-to-market balances on jet fuel forward contracts and in-the-money currency forward contracts held at the end of the previous financial year which matured in the year, and a further net in-the-money movement on all derivative types held, which mature after the reporting date.

# Business & Financial Review

## Leisure Travel

During the financial year, the Group entered into an agreement with Boeing to purchase a further four new Boeing 737-800NG aircraft with an approximate list price of US$0.4 billion, to meet its programme of aircraft fleet replacement and planned Leisure Travel growth. The terms for these aircraft are substantially the same as those approved by the Board for 30 aircraft ordered from Boeing in 2015, the Company having negotiated significant discounts from the list price. These aircraft are expected to be funded through a combination of internal resources and debt and will be delivered between August 2018 and January 2019.

### Segmental Performance - Leisure Travel

Overall flown passengers in the Leisure Travel business increased by 17% to 7.10m (one-way passenger sectors) (2016: 6.07m) as 1.73m customers (2016: 1.22m) chose our great value Package Holiday product, an increase of 42%, whilst 3.64m (2016: 3.63m) passengers chose our important flight-only product. Package Holiday customers now represent 49% of overall flown customers (2016: 40%).

The increased mix of Package Holiday customers is particularly pleasing, as the longer duration, end-to-end holiday experience allows greater value to be added through product innovation and service at each point in the customer's journey. Delighting the customer from start to finish lends itself to brand loyalty and retention and a better quality of recurring revenue and profitability, compared to the more impulsive, price sensitive, shorter duration, flight-only product.

Resilient ticket pricing in the first half of the year gave way to a much sharper pricing environment in the second half, as overall net ticket price per passenger reduced by 5% to £86.65 (2016: £91.11). The average load factor achieved was 91.5% (2016: 92.5%). The percentage of customers taking all-inclusive Package Holidays grew from 39% to 41% of total holiday customers, whilst an increasing number chose higher value 4 and 5-star packages as the variety of hotels we offer continued to grow, demonstrating the quality and resilience of the Package Holiday product. However, price was invested to drive the increased Package Holiday customer volumes and market share, which led to the average price of a Package Holiday remaining stable at £617 (2016: £616).

Non-ticket retail revenue per passenger increased by 3% to £33.01 (2016: £31.98). This revenue stream, which is primarily discretionary in nature, continues to be optimised through our customer contact programme as we focus on Pre-departure Sales (principally hold bags and advanced seat assignment) and In-flight Sales (pre-ordered meals, drinks, snacks, cosmetics and perfumes) and ancillary products (car hire and travel insurance).

As a result, total Leisure Travel revenue grew by 24% to £1,565.8m (2016: £1,261.4m).

We continue to invest for the long-term success of the business and believe that both our new UK operating bases at Birmingham and London Stansted Airports have great potential for our holiday business. Therefore, although trading performance was bolstered by the 17% increase in overall customer volumes, the investment in promotional advertising and the early recruitment of staff to provide a resilient operation ahead of the launch of the two new operating bases, together with the more competitive pricing environment in the second half, meant Leisure Travel operating profit reduced by 1% to £98.5m (2016: £99.6m).

*Great choice of hotels with water parks*

For many families, booking a holiday is the most important purchase of the year and we recognise that every customer is different and their buying habits unique. Therefore, continuously investing in IT development to deliver a smooth customer journey is of paramount importance to the business, whichever of our three booking channels is chosen.

Technology and how the customer interacts with it is perpetually evolving. Over half of our Package Holidays are sold online via ***Jet2holidays.com***, whilst 97% of our flight-only seats are booked directly on the ***Jet2.com*** website. Increasingly, customers are looking to engage with the overall brand and product experience when making an online booking. Recognising this, the business continues to invest in personalising content and imagery, therefore improving the overall customer experience and engagement and ensuring that conversion rates remain strong, whether the customer uses a PC, tablet or mobile phone.

The business also recognises that human interaction is important for many customers when making such an important purchase, to ensure their individual needs are catered for. Currently 17% (or approximately 300,000) of our Package Holiday customers book through our customer contact centres in Leeds and Manchester, which employ over 300 sales and customer service advisers. Our sales colleagues have an intimate knowledge of our products and are trained to handle calls in a friendly and informative manner. Once a booking has been made, our pre-travel services team takes over, answering queries and ensuring that customers are updated with post-booking information, or provided with any further pre-travel assistance as required.

Just under a third of our Package Holiday sales come through independent travel agents, who are considered very valuable and important distribution partners for the business. Our packages are sold by major high street travel agent chains, key multiple retailers, homeworker companies and independent agents.

Product innovation supported by a broad, imaginative marketing strategy helps to ensure that Jet2 is front of mind when a customer considers booking a holiday.

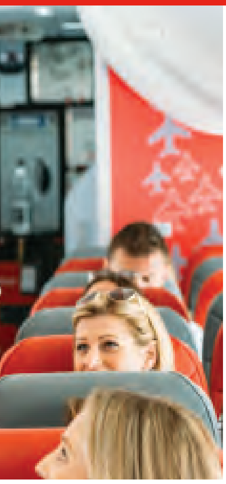
- ***Jet2holidays*** benefits from its breadth of hotel choice and a family-focused approach, which includes free child places at hundreds of hotels and a consistently low £60 deposit.
- ***Jet2CityBreaks***, which offers a packaged flight and hotel product in attractive European Leisure Cities, continued to prove popular as passenger numbers grew in the year.
- Our recently launched villa proposition, ***Jet2Villas***, means our customers can now enjoy the freedom of a great value Villa Holiday wrapped up in one package with ***Jet2.com*** flights, accommodation and car hire all included.
- Our **Resort Flight Check-In®** service introduced at many hotels in summer 2016, has proven to be extremely popular and has been expanded to over 180 hotels for summer 2017.


Our Leeds Contact Centre, which includes our Sales, Service and Operational teams

In common with the rest of the UK package travel industry, we have seen an increase in illness-related claims from UK consumers. We believe that many of these claims are questionable and we are working very closely with our hotel partners and the authorities on this issue. We will continue to actively lobby the UK Government for changes to legislation and are seeing some success in this area.

Looking forward, we will continue to invest to build brand and product awareness in our core markets, underpinned by strong and creative marketing campaigns and a keen focus on customer service. We remain confident that with considered investment, we are building a sustainable business that will have a bright future in the UK Leisure Travel market for many years to come.

| **Leisure Travel Financials** | **2017 £m** | 2016 £m | *Change* |
|---|---|---|---|
| Revenue | **1,565.8** | 1,261.4 | *24%* |
| Net operating expenses | **(1,467.3)** | (1,161.8) | *(26%)* |
| **Operating profit** | **98.5** | 99.6 | *(1%)* |
| Net financing (costs) / income | **(2.0)** | 0.5 | |
| **Profit before FX revaluations and taxation** | **96.5** | 100.1 | *(4%)* |
| Net FX revaluation losses | **(10.9)** | (1.3) | |
| **Profit before taxation** | **85.6** | 98.8 | *(13%)* |
| Net financing costs (including net FX revaluations) | **12.9** | 0.8 | |
| Depreciation | **84.5** | 86.4 | *(2%)* |
| **EBITDA** | **183.0** | 186.0 | *(2%)* |
| Operating profit margin | **6.3%** | 7.9% | *(1.6 ppts)* |
| Profit before FX revaluations & taxation margin | **6.2%** | 7.9% | *(1.7 ppts)* |
| Profit before taxation margin | **5.5%** | 7.8% | *(2.3 ppts)* |
| EBITDA margin | **11.7%** | 14.7% | *(3.0 ppts)* |



*The Land of Legends Theme Park Belek, Antalya Area*

## Have a Lovely Holiday!

1

### Happy to help!

Our UK-based team of travel experts specialises in tailoring holidays to customers' needs.

2

### Outbound

Travellers have happy, friendly service from our team from check-in to arrival at their hotel.

3

### In resort

Our dedicated team of Customer Helpers support customers throughout their stay with 24/7 availability and local expertise.

4

### Inbound

Resort Flight Check-In®, convenient transfers and great flight times ensure our customers get home with smiles on their faces.


5

### Home

Our team contacts all customers to make sure their holiday exceeded expectations.

6

### Let's do it all again

The same great experience, plus our low deposit of £60pp and great range of destinations, tempts customers to rebook.

# Business & Financial Review

## Distribution & Logistics

*Packed fruit for distribution from our Teynham depot*

### Segmental Performance - Distribution & Logistics

Revenue at **Fowler Welch** increased by 14% to £163.5m (2016: £144.0m) primarily due to the new Dairy Crest operation at Nuneaton which commenced in June 2016. Seasonal peaks were well managed and a further important improvement in vehicle miles per gallon was delivered from a continued focus on driver training and operational efficiency. The underlying performance of the business was encouraging, though lower than anticipated revenue at our Heywood ambient operation and a bad debt write-off following the demise of a major poultry supplier, affected the profit in the year.

Revenue at our Spalding operation in Lincolnshire increased by 2%. This 156,000 square foot depot is one of the largest chilled food consolidation hubs in the UK and is the largest chilled site in the **Fowler Welch** network. Combining a consolidation service for fresh produce and chilled foods, the site picks over 41 million cases per annum and delivers approximately 50,000 pallets of food each week on behalf of local Lincolnshire growers and producers. From the heart of this important growing region, **Fowler Welch** delivers to all major retailers, successfully managing significant volume uplifts for Valentine's Day, Mothering Sunday, Easter, Halloween and Christmas.

**Fowler Welch**'s Kent operations, at its Teynham and Paddock Wood distribution centres, sit in the heart of that county's fruit growing areas and their proximity to both the port of Dover and the Channel Tunnel make them ideally positioned to provide packing and distribution services. **Integrated Service Solutions (ISS)**, **Fowler Welch**'s joint venture that ripens, grades and packs a variety of stone fruit, berries and exotic fruits, achieved another year of growth as operations from the new 50,000 square foot extension at the Teynham depot commenced successfully in July 2016.

The Hilsea depot, which is located near to Portsmouth International Port, had another encouraging year with revenue growth of 10%. New volumes were secured from several existing customers, demonstrating the importance of this region in supplying salads, herbs and vegetables to UK retailers and underlining the strength of the range of warehousing, consolidation and distribution services offered.

The new Dairy Crest operation at Nuneaton, near Coventry, contributed positively in the year and we expect the operation to progressively expand as it is more fully integrated into the broader **Fowler Welch** distribution network.

The Heywood 'Hub', **Fowler Welch**'s 500,000 square foot ambient (non-temperature controlled) shared user storage and distribution centre near Bury, Greater Manchester saw a second year of depressed revenues, down 4% year-on-year. This revenue reduction reflected the highly competitive nature of the ambient grocery distribution market. Following increased sales efforts, the business was successful in securing several smaller contracts toward the end of the financial year and a material new contract commenced in the first quarter of the current financial year.


## Field to Consumer


### ❮ Picked
Our distribution hubs are strategically located to support our customers in the key growing areas of Kent, Lincolnshire and the South Coast.

### ❯ Processed
Once harvested, crops are checked for ripeness and quality.



### ❮ Packed
Produce is packed and labelled at locations such as **ISS**, Teyhnam – the **Fowler Welch** joint venture in Kent, which packs a variety of fruits including pumpkins, berries, cherries and mangoes.

### ❯ Delivered
We collect from farms and processors before delivering to retailer distribution centres and often onto retail stores.



### ❮ Purchased
Each consumer purchase drives demand for product to be packed and delivered the following day to replenish shelves.

### ❯ Enjoyed!


The dedicated site at Desborough, Northamptonshire, which provides distribution services to a major confectionery manufacturer, implemented new bespoke state-of-the-art trailers that can automatically load at production facilities as well as operate as conventional trailers, demonstrating our principles of ***listening***, ***responding and delivering***. Similarly, the regional distribution sites in Washington, Tyne & Wear and Newton Abbot, near Exeter continued to provide high quality direct store delivery services to over 100 supermarkets.

The further development of services along the supply chain is contributing to a strong pipeline of growth opportunities with both existing and new clients. These added value services, combined with the core competency of consolidating multiple clients to provide the critical mass for efficient distribution, give confidence in the continued profitable growth of **Fowler Welch**.

| Distribution & Logistics Financials | 2017 £m | 2016 £m | Change |
|---|---|---|---|
| Revenue | **163.5** | 144.0 | *14%* |
| Net operating expenses | **(159.0)** | (138.6) | *(15%)* |
| **Operating profit** | **4.5** | 5.4 | *(17%)* |
| Net financing costs | **-** | - | - |
| **Profit before taxation** | **4.5** | 5.4 | *(17%)* |
| Depreciation | **2.5** | 2.3 | *9%* |
| **EBITDA** | **7.0** | 7.7 | *(9%)* |
| | | | |
| Operating profit margin | **2.8%** | 3.8% | *(1.0 ppt)* |
| Profit before taxation margin | **2.8%** | 3.8% | *(1.0 ppt)* |
| EBITDA margin | **4.3%** | 5.3% | *(1.0 ppt)* |

# Key Performance Indicators

| Leisure Travel Key Performance Indicators | 2017 | 2016 | Change |
|---|---|---|---|
| Number of routes operated during the year | **235** | 227 | *4%* |
| Leisure Travel sector seats available (capacity) | **7.76m** | 6.56m | *18%* |
| Leisure Travel passenger sectors flown | **7.10m** | 6.07m | *17%* |
| Leisure Travel load factor | **91.5%** | 92.5% | *(1.0 ppt)* |
| Flight-only passenger sectors flown | **3.64m** | 3.63m | - |
| Package Holiday passenger sectors flown | **3.46m** | 2.44m | *42%* |
| Package Holiday customers | **1.73m** | 1.22m | *42%* |
| Net ticket yield per passenger sector (excl. taxes) | **£86.65** | £91.11 | *(5%)* |
| Average Package Holiday price | **£617** | £616 | - |
| Non-ticket revenue per passenger sector | **£33.01** | £31.98 | *3%* |
| Average hedged price of fuel (per tonne) | **$467** | $674 | *31%* |
| Fuel requirement hedged – next 12 months | **97%** | 99% | *(2.0 ppts)* |
| Advance sales made as at 31 March | **£1,078.0m** | £767.5m | *40%* |

See Glossary of Terms on page 84 for further details


*Handling our Aircraft at Manchester Airport*

| Distribution & Logistics Key Performance Indicators | 2017 | 2016 | Change |
|---|---|---|---|
| Warehouse space as at 31 March (square feet) | **897,000** | 847,000 | *6%* |
| Number of tractor units in operation | **487** | 428 | *14%* |
| Number of trailer units in operation | **669** | 629 | *6%* |
| Miles per gallon | **9.3** | 9.1 | *2%* |
| Annual fleet mileage | **40.5m** | 39.0m | *4%* |

See Glossary of Terms on page 84 for further details


*One of our Fowler Welch trucks out for collections*

# Risk Management

## The Board is responsible for maintaining the Group's Risk Management and Internal Control Systems and for monitoring risk and the mitigation of risk in line with the Group's objectives.

### Risk management

The Board's strategy is to grow the Group's businesses through a combination of organic expansion and, if appropriate, carefully planned acquisitions in the markets within which we currently operate. This section describes the Board's approach to risk and the principal risks and uncertainties which may affect the Group's business operations, its reputation, financial results and strategic objectives. The list is not intended to be exhaustive and is likely to evolve over time due to the dynamic nature of the leisure travel industry in particular.

### Approach to risk

The Board is responsible for maintaining the Group's Risk Management and Internal Control Systems and for monitoring risk and the mitigation of risk in line with the Group's objectives. The key features of the Group's systems of internal control are:

- An organisational structure with clear segregation of duties, control and authority;
- Clearly defined financial reporting, business planning and forecasting processes and systems;
- An Internal Audit function providing independent assurance on key processes and controls;
- An IT Security and Compliance function that monitors and addresses relevant threats to the operation of our key IT systems and infrastructure;
- Treasury policies, overseen by the Board, that manage the Group's cash and deposits and foreign exchange, fuel and interest rate commitments; and
- A robust Safety Management System, supported by a "Just" reporting culture to ensure appropriate rigour regarding safe operation of our Leisure Travel activities, including legal and regulatory compliance and health and safety.

### Principal risks and uncertainties

| Risk Commentary | Mitigation |
|---|---|
| **Safety and security**<br>The safety and security of our customers and our colleagues is a key priority. Failure to prevent or deal effectively with a major safety incident, including a security related threat, could adversely affect the Group's reputation, and operational and financial performance. | The assessment of health and safety risks in the hotels we feature, as well as the other holiday components we package, is part of our normal Package Holiday business routines; this is reflected in our Package Holiday Safety Management System.<br><br>Supplier compliance is reviewed prior to any hotel being placed on sale or occupied by any Leisure Travel customer, and a compliance programme is in place for all featured hotels, including auditing and ongoing reviews of the safety of the programme. A Health and Safety Steering Committee, chaired by the Chief Executive Officer of ***Jet2holidays*** Limited, reviews all activity undertaken. It recommends the health and safety strategy implemented by the Board.<br><br>Our airline business operates a robust Safety Management System based upon a 'Just Culture', which provides an environment where all colleagues are encouraged to report and submit safety related information in a timely manner. This enables proactive assessment and mitigation of risk associated with our operation, escalated via regular internal safety steering committees and action groups. |

# Risk Management

| Risk Commentary | Mitigation |
|---|---|
| **Safety and security (continued)** | Compliant and effective Safety Management System oversight is provided by the appropriate use of occurrence report investigations, flight data management, risk management, health and safety and aviation security inspections, together with quality assurance audits across our operations.<br><br>All airline safety and security matters are managed by our Safety, Compliance and Assurance Group, which reports directly to the Accountable Manager (the Managing Director of ***Jet2.com*** Limited) and the Safety Review Board. The Board meets quarterly, monitors trends and identifies any areas of risk that require closer attention. |
| **Competition**<br><br>The Group could be impacted by competitor activity in each business area. | The Leisure Travel business will continue to focus on its core principles, which are: to be family friendly; to offer value for money; and to give great customer service. It will also continue to focus on customer driven scheduling of flights on routes to popular leisure destinations in order to maximise load factor, net ticket yield, non-ticket revenue and average Package Holiday price, whilst ensuring that our great value proposition remains attractive to our customers.<br><br>We continue to work alongside and invest in relationships with selected hoteliers to ensure the availability of accommodation that meets our customers' requirements. The operation will continue to benefit from a number of sales channels – taking bookings through its ***Jet2holidays.com*** and ***Jet2.com*** websites, its call centre and travel agencies – and from non-scheduled aircraft utilisation through its passenger charter activities.<br><br>We also continue to differentiate our Leisure Travel business through innovative product development and the provision of added value services.<br><br>In the Distribution & Logistics business, the loss of a substantial customer is the largest financial risk facing the business. This is mitigated by **Fowler Welch**'s focus on developing a pipeline of future business opportunities, together with the achievement of high service levels, careful cost control and added value, innovative supply services, in the chilled, produce and ambient market sectors. |
| **IT system dependency and information security**<br><br>The Group is reliant on a number of key IT systems, their scalability and ongoing development. The Leisure Travel business is dependent on the internet and receives the majority of its revenues through online debit and credit card transactions. Further revenues are received at departure airports and on our flights via Chip & PIN-secured devices. | The primary IT risks to the Group are a loss of systems, unauthorised access to facilities, or a security breach, which could lead to disruption that has an operational, reputational and/or financial impact.<br><br>To mitigate these risks and to ensure any potential loss of functionality is minimised, the Group regularly tests failover of key systems between geographically dispersed data centres.<br><br>The Group carries out regular information security reviews including comprehensive internal and external vulnerability scanning and penetration tests using accredited third parties. It also continues to strengthen its cyber threat mitigation through a process of repeated testing, hardening and education. This ensures that the Group has in place systems, controls and processes current and appropriate to the ever evolving external and internal security threats. The Group is PCI DSS compliant. |

| Risk Commentary | Mitigation |
|---|---|
| **Input cost volatility**<br>The Leisure Travel business incurs considerable operational costs which are euro and US dollar denominated and is therefore exposed to sudden movements in exchange rates.<br>The cost of fuel is a material element of the cost base of the Leisure Travel business and the effective management of aviation fuel price volatility continues to be important. | The Group's strategy is to manage exchange rate and fuel price risk via forward currency contracts and aviation fuel swaps with approved counterparties.<br>The Distribution & Logistics business is not directly affected by such fuel price rises, since contracts allow for price increases to be passed on to its customers.<br>Further information on hedging, the Group's key mitigation to input cost volatility risk, and details of the Group's Hedge Policy, is contained within note 22 to the consolidated financial statements. |
| **Interest rate risk**<br>As part of its strategy for achieving continuity and flexibility of funding, the Group uses specialist aircraft finance. Some of this borrowing is subject to floating rate interest charges, which generates interest cost volatility. | The Group's strategy is to manage interest cost risk via interest rate swaps with approved counterparties.<br>Further information on hedging, the Group's key mitigation to interest cost volatility risk, and details of the Group's Hedge Policy, is contained within note 22 to the consolidated financial statements. |
| **Economic conditions**<br>Whilst we believe that UK consumers regard their summer holiday as a very important element of the annual household budget, ultimately, economic conditions are likely to have an impact on the level of demand for the Group's leisure travel services. | The Group will continue to focus on serving its customers' demand for great value Package Holidays in, and flights to, holiday destinations in the Mediterranean, the Canary Islands and European Leisure Cities.<br>The Leisure Travel business has built a strong brand and reputation for providing ***Package Holidays you can trust®***. Sustained levels of investment in product, brand and customer service excellence, plus the delivery of an attractive end-to-end product, which has proved its resilience over a number of years, gives the business the greatest opportunity to retain and attract customers. |
| **Government policy and regulatory intervention**<br>The leisure travel industry is heavily regulated. There is a continuing risk that the imposition of taxes and charges, which are levied by regulatory decision rather than by commercial negotiation at levels in excess of economic cost, may result in reduced passenger demand or adversely impact our cost base. | The Group will maintain its focus on delivering a great value Package Holiday product, the careful management of its route network, on-time performance and continue to engage with policy setters and regulators to encourage legislation that is fit for purpose. |
| **Environmental**<br>As evidenced in recent years, the Leisure Travel business is at potential risk of disruption from the force of nature, such as extreme weather conditions and volcanic activity, and through other external factors, such as: acts of terrorism; epidemics; pandemics; and strike action. | The business mitigates these risks by regularly updating a carefully planned response to be implemented by a team of experts should there be significant disruption to our leisure travel activities. In addition, the investment in our commercial centre in Leeds means that we have the ability to run our business from more than one site, which supports our established Business Continuity Plan.<br>The business has a dedicated emergency response facility from which our response to serious operational incidents can be managed. We have also implemented software to automate the activation of our emergency response team so that we can respond promptly to incidents, deploy appropriate solutions and thereby mitigate the impact on our customers and limit any potential interruption to our business.<br>The Group also maintains prudent levels of liquid funds to enable the business to continue to operate through a period of sustained disruption. |

# Risk Management

| Risk Commentary | Mitigation |
|---|---|
| **Brexit**<br>Brexit risk reflects the potential impact of the UK's decision to leave the EU on the Group's operations and financial position. | The full implications for the Group of Brexit remain unclear but the Directors continue to closely monitor developments. The following points are deemed to be of particular importance at this time:<br>• the question of the UK remaining part of the European Common Aviation Area;<br>• the ability of UK citizens to travel freely within Europe and beyond (all our routes to the EU and the USA are secured through EU negotiated agreements);<br>• the question of visa-free (and ETIAS charge-free) travel between the UK and the EU;<br>• the question of the UK business' access to European employment markets; and<br>• understanding the implication of possible taxation and border changes. |
| **Liquidity and capital risk**<br>Liquidity and capital risk is the risk that the Group will have insufficient funds to meet its financial obligations as they fall due. | The Group's strategy for managing liquidity and capital risk is to maintain cash balances in an appropriately liquid form and in accordance with approved counterparty limits, whilst securing the continuity and flexibility of funding through the use of committed banking facilities and specialist aircraft finance.<br>Short-term cash flow risk, in relation to margin calls in respect of fuel and foreign currency hedge positions, is minimised through diversification of counterparties together with appropriate credit thresholds.<br>In addition, a regular assessment is made of the Group's banking facility covenant compliance and the UK Civil Aviation Authority's Available Liquidity Test.<br>The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern whilst providing a return to shareholders. |

## Viability Statement

The Directors have prepared financial forecasts for the Group, comprising operating profit, profit before and after taxation, balance sheets and cash flows through to 31 March 2020, and also considered an extended planning horizon to aid the management of its longer term fleet objectives. Future assessments of the Group's prospects are subject to uncertainty that increases with time and cannot be guaranteed or predicted with certainty.

The Directors have taken account of the Group's current cash position, its strong financial condition and operating performance, the availability of banking facilities, and the principal risks and uncertainties it faces and its ability to mitigate and manage those risks (as outlined on pages 23 to 26). Appropriate stress-testing of the Group's forecasts is undertaken on an ongoing basis to consider the potential impact of a combination of principal risks materialising together. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2020.

## Going Concern Statement

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors' responsibility for preparing the financial statements is explained on page 43 and the reporting responsibilities of the Auditor are set out in their report on page 44.

# Corporate Social Responsibility

This Corporate Social Responsibility Report reflects the importance the Group places on developing long-lasting relationships with its customers and effective partnerships with its suppliers, whilst acknowledging and acting upon its responsibility to the communities within which it operates and to the wider environment. The way in which the Group pursues its objective of being a good employer is set out below in the section entitled "Our People".

## Relationship with customers

We take people on holiday! The Group's Leisure Travel business provides its customers with great value Package Holidays and holiday flights with family friendly service, so that each "***has a lovely holiday***". The delivery of ***Real Package Holidays™*** gives the business the opportunity to deliver memorable experiences to which it adds value through innovation and customer service - the delivery of great service is at the heart of ***Jet2.com*** and ***Jet2holidays*** brand values.

**Fowler Welch** has a strong and experienced management team and a skilled workforce that prides itself on high standards of customer service, price competitiveness and an ability to provide flexible and innovative solutions, critical qualities in a sector where both supplier and retailer supply chains are perpetually evolving to meet consumers' ever-changing shopping habits.

## Relationship with suppliers

The business seeks open, constructive and effective relationships with suppliers to help sustain the successful delivery of the Group's Leisure Travel and Distribution & Logistics services. In response, a supplier management framework has been developed and an annual supplier conference is held to brief on many aspects of the Leisure Travel business, and the support expected from the supplier community in helping achieve its aims.

Over the last ten years, we have carefully developed relationships with over 2,900 hotels. We often place substantial deposits to secure a dependable and competitive room offering in the most attractive hotels, always ensuring that we are satisfying our customers' need for choice and quality.

## Modern Slavery Act

The Modern Slavery Act, which came into force in October 2015, requires the Company to publish an annual slavery and human trafficking statement. The latest statement can be found on the Dart Group PLC website. Neither the Company nor any of its subsidiaries permit, condone or otherwise accept any form of human trafficking or slavery in its business or supply chains and is committed to doing what it can to combat these practices.

## The environment

The Group takes its responsibility to the environment seriously, with fuel emissions being an important issue for both businesses. It is in the business's own and its customers' interest to ensure we operate in the most efficient and environmentally friendly way, minimising noise and emissions on every flight, and minimising the carbon impact per unit of product delivered.

During 2017, ***Jet2.com***, like all airlines operating within, or into and out of EU airports, continued its reporting under the regulatory mandate of the European Emissions Trading Scheme (EU ETS). The airline supports the aims of this scheme, which include a reduction of greenhouse gas emissions of 20% by 2020 compared to 1990 levels.

As part of a continuous drive to operate more efficiently, ***Jet2.com*** continues to reduce its fuel consumption and carbon emissions per flown mile by means of its "efficient flying" programme. This programme looks at all aspects of the airline's operation which can influence or directly impact the efficiency of its flying activities, including Single Engine Taxi Operations, careful fuel requirement planning, performance based navigation approaches, increasing percentage of winglet aircraft within the fleet and continuing investment for the growing B737-800 fleet.

***Jet2.com*** aircraft exceed the International Civil Aviation Organisation's requirements for minimising air pollution. Fifty-three of the aircraft it operates are fitted with winglets, which improve performance during take-off, climb, and cruise elements of flights.

As a supplier to the food sector, **Fowler Welch** is focused on supporting its customers' targets under the Food and Drink Federation's "20/20 Vision for Growth", which, amongst other things, targets a 35% reduction in the industry's carbon emissions by 2020.

For **Fowler Welch**, diesel consumption continues to be the major contributor to its carbon footprint. Accordingly, the business has focused on fleet renewal and telemetry technology and has invested in management resource in order to direct training and development toward those drivers that have the greatest need. This focus has also contributed to a reduction in the value of insurance claims involving our heavy goods fleet.

The business also continues to refine the design of its fleet and component parts, working in conjunction with trailer and refrigeration suppliers and last year launched the trial of a trailer which is achieving a 50% reduction in trailer carbon emissions.

In its warehouses, **Fowler Welch** continues to invest in LED lighting and refrigeration unit efficiency. This is part of a strategy of continuous investment in energy-saving technologies and methodologies. For example, the recently expanded warehouse in Teynham has state-of-the-art photovoltaic panels over the extended roof. As well as direct energy reduction benefits, the business also utilises the latest generation refrigerants, ensuring low Global Warming Potential. The company remains on course to achieve the targeted 35% reduction in overall carbon emissions.

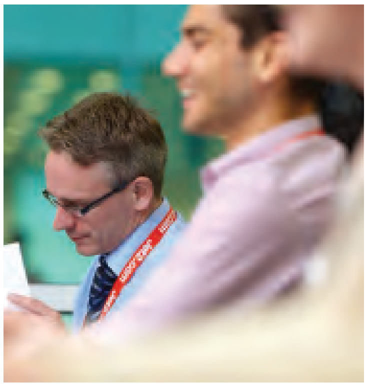
## Health, safety and quality

The responsibility for the health and safety of all colleagues and customers, whilst in our care, is a key priority for the Group and is described in more detail on page 23. In addition, **Fowler Welch** is proud to make known its network-wide British Retail Consortium ("BRC") accreditation, which continues to be the safety and quality standard for product manufacturing and handling in the UK and beyond.

## Our communities

Across the Group, we endeavour to support our local communities in a variety of ways, including the provision of prizes for local fundraising activities. The Group also continues to support its chosen charity, Hope for Children **www.hope-for-children.org**.

# Our People



Dart Group PLC is a leading UK Leisure Travel provider and Distribution & Logistics operator. An important component of its development and growth has been the successful recruitment and retention of capable colleagues.

## Learning and development

All ***Jet2.com*** and ***Jet2holidays*** colleagues take part in a two-day induction to the business, which incorporates our ***Take Me There*** values. These values are intrinsic to the success of the Leisure Travel business and the engagement of its colleagues and customers.

The Group recognises the need to provide continuous development for colleagues and managers to ensure committed and skilled talent continue to support the business. A blended learning approach has been adopted by the Leisure Travel business for all colleagues, including our Ground Operations colleagues and Customer Helpers. The approach includes face-to-face training, eLearning, the provision of 'How To' guides, and opportunities to contribute to commercial projects, all alongside a Management Development Programme. People managers across all areas of the business benefit from the programme, which includes a number of modules designed to be delivered over a period of time, to support continuous development in the role. The programme links to the ***Take Me There*** values and the business's Leadership Framework.

***Jet2.com*** prides itself on the extremely high standard of pilot training delivered in-house by over 140 instructors. Our UK Civil Aviation Authority ("CAA") and European Aviation Safety Agency ("EASA") approved training uses four full-flight simulators to take pilots on a journey of excellence throughout all aspects of pilot training. Our in-house type rating courses are designed to qualify candidates - whether experienced long-haul Captains or young talented pilots from our unique Pilot Apprentice Scheme (see case study on page 31) - to operate all types of ***Jet2.com*** aircraft. Following such a course, all ***Jet2.com*** pilots receive recurrent training every six months and are provided with support and development to allow them to progress through the Company's through-life career development schemes.

***Jet2.com*** cabin crew complete training in all areas of safety, security, first aid, and customer service and the business has over 60 skilled cabin crew performance trainers to guide trainees. New entrants participate in an intensive four-week training course that meets EASA requirements. All cabin crew attend the business's state-of-the-art training centre in Bradford where their theoretical training is put into practice, and, every year, return to the classroom to complete further exams in order to comply with EASA regulations.

All ***Jet2.com*** engineers receive engineering induction training, which includes ***Take Me There*** training. In addition, as a regulatory requirement, all engineers receive continuation training every two years, which is supplemented with technical update training across all line and base maintenance facilities. The ***Jet2.com*** engineering training team have recently been approved by the CAA to deliver aircraft type rating training for all three of the fleet types currently operated, with the first delivery planned at the Bradford training centre in September 2017.

# Our People

Ongoing development within **Fowler Welch** takes different forms depending on job role. Drivers receive CPC accredited training and specific driving behaviour skills training based on telematics information from the business's risk management system. Our warehouse colleagues benefit from up-skilling via 'toolbox talks' and 'safe systems of work' instruction relating to manual handling equipment and operational processes. Systems and process training for office colleagues is generally carried out in real-time and on-the-job to suit **Fowler Welch**'s fast-paced, 24/7 environment.

The business recently embarked on a programme of soft skills training for its people managers and supervisors. This well received programme supplements existing colleague development workshops that are facilitated by its HR team.

## Recognition

The Group's Leisure Travel business has an in-house recognition and reward scheme called ***A Great Deal Friendlier***. The scheme recognises individuals and teams who have provided excellent customer service and those who have gone the extra mile for internal or external customers. Nomination volumes continue to grow, with colleagues nominating individuals and teams from across all business areas for their excellent customer service approach. ***A Great Deal Friendlier*** underpins the Leisure Travel business's ***Take Me There*** values.

**Fowler Welch** also has a colleague recognition programme. The 'STAR' scheme provides monthly and quarterly awards for behaviour and successes that deserve special acknowledgement.

From the financial year starting 1 April 2018, the Group will implement a Discretionary **Colleague Profit Sharing Scheme**. This Scheme is intended to reward those colleagues who do not already participate in a performance-related bonus or commission scheme and who have been continuously employed for at least 12 months. The profit share will be calculated at the rate of 5% of profit before taxation, excluding foreign currency revaluations and other exceptional items, for the respective Leisure Travel or Distribution & Logistics businesses, and will be paid in proportion to each colleague's basic salary. The first payment will be made in July 2019 following the audit of the financial results for the year ending 31 March 2019.

## Communication

The Group recognises the importance of promoting and maintaining good communications with colleagues. Its policy is to keep colleagues regularly informed on matters relating to their employment through a variety of weekly and monthly information bulletins and newsletters covering a wide range of topics. These are supplemented by annual presentations at each business location by the Senior Management Team.

As the business grows, it is increasingly important that colleagues communicate well and that everyone works together as one team. Senior management must understand the views and thoughts of colleagues and it is crucial that colleagues understand the reasons for key decisions and, when appropriate, are consulted about planned change. An Information and Consultation Agreement and Protocol, consisting of five separate agreements, covering every UK colleague, was established by the Leisure Travel business in 2014. The agreements set out how ***Jet2.com*** and ***Jet2holidays*** inform and consult with colleagues as well as how each group works in practice, including how representatives are elected. Representatives are encouraged to speak up and challenge; as a result, their views and ideas have already contributed to organisational change. Senior managers and Directors, including the Executive Chairman and Chief Executive Officer, regularly attend meetings.

**Fowler Welch** has a well-established framework of colleague representative forums. These forums are a vehicle for two-way communication, the resolution of workplace issues and the progression of suggestions for improvements to working practices. This is supplemented by regular communication with colleagues via business briefings and management conferences.

The business recently issued a colleague survey as part of its ongoing plan to increase colleague engagement and facilitate its approach to being an employer of choice. Output from the survey has been translated into action plans for head office central functions and each distribution site. Progress against the action plans will be fed back to colleagues on an ongoing basis.

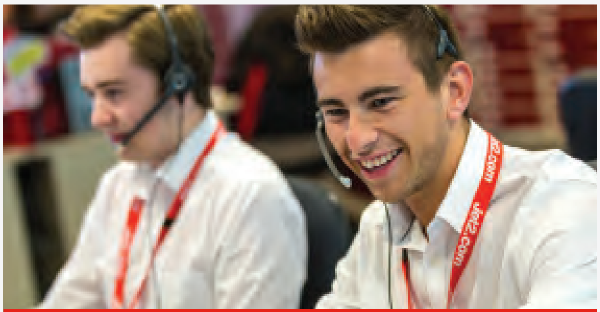
## Equality and diversity

The Group is committed to promoting diversity and ensuring equality of opportunity for all within the workplace, regardless of age, disability, marital or civil partnership status, pregnancy, race, religion or belief, gender or sexual orientation. The Group is also committed to ensuring that its procedures and selection processes in respect of recruitment, terms and conditions of employment, access to training and promotion and the terms upon which it offers access to facilities and services are free from discrimination.

**Gary Brown**
Group Chief Financial Officer
28 July 2017

# Case Study - Pilot Apprentice Scheme

*Take Me There Training*



*Time in our Leeds-based Customer Contact Centre*

*Visit to our Manchester Hangar*

## We followed Jonathan Lee as he starts on his *Jet2.com* Pilot Apprentice Scheme...

***Jet2.com*** is dedicated to providing the highest standards of service and safety to all its customers. To that end, the business continually invests in training for both its colleagues and new recruits. As part of this investment, ***Jet2.com*** has established both **Pilot** and **Engineer** Apprentice Programmes that provide richly rewarding opportunities to new Pilots and Engineers starting their careers.

### Developing our pilots of the future

The ***Jet2.com*** Pilot Apprentice Programme is a scheme that runs up to 12 months, providing a rounded understanding of the many different areas within the business.

Each year, up to 40 apprentices are selected from hundreds of applicants. They will then go on to complete practical training in many departments. This includes full Cabin Crew training and working as Cabin Crew, as well as Ground Operations experiences to understand all of the company's operations. Valuable time is also spent with our commercial departments such as Finance, HR, Marketing and Revenue.

The pilot apprentices also experience our Leeds-based Customer Contact Centre, which includes our Sales, Service and Operational teams. A total of 94 apprentices have completed the course with 84 now flying the line for ***Jet2.com***.

This approach creates a solid foundation for business and operational development throughout each apprentice's career with ***Jet2.com***.

### The value of apprenticeships

Our Pilot Apprentices praise the scheme for preparing them to become our future Captains, as well as enabling them to confidently become part of the wider business team. The scheme is also highly valued for its focus on making sure that customers have the best experience onboard – something that is not just important for the Flight Deck, but to everything that the company does.

**"It is such a privilege to have this unique opportunity. From day one I have experienced friendly, dedicated staff in all the departments I have visited. I feel a real sense of one big family within *Jet2.com* and *Jet2holidays*. I would certainly recommend this scheme to any aspiring pilot wishing to join an airline."**


*Full Cabin Crew Training*

# Our Governance




Jet2.com
Friendly low fares
Jet2.com

# Corporate Governance Statement

The Group adheres to the principles of corporate governance contained in the UK Corporate Governance Code, issued by the Financial Reporting Council (the "Code"). A copy of the Code can be found at:

**https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx**

As the Company is listed on AIM, it is not required to comply with the Code. However, an explanation of the corporate governance measures that have been adopted by the Board during the financial year are set out below.

## The Board

The Board currently comprises: Philip Meeson, who owns 37.9% of the issued share capital of Dart Group PLC and performs the role of Executive Chairman; Gary Brown, the Group Chief Financial Officer; Stephen Heapy, Executive Director; and one independent Non-Executive Director, Mark Laurence.

The biographies of the Directors appear on page 37 of this Annual Report. The Directors 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 collectively 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 43 and a statement on going concern is given within note 2 to the consolidated financial statements on page 53.

Executive responsibility for the day-to-day running of the Group's Leisure Travel business, comprising the operating subsidiaries ***Jet2holidays*** Limited and ***Jet2.com*** Limited, sits with its Chief Executive Officer, Stephen Heapy, and for **Fowler Welch**, with its Chief Executive Officer, Nicholas Hay. In addition, 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 Group Company Secretary, Ian Day, who is responsible to the Board for ensuring that Board procedures are followed, that applicable rules and regulations are complied with and also that the Directors receive appropriate training as necessary. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

The Board meets at least four times a year in order to, amongst other things, review trading performance, ensure adequate funding and to set and monitor strategy. To enable the Board to discharge its duties, all Directors receive appropriate and timely information, and in the months when the Board does not meet, the Directors receive a formal written report in relation to trading performance.

Due to the size and composition of the Board, the Group does not operate a nomination committee. New Director appointments are therefore 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 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, Executive Chairman | 5 | 2 | - |
| Gary Brown, Group Chief Financial Officer | 6 | - | 2* |
| Stephen Heapy, Executive Director | 6 | - | 2 |
| Mark Laurence, Independent Non-Executive Director | 6 | 2 | 2 |

* by invitation

## Remuneration Committee

During the year, the Group's Remuneration Committee was chaired by Mark Laurence. 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 contractual terms, remuneration and other benefits for the Executive Directors, including performance-related bonus schemes, pension rights and compensation payments.

## Audit Committee

A detailed Audit Committee Report is set out on pages 36 to 37.

The Audit Committee is chaired by Mark Laurence, a Non-Executive Director, and meets not less than twice per year. The Executive Directors, the Group Legal Director and Company Secretary, the Group Financial Controller as well as the external and internal auditors are invited to attend meetings.

The Board is satisfied that the Chairman of the Committee has recent and relevant financial experience having held executive roles in the financial services industry.

The Audit Committee Chairman engages with both the external and internal auditors, without the Executive Directors or members of the finance team present.

## 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 the signing of the accounts, for identifying, evaluating and managing the significant risks faced by the Group and confirms that these take account of the recommendations set out in the Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting*.

In order to ensure compliance with laws and regulations, and promote effective and efficient operations, the Board has 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, reporting and accounting framework.

The Group has an independent Internal Audit department, which performs full and regular monitoring of the Group's procedures, promotes robustness of controls, highlights significant departures from procedures and suggests relevant KPIs for future monitoring. 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.

Group Risk Management is the responsibility of the Group's operational Directors, who meet regularly with Internal Audit to review and monitor the Group Risk Register and to discuss existing and emerging risk. The Directors report their findings to the Audit Committee.

## Engagement with shareholders

Communications with shareholders are given high priority. The Business & Financial Review on pages 14 to 21 includes a detailed review of the Group's business and future developments. There is regular dialogue with institutional shareholders, including presentations after the announcement of the Group's half-year and preliminary full year results.

## The Company's Annual General Meeting

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Board aims to ensure that the Chairman of the Audit and Remuneration Committees is available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 7 September 2017 can be found in the notice of the meeting.

The Dart Group PLC website (**www.dartgroup.co.uk**) has a specific section for investors, which is regularly updated with news and information, including this Annual Report and Accounts document and the latest Notice of Annual General Meeting.

## Board Approval of the Corporate Governance Statement

This Corporate Governance Statement, which has been provided voluntarily, is approved by the Board and signed on its behalf by

**Philip Meeson**
Executive Chairman
28 July 2017

# Audit Committee Report

I am pleased to present the Audit Committee's report for the year ended 31 March 2017. The Audit Committee comprises Stephen Heapy, the Chief Executive Officer of ***Jet2holidays*** and ***Jet2.com***, and myself and we met twice with the Group Chief Financial Officer, the Group Legal Director and Company Secretary, the Group Financial Controller, the General Manager of Internal Audit and representatives of KPMG LLP, our Auditor. In addition I held two ad hoc meetings during the year with the Head of Audit for KPMG in the UK.

The Committee's primary function is to assist the Board in fulfilling its responsibilities to protect the interests of the shareholders by ensuring the integrity and clarity of the financial statements.

In addition, we oversee the scope of internal audit work for the year, review and monitor the adequacy and effectiveness of the internal control and risk management policies, consider the appointment of the external Auditor, their scope of work and their remuneration including reviewing their independence and objectivity, and agree the extent of non-audit work undertaken.

The areas of focus remained largely unchanged from last year and are highlighted below.

## Financial reporting & external audit

At the start of the financial year, KPMG LLP presented their audit plan to the Committee, identifying what they considered to be the key audit risks for the year ahead and the planned scope of work to be performed through the year. Having considered the planning work carried out and the results of the 2016/17 year end audit, the Committee was satisfied that the approach adopted was robust and appropriate.

In order to discharge its responsibility to consider accounting integrity, the Committee carefully considers key judgements applied in the preparation of the consolidated financial statements that are set out on pages 48 to 72 and in approving the effectiveness and independence of the external Auditor, the Committee also reviewed the audit engagement letter, proposed audit fees, KPMG LLP's audit plan, including key audit risks, and relevant professional, ethical and regulatory requirements.

These key audit risks identified were as follows:

### Provisions

The Committee reviewed the work performed by the finance team in calculating provisions in relation to possible passenger claims for historical flight delays under Regulation (EC) No 261/2004 and possible customer compensation claims that cannot be reclaimed from hotels. The Committee noted that the business had exercised sensible, prudent judgement.

### Hotel prepayments & general accruals

Hoteliers increasingly require payments to be made in advance to secure hotel accommodation. There is a stringent control process in place to determine the viability of prepayments prior to contracting and a provision in place to cover any default risk, which is primarily linked to unforeseen hotel closures.

### Aircraft accounting

The Committee reviewed the accounting treatment in relation to aircraft, including new aircraft additions in the year, and notes that this has been applied appropriately.

### Revenue recognition - deferred & accrued revenue

The Committee discussed with KPMG LLP the business's calculation of revenue and deferred revenue balances and is satisfied that revenue has been recognised appropriately.

### Treasury

The Committee considered the Group's treasury policy for hedging foreign currency, fuel and carbon prices and discussed with KPMG LLP the criteria required in order for the Group to apply cash flow hedge accounting. No issues were noted by the Committee and the value of the hedges in place at 31 March 2017 was verified to external sources.

### Taxation

The Committee considered and approved the Group's tax policy which outlines the Group's low risk attitude to tax and our good relationship with HMRC. We discussed with KPMG LLP their review of the tax calculations prepared by the finance team and formed the view that the tax treatment has been applied appropriately.

### Control environment

As part of their external audit, KPMG LLP reviewed the Group's key processes and IT controls in order to identify where improvements can be made. It was encouraging to note that the overall IT control environment has improved significantly during the year, with further work to improve and refine access controls planned in 2017/18.

## Going concern & medium term viability

We have reviewed the going concern basis on which the Annual Report is prepared. The Directors have prepared a three-year plan that considers operational results and projected cash flows together with sensitivity analyses which stress test key assumptions. Following a review of these, the Committee is satisfied that the Group has sufficient financial resourcing and financing facilities for the medium term and it is appropriate for the Group to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2017.

### Internal audit & risk management

The Committee engages directly with the Group's internal audit team, who also had separate meetings with KPMG LLP. Internal audit continues to be a key function within the business and is focused on ensuring the effectiveness of internal controls and risk management. Internal audit continues to lead the development of the Group's risk management processes and works with senior management and the Board to ensure that there is appropriate alignment and understanding of key risks and risk appetite. The General Manager of Internal Audit is invited to attend Audit Committee meetings, in which he provides updates on progress against the internal audit plan, key action points to address control weaknesses identified and the process of risk management across the Group.

### Conclusion

The Group continues to invest in its finance, risk management and control functions in order to keep pace with the Group's growth and the Committee's job is made that much easier due to the professionalism and dedication of those involved in these areas, for which I am grateful.

Having considered reviews from both KPMG LLP and the internal audit team and having had discussions with senior management, the Audit Committee reported to the Board that the Committee considers the Annual Report for the year ended 31 March 2017 to be fair, balanced and understandable and provides the information necessary for shareholders to assess our strategy, business model and performance.

**Mark Laurence**
Director, Chairman of the Audit Committee
28 July 2017

# Board of Directors

### Executive Directors

**Philip Meeson** is Executive Chairman of Dart Group PLC and each of its Leisure Travel and Distribution & Logistics businesses.

In April 1983, his private company purchased the Channel Express Group which, at that time, distributed flowers grown in the Channel Islands to wholesale markets throughout the UK, and freight from the UK into the Channel Islands. From that original business, he has developed the Group into a leading UK leisure travel provider and logistics operator.

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. For information on the history of Dart Group PLC please visit the following page of the Group's website: **www.dartgroup.co.uk/Dart-Group-history**.

**Gary Brown**, Group Chief Financial Officer, joined Dart Group PLC in April 2013 and was appointed to the Board as an Executive Director in June 2013. Gary has significant experience in the retail and consumer goods sectors, having held a number of senior finance positions at J Sainsbury PLC, Matalan PLC, and Instore PLC, where he was Group Finance Director. Prior to joining Dart Group PLC, Gary was Global Chief Financial Officer of Umbro PLC and subsequently, following the sale of the Umbro business to Nike Inc., Umbro International Limited. Gary is a fellow of the Institute of Chartered Accountants of England and Wales.

**Stephen Heapy**, Executive Director, joined the Board in June 2013. He has been with Dart Group PLC since 2009 and is the Chief Executive Officer of ***Jet2holidays*** and ***Jet2.com***. He has extensive experience in the travel industry, having held roles with My Travel PLC, Thomas Cook and Libra Holidays. Stephen is a fellow of the Institute for Travel and Tourism, a Chartered Company Secretary and is a member of the Institute for Turnaround.

### Non-Executive Director

**Mark Laurence** joined the Company in May 2009 as a Non-Executive Director and was recognised at the 2014 Grant Thornton Quoted Company Awards as Non-Executive Director of the Year. Mark began his career as a transport sector investment analyst at Kitcat and Aitken, WI Carr and Merrill Lynch (formerly Smith New Court plc) where the team was ranked No.1 in the 1995 Extel Financial Survey of UK investment analysts. In 1997, he joined Collins Stewart plc and helped develop the group leading up to its MBO and IPO in 2000. Since 2001, Mark has pursued a career in fund management, most recently as a founding partner of Fundsmith. Mark is also vice-chairman of the endowment investment committee of King's College University and a governor of Bryanston School in Dorset.

# Report on Directors' Remuneration

## Remuneration Committee

During the year ended 31 March 2017, the Group's Remuneration Committee (the "Committee") was chaired by Mark Laurence with Philip Meeson, Executive Chairman, the other member of the Committee. The Committee makes recommendations to the Board within agreed terms of reference on an overall remuneration package for the Executive Directors.

## Executive Director Remuneration Policy

The Committee, having taken external advice, believes that the value of the total employment packages of the Executive Directors and senior managers, and the extent of performance-related elements within, are appropriate when compared to analyses of comparable companies. The details of individual components of the remuneration package are discussed below.

| Remuneration element and purpose | Operation | Measures to assess performance / clawback application |
|---|---|---|
| **Salary**<br>To provide the core compensation for the Executive Director's role, at a level to attract and retain executives of the required calibre. | The basic salary for each Executive Director is determined by individual performance and reference to external market data and each is reviewed annually by the Committee. The basic salary is the only element of remuneration that is pensionable. | Not applicable |
| **Pension**<br>To provide an appropriate level of retirement provision. | Executive Directors are eligible to participate in a defined contribution pension plan. In addition, contributions may be made to a personal pension arrangement, including through salary sacrifice, and/or cash payments may be made in lieu of pension contributions.<br>In the financial year ended 31 March 2017, the maximum pension benefit provided was equivalent to 14% of salary. | Not applicable |
| **Benefits**<br>To provide customary benefits. | The principal benefits include one or more of the following non-cash benefits: the provision of a company car, fuel allowance, and the provision of private healthcare. The Committee has discretion to determine whether other benefits should be provided.<br>The cost to the Company of providing these benefits may vary year-on-year, and the Company monitors this cost. | Not applicable |

| Remuneration element and purpose | Operation | Measures to assess performance / clawback application |
|---|---|---|
| **SEIP**<br>**(Cash bonus with deferral element)**<br>The Senior Executive Incentive Plan ("**SEIP**") is a performance-related cash bonus plan, with the ability for the Committee to mandate that a proportion of the bonus be deferred into a deferred share award (the "**Deferred Award**") dependent on the level of bonus achieved.<br>The SEIP is intended to incentivise executives, reward strong performance and align remuneration to the Company's objectives and goals, including a deferral element to provide longer term alignment to shareholders.<br>The SEIP was formally adopted by the Company in 2016.<br>Philip Meeson does not participate in the SEIP. | **SEIP cash award**<br>In order to encourage profit performance and to reward achievement of key customer and individual metrics, bonus awards under the SEIP are determined based on performance conditions set annually.<br>The maximum award value under the SEIP is 100% of base salary (increased from 80% for performance periods ended 31 March 2017 onwards). To the extent that the award value achieved exceeds a specified deferral threshold (currently equal to 40% of the maximum award value), half of the award value in excess of the deferral threshold is granted as a deferred award. At maximum performance, the deferred award will therefore represent 30% of the total award value.<br>Any earned cash bonus element is paid following the announcement of results for the financial year to which it relates. The payment of the cash bonus element under the SEIP is subject to the Executive Director being in employment, and not under notice, on the payment date, subject to the potential for good leaver treatment to apply as set out below. | The specific targets, and the weightings of each metric, will be set annually by the Committee. The profit-based metric will, however, normally represent at least the majority of the total bonus opportunity.<br>For the financial year commencing 1 April 2017, the profit metric relates to 60% of the maximum opportunity, and the customer and individual metrics as to 20% each.<br>Cash bonus payments are subject to clawback at the discretion of the Committee in the event of a misstatement of results within one year of payment, or the discovery of misconduct that occurred at any time prior to payment. |
| | **SEIP Deferred Award**<br>Deferred awards are granted over a number of shares to reflect the value of the deferred bonus element based on the higher of: the average share price over the 12 month period to the fifth day following the announcement of results for the relevant financial year; and a scheme minimum share price. Deferred Awards take the form of a right to receive shares, at a price payable equal to nominal value per share.<br>Deferred Awards are subject to a vesting period of three years from the date of grant. On vesting, a dividend equivalent payment will be made on vested shares. The Committee also has discretion to determine that Deferred Awards may be paid in cash.<br>Vesting is not subject to further performance conditions, given that Deferred Awards represent the deferral of previously earned annual bonus. However, the vesting of a Deferred Award under the SEIP is subject to the Executive Director being in employment and not under notice on the vesting date, subject to the potential for good leaver treatment to apply as set out below. | Deferred Awards are subject to clawback at the discretion of the Committee in the event of a misstatement of results within one year of grant, or the discovery of misconduct that occurred at any time prior to vesting. |

# Report on Directors' Remuneration

## Legacy share option plans

A number of share options remain outstanding under two legacy share option plans: the Unapproved Share Option Plan 2005 (the "Unapproved Plan"); and an HMRC tax-approved plan, the Approved Option Plan 2005 (the "Approved Plan"). The vesting of options under the Unapproved Plan is subject to the satisfaction of performance conditions measured over three and six years from the date of grant, and under both plans options become exercisable as to 50% on the third anniversary of grant and as to 50% on the sixth anniversary of grant. Options were last granted in 2012, with the 2011 and 2012 grants due to become exercisable as detailed in note 23.

## Non-Executive Director remuneration

Non-Executive Director fees are determined by the Executive Directors, having taken advice where necessary on appropriate fee levels. The Non-Executive Director is not involved in any discussions or decisions about his own remuneration.

## Service contracts and terms governing loss of office

Philip Meeson's service contract, dated 20 May 2003, contains a rolling notice period of six months. Gary Brown and Stephen Heapy's service contracts, dated 29 April 2013 and 17 June 2013 respectively, contain a 12-month rolling notice period for notice given by the Company and a six month rolling notice period for notice given by the individual.

Mark Laurence has a formal letter of engagement containing a three-month rolling notice period for notice given by either party. Mark will retire from the Board at the next Annual General Meeting and, being eligible, will offer himself for re-election.

There are no predetermined special provisions for Executive or Non-Executive Directors with regard to compensation in the event of loss of office. The Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

## Incentive awards

The payment of a SEIP cash award is subject to the Executive Director being in employment, and not under notice, on the payment date, save in the case of a redundancy. The vesting of a SEIP Deferred Award is subject to the Executive Director being in employment and not under notice on the vesting date, save in the case of specified good leaver reasons being the Executive Director's death, injury, disability, redundancy, retirement or in connection with a business or company disposal, in which case the Deferred Award shall vest (either on the normal vesting date or immediately as determined by the Committee) subject, unless the Committee determines otherwise, to prorating for time. In addition, the Committee retains discretion to permit the payment of cash awards and/or vesting of Deferred Awards in other circumstances.

The options under the legacy share option plans lapse on the option holder ceasing employment, subject to certain specified good leaver reasons and subject to the Committee retaining discretion to permit exercise.

## Directors' emoluments during the year

| | Basic salary and fees £000 | Benefits[1] £000 | SEIP Cash Award £000 | SEIP Deferred Award[2] £000 | Pension[3] £000 | **Total 2017 £000** | Total 2016 £000 |
|---|---|---|---|---|---|---|---|
| ***Executive Directors:*** | | | | | | | |
| Philip Meeson | 449 | 9 | - | - | - | **458** | 459 |
| Gary Brown | 410 | 1 | 284 | 124 | 57 | **876** | 696 |
| Stephen Heapy | 433 | 24 | 303 | 132 | 52 | **944** | 755 |
| ***Non-Executive Directors:*** | | | | | | | |
| Mark Laurence | 55 | - | - | - | - | **55** | 50 |
| **Total** | **1,347** | **34** | **587** | **256** | **109** | **2,333** | 1,960 |

1 The remuneration package of each Executive Director includes one or more of the following non-cash benefits: the provision of a company car; fuel allowance; and private healthcare.

2 The Deferred Awards relate to the financial performance period ended 31 March 2017 and are valued according to the average closing share price for the three months ended 31 March 2017, which was £5.17 (2016: £5.80). These Deferred Awards were granted after the reporting date, on 21 July 2017, as set out in *SEIP Deferred Awards granted since 31 March 207* below.

3 Included within Stephen Heapy's "Basic salary and fees" is £20k, which relates to the sacrifice of salary into the Group's pension scheme and its holiday exchange arrangement.

4 The aggregate emoluments disclosed above do not include any amounts for the fair value of options to acquire ordinary shares in the Company granted to, or held by, the Directors.

## Interests in options and Deferred Awards

The interests of the Directors who served during the year in options and Deferred Awards over shares were as follows:

| Director | Share scheme/ Award Plan | Exercise price/award | At 31 March 2016 No. | Granted during the year No. | Exercised during the year No. | Lapsed in the year No. | **At 31 March 2017 No.** |
|---|---|---|---|---|---|---|---|
| Stephen Heapy | Approved Plan | £0.6700 | 4,944 | – | (4,944)[1] | – | **–** |
| Stephen Heapy | Unapproved Plan | £0.6700 | 20,056 | – | (20,056)[1] | – | **–** |
| Stephen Heapy | Unapproved Plan | £0.8500 | 30,000[2] | – | | – | **30,000** |
| Stephen Heapy | SEIP Deferred Award | £0.0125 | – | 90,282[3] | – | – | **90,282** |
| Gary Brown | SEIP Deferred Award | £0.0125 | – | 81,032[4] | – | – | **81,032** |

1 Options exercised on 13 September 2016, on which date the closing mid-market price of a share was £4.29.
2 All exercisable from 4 August 2017, expiring 4 August 2021.
3 Vesting as follows: 41,581 on 19 July 2017, 32,047 on 26 July 2018, and 16,654 on 24 July 2019
4 Vesting as follows: 35,781 on 19 July 2017, 29,735 on 26 July 2018, and 15,516 on 24 July 2019

The share based payment charge to the Consolidated Income Statement in respect of the above share options and deferred Awards was £69,500 (2016: £2,500).

The closing mid-market price of the Company's shares on 31 March 2017 was £5.16 per 1.25 pence ordinary share. The highest and lowest closing mid-market prices during the year were £6.77 and £3.59, respectively.

## SEIP Deferred Awards granted since 31 March 2017

Since the reporting date, on 21 July 2017, the following Deferred Awards were granted under the SEIP in relation to the year ended 31 March 2017, the value of which is included in the table of Directors' emoluments above.

| Director | Award | Award price | **Shares granted** | Normal vesting date |
|---|---|---|---|---|
| Stephen Heapy | SEIP Deferred Award | 1.25p | **25,610** | 20 July 2020 |
| Gary Brown | SEIP Deferred Award | 1.25p | **24,024** | 20 July 2020 |

1 All of the above Deferred Awards were granted on 21 July 2017, on which date the closing mid-market price of a share was £5.24.

## Director shareholdings

The Directors who held office at 31 March 2017 had the following interests in the ordinary shares of the Company at that date and subsequently on 19 July 2017:

| Director | **31 March 2017** | 31 March 2016 | 19 July 2017 |
|---|---|---|---|
| Philip Meeson | **56,240,000** | 56,240,000 | 56,240,000 |
| Stephen Heapy | **145,136** | 120,136 | 167,636 |
| Gary Brown | **-** | - | 19,362 |
| Mark Laurence | **200,000** | 200,000 | 200,000 |

No Directors have a non-beneficial interest in the shares of the Company. None of the Directors have any direct or indirect interest in any contract or arrangement subsisting at the date of these accounts that is significant in relation to the business of the Group or the individual and that is not otherwise disclosed.

Since the year end date, on 19 July 2017, Stephen Heapy and Gary Brown were both issued with shares in relation to SEIP Deferred Awards in relation to the financial year ended 31 March 2014. The increase in Director shareholdings as at 19 July 2017, above, reflects this issuance less, where applicable, the subsequent sale of sufficient shares to fund the income tax and National Insurance liabilities and administrative fees arising.

## Advisers

When required, Herbert Smith Freehills LLP provides legal and regulatory advice to the Company on executive incentive arrangements and the operation of share plans, which is available to the Committee.

The Report on Directors' Remuneration is approved by the Board and signed on its behalf by

**Mark Laurence**
Director, Chairman of the Remuneration Committee
28 July 2017

# Directors' Report

Much of the information previously provided as part of the Directors' Report is required, under company law, to be presented as part of the Strategic Report. This Directors' Report includes the information required to be included under the Companies Act or, where provided elsewhere, an appropriate cross-reference is given as follows:

- Strategic Report: pages 8 to 30;
- Risk Management: pages 23 to 27;
- Corporate Governance Statement approved by the Board: pages 34 to 35;
- Details of current Directors and Directors who served through the year: page 37; and
- Directors' remuneration: pages 38 to 41.

## Results and dividends

The results for the year are set out in the Consolidated Income Statement and show a profit after taxation of £76.7m (2016: £88.8m). An interim dividend of 1.375p per share was paid on 1 February 2017 (2016: 0.900p).

In consideration of the results for the year, the Directors recommend the payment of a final dividend for the year ended 31 March 2017 of 3.897p per share (2016: 3.100p), making a total of 5.272p per share for the year (2016: 4.000p). The final dividend, which is subject to shareholder approval at the Company's Annual General Meeting on 7 September 2017, will be payable on 27 October 2017 to shareholders on the register at the close of business on 22 September 2017.

## Post-balance sheet events

There have been no material events after the balance sheet date of 31 March 2017 through to the date of this Annual Report.

## Issued share capital

Issued share capital was increased by 353,516 (2016: 885,956) 1.25 pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

| Grant Date | No. of options exercised | Scheme |
|---|---|---|
| 03-Aug-07 | **5,000** | Approved |
| 04-Sep-08 | **11,520** | Approved |
| 10-Sep-09 | **85,304** | Approved |
| 16-Dec-09 | **800** | Approved |
| 05-Aug-10 | **44,638** | Approved |
| 23-Dec-10 | **13,423** | Approved |
| 04-Aug-11 | **3,750** | Approved |
| 01-Aug-12 | **5,000** | Approved |
| 04-Sep-08 | **61,880** | Unapproved |
| 05-Aug-10 | **122,201** | Unapproved |
| **Total** | **353,516** | |

Details of the increases in issued share capital are given in note 23 to the consolidated financial statements.

## Material holdings

Apart from the interest of Philip Meeson in the share capital of the Company, the Directors are aware that the following entities were interested, directly or indirectly, in 3% or more of the issued share capital of the Company as at 30 June 2017:

| | |
|---|---|
| Schroder Investment Management (Institutional Group) | 6.69% |
| Silver Point Capital | 6.40% |
| Acadian Asset Management | 3.92% |

## Annual General Meeting

The Annual General Meeting will be held on 7 September 2017 at 9:30am at Buchannan Communications, 107 Cheapside, London, EC2V 6DN. The Notice of Annual General Meeting contains an explanation of special business to be considered at the meeting and a copy of this is available on the Company website at **www.dartgroup.co.uk/agm**.

## Disclosure of information to Auditor

Each of the persons who are Directors at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## Statement of Directors' Responsibilities

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, they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

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 judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained in the 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 adequate accounting records that: are sufficient to show and explain the Parent Company's transactions; 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 2006. They have 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.

The Directors' Report is approved by the Board and signed on its behalf by

**Philip Meeson**
Executive Chairman
28 July 2017

**Gary Brown**
Group Chief Financial Officer
28 July 2017

# Independent Auditor's Report

## to the members of Dart Group PLC

We have audited the financial statements of Dart Group PLC for the year ended 31 March 2017 set out on pages 48 to 81. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Adrian Stone (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP**
Chartered Accountants and Statutory Auditor,
Leeds, United Kingdom.
28 July 2017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# Our Financials




Dart Group Finance
Budgeting & Forecasting
Leisure Travel Finance
Legal Services

# Consolidated Income Statement

for the year ended 31 March 2017

| | Note | Results for the year ended 31 March 2017 £m | Results for the year ended 31 March 2016 £m |
|---|---|---|---|
| **Revenue** | 5 | **1,729.3** | 1,405.4 |
| Net operating expenses | 6 | **(1,626.3)** | (1,300.4) |
| **Operating profit** | 5,7 | **103.0** | 105.0 |
| Finance income | | **3.1** | 2.4 |
| Finance costs | | **(5.1)** | (1.9) |
| Net FX revaluation losses | | **(10.9)** | (1.3) |
| **Net financing costs** | 8 | **(12.9)** | (0.8) |
| **Profit before taxation** | | **90.1** | 104.2 |
| Taxation | 10 | **(13.4)** | (15.4) |
| **Profit for the year** | | **76.7** | 88.8 |
| (all attributable to equity shareholders of the parent) | | | |
| **Earnings per share** | | | |
| – basic | 12 | **51.80p** | 60.22p |
| – diluted | 12 | **51.48p** | 59.89p |

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2017

| | Year ended 31 March 2017 £m | Year ended 31 March 2016 £m |
|---|---|---|
| **Profit for the year** | **76.7** | 88.8 |
| **Other comprehensive income / (expense)** | | |
| Cash flow hedges: | | |
| Fair value gains in year | **36.5** | 19.0 |
| Add back losses transferred to income statement in year | **15.3** | 76.9 |
| Related taxation charge | **(9.9)** | (19.2) |
| | **41.9** | 76.7 |
| **Total comprehensive income for the period** (all attributable to equity shareholders of the parent) | **118.6** | 165.5 |

# Consolidated Statement of Financial Position

at 31 March 2017

| | Note | 2017 £m | 2016 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 13 | **6.8** | 6.8 |
| Property, plant and equipment | 14 | **806.5** | 419.8 |
| Derivative financial instruments | 22 | **9.3** | 15.2 |
| | | **822.6** | 441.8 |
| **Current assets** | | | |
| Inventories | 15 | **1.2** | 1.1 |
| Trade and other receivables | 17 | **707.8** | 503.9 |
| Derivative financial instruments | 22 | **74.7** | 49.3 |
| Money market deposits | 16 | **200.3** | 70.0 |
| Cash and cash equivalents | 16 | **488.7** | 342.0 |
| | | **1,472.7** | 966.3 |
| **Total assets** | | **2,295.3** | 1,408.1 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **136.3** | 109.4 |
| Deferred revenue | | **1,076.3** | 766.4 |
| Borrowings | 20 | **129.6** | 83.4 |
| Provisions | 21 | **38.8** | 23.3 |
| Derivative financial instruments | 22 | **15.9** | 64.5 |
| | | **1,396.9** | 1,047.0 |
| **Non-current liabilities** | | | |
| Other non-current liabilities | 19 | **–** | 0.1 |
| Deferred revenue | | **1.7** | 1.1 |
| Borrowings | 20 | **390.9** | 7.5 |
| Derivative financial instruments | 22 | **20.9** | 4.6 |
| Deferred tax liabilities | 10 | **53.5** | 29.1 |
| | | **467.0** | 42.4 |
| **Total liabilities** | | **1,863.9** | 1,089.4 |
| **Net assets** | | **431.4** | 318.7 |
| **Shareholders' equity** | | | |
| Share capital | 23 | **1.8** | 1.8 |
| Share premium | | **12.5** | 12.4 |
| Cash flow hedging reserve | 23 | **38.2** | (3.7) |
| Retained earnings | | **378.9** | 308.2 |
| **Total shareholders' equity** | | **431.4** | 318.7 |

The accounts on pages 48 to 81 were approved by the Board of Directors at a meeting held on 28 July 2017 and were signed on its behalf by:

**Gary Brown**
Group Chief Financial Officer
Dart Group PLC
Registered no. 01295221

# Consolidated Statement of Cash Flows

for the year ended 31 March 2017

| | Note | **2017 £m** | 2016 £m |
|---|---|---|---|
| Profit on ordinary activities before taxation | | **90.1** | 104.2 |
| Finance income | 8 | **(3.1)** | (2.4) |
| Finance costs | 8 | **5.1** | 1.9 |
| Net FX revaluation losses | 8 | **10.9** | 1.3 |
| Depreciation | 14 | **87.0** | 88.7 |
| Equity settled share based payments | 23 | **0.4** | 0.1 |
| **Operating cash flows before movements in working capital** | | **190.4** | 193.8 |
| (Increase) / decrease in inventories | | **(0.1)** | 0.9 |
| Increase in trade and other receivables | | **(203.1)** | (138.3) |
| Increase in trade and other payables | | **27.6** | 16.6 |
| Increase in deferred revenue | | **310.5** | 187.2 |
| Increase / (decrease) in provisions | | **13.0** | (5.4) |
| **Cash generated from operations** | | **338.3** | 254.8 |
| Interest received | | **3.1** | 2.4 |
| Interest paid | | **(3.6)** | (1.9) |
| Income taxes paid | | **(6.7)** | (11.4) |
| **Net cash from operating activities** | | **331.1** | 243.9 |
| | | | |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | 14 | **(473.9)** | (213.5) |
| Proceeds from sale of property, plant and equipment | | **–** | 0.2 |
| Net increase in money market deposits | 16 | **(130.3)** | (4.5) |
| **Net cash used in investing activities** | | **(604.2)** | (217.8) |
| | | | |
| **Cash from financing activities** | | | |
| Repayment of borrowings | | **(91.2)** | (0.9) |
| New loans advanced | | **515.6** | 82.8 |
| Proceeds on issue of shares | | **0.1** | 0.5 |
| Equity dividends paid | 11 | **(6.6)** | (4.6) |
| **Net cash from financing activities** | | **417.9** | 77.8 |
| Effect of foreign exchange rate changes | 25 | **1.9** | 0.8 |
| **Net increase in cash in the year** | 25 | **146.7** | 104.7 |
| Cash and cash equivalents at beginning of year | 25 | **342.0** | 237.3 |
| **Cash and cash equivalents at end of year** | 25 | **488.7** | 342.0 |

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2017

| | Share capital £m | Share premium £m | Cash flow hedging reserve £m | Retained earnings £m | Total shareholders' equity £m |
|---|---|---|---|---|---|
| **Balance at 31 March 2015** | **1.8** | **11.9** | **(80.4)** | **223.9** | **157.2** |
| Total comprehensive income for the year | – | – | 76.7 | 88.8 | **165.5** |
| Issue of share capital | – | 0.5 | – | – | **0.5** |
| Dividends paid in the year | – | – | – | (4.6) | **(4.6)** |
| Share based payments | – | – | – | 0.1 | **0.1** |
| **Balance at 31 March 2016** | **1.8** | **12.4** | **(3.7)** | **308.2** | **318.7** |
| Total comprehensive income for the year | – | – | 41.9 | 76.7 | **118.6** |
| Issue of share capital | – | 0.1 | – | – | **0.1** |
| Dividends paid in the year | – | – | – | (6.6) | **(6.6)** |
| Share based payments | – | – | – | 0.6 | **0.6** |
| **Balance at 31 March 2017** | **1.8** | **12.5** | **38.2** | **378.9** | **431.4** |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

## 1 Authorisation of financial statements and statement of compliance

The Group's financial statements for the year ended 31 March 2017 were authorised by the Board of Directors on 28 July 2017 and the balance sheet was signed on the Board's behalf by Gary Brown, Group Chief Financial Officer. 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.

## 2 Accounting policies

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

The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101 *Reduced Disclosure Framework*; these statements are presented on pages 74 to 81.

The financial statements of the Group and the Parent Company 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.

### 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.

The Group uses forward foreign currency and interest rate contracts and aviation fuel swaps to hedge exposure to foreign exchange rates, interest rates and aviation fuel price volatility. The Group also uses forward EU Allowance contracts and forward Certified Emissions Reduction contracts to hedge exposure to Carbon Emissions Allowance price volatility.

### Going concern

The Directors have prepared financial forecasts for the Group, comprising operating profit, profit before and after taxation, balance sheets and cash flows through to 31 March 2020.

For the purpose of assessing the appropriateness of the preparation of the Group's accounts on a going concern basis, the Directors have considered the current cash position, the availability of banking facilities, and sensitised forecasts of future trading through to 31 March 2020, including performance against financial covenants and the assessment of principal areas of uncertainty and risk.

Having considered the points outlined above, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the levels of available banking facilities and cash for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2017.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. Such arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

## 2 Accounting policies (continued)

### Revenue
Revenue (which excludes Value Added Tax and Air Passenger Duty) arises from Package Holidays, passenger aircraft operations, non-ticket retail activities, charter aircraft operations, and warehousing and distribution activities.

Revenue from Package Holidays and ticket sales for scheduled passenger flights is recognised at the date of departure. Charter aircraft income is recognised in the period in which the service is provided. Non-ticket revenues from hold baggage charges, advanced seat assignment fees, extra legroom charges and in-flight retail sales are also recognised once the associated flight has departed, or holiday started. In order to match the timing of the costs incurred, separately identified incremental call centre booking fees are recognised at the date of booking, and booking change fees when the change is made. Commission earned from car hire bookings is recognised on departure and from travel insurance on booking, reflecting the point when services are performed.

Cash amounts received from customers for whom revenue has not yet been recognised are recorded in the balance sheet as deferred revenue within current liabilities, or within other non-current liabilities if the Group's services are expected to be performed more than 12 months from the reporting date.

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.

### 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, and differences arising are recognised in the Consolidated Income Statement as "Net FX revaluation" losses or gains. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are held at the exchange rate at the date of the transaction. 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.

### Investments
Investments are recorded at cost, less provision for impairment in value where appropriate.

### Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Pre-delivery payments and interest charges on associated borrowing, in respect of future new aircraft arrivals, are recorded in property, plant and equipment at cost. Depreciation is not charged on these additions until the Group takes delivery of the corresponding aircraft.

Depreciation is calculated to write the cost of property, plant and equipment down to each asset's estimated residual value using the straight-line method over its estimated useful economic life, or the estimated useful economic life of individual major components, as follows:

| | |
|---|---|
| Freehold property | 25–30 years |
| Freehold land | Not depreciated |
| Short leasehold property | Over the life of the lease |
| Aircraft, engines and other components* | 2–30 years |
| Plant, vehicles and equipment | 3–7 years |

* excluding pre-delivery payments and interest charges on associated borrowing (see above).

An element of the cost of acquired aircraft is attributed to its major components and then amortised over the period until the next maintenance event. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and the major overhaul of aircraft and engines, are capitalised and amortised over the expected period of benefit. The element of the cost of acquired aircraft not attributed to major components is depreciated to its expected residual value over its remaining useful life, which is assumed to end 20-30 years from original build date depending on the type of aircraft. Where aircraft are subject to specific life extension expenditure, the cost of such work is depreciated over the remaining extended life. All other maintenance costs are expensed to the Consolidated Income Statement as incurred.

## 2 Accounting policies (continued)

Residual values are reviewed annually at the balance sheet date and compared to prevailing market rates of equivalently aged assets; if required, depreciation rates are adjusted accordingly on a prospective basis. Carrying values are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is allocated to cash-generating units and is not amortised. It is subject to an impairment test both annually and when indications of impairment arise if applicable. 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 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 accounted for on a FIFO basis and stated at the lower of cost and net realisable value. Net realisable value is the estimated resale value.

### Aircraft maintenance provisions

The Group operates a power by the hour contract for the maintenance of the majority of its B737-300 engines. This contract fixes the maintenance costs for the overhaul of these engines and payments are made to the maintenance provider to reflect usage. When an individual engine overhaul is undertaken, a notional cost of overhaul is capitalised and then depreciated in line with usage.

#### 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.

#### Leased aircraft

Provision is made for the estimated future costs of maintenance events, as a consequence of the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes during the lease term, and to ensure that aircraft are returned to the lessor in accordance with its contractual requirements.

### Cash and cash equivalents

Cash and cash equivalents includes short-term deposits maturing within three months of placement and restricted cash paid over to various counterparties as collateral against relevant exposures. 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 activities, are included as a component of cash and cash equivalents.

### Money market deposits

Money market deposits comprise deposits with a maturity of more than three months at the point of placement.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2017

## 2 Accounting policies (continued)

### Financial instruments

Trade and other receivables and payables

Trade and other receivables and payables are recognised at fair value and, where applicable, subsequently measured at amortised cost based on their respective effective interest rate.

Interest bearing loans and borrowings

All loans and borrowings are initially recorded at fair value less any directly attributable transaction costs. The loans and borrowings are, where applicable, subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments and hedging

The Group uses forward foreign currency and interest rate contracts and aviation fuel swaps to hedge its exposure to foreign exchange rates, interest rates and aviation fuel price volatility. The Group also uses forward EU Allowance contracts and forward Certified Emissions Reduction contracts to hedge exposure to Carbon Emissions Allowance price volatility. Such derivative financial instruments are stated at fair value.

Where a derivative financial instrument is designated as a hedge of 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 the cash flow hedging reserve within equity. Any ineffective portion is recognised within the Consolidated Income Statement.

For all other cash flow hedges, the recycling of the cash flow hedge is taken to the Consolidated Income Statement in the same period in which the hedged transaction begins to affect profit or loss.

### Operating leases

Rental charges on operating leases are charged to the Consolidated Income Statement on a straight-line basis over the life of the lease.

### Finance leases

Finance leases are recognised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Such finance charges are included in the Consolidated Income Statement within net financing costs.

### Net financing costs

Finance income

Interest income is recognised in the Consolidated Income Statement in the period in which it is earned.

Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use. Finance leases are described above and all other finance costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

### Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Tax is recognised in the Consolidated Income Statement or the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in equity. Current taxation 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 taxation payable in respect of previous years. Deferred taxation 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 taxation 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 taxation 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.

## 2 Accounting policies (continued)

### Employee benefits

Share based payments

The Company issues equity settled share based payments to certain colleagues. The fair value of these 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 reporting date, before vesting, the cumulative expense is calculated based on the extent to which the vesting period has expired and the business's best estimate of the achievement 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 the Consolidated Income Statement.

Defined contribution plans

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

## 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. Such 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 changed and in future periods if applicable.

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

### Goodwill

Goodwill is tested for impairment annually and is attributable to one cash-generating unit: **Fowler Welch**. The business is one of the UK's leading providers of food supply chain services, whose principal activity is serving retailers, processors, growers and importers through its distribution network. Impairment reviews take account of the recoverable amount of cash-generating units, which is based on a value in use calculation utilising the unit's annual budget for the forthcoming year and forecasts for the following two years. Thereafter, a prudent revenue growth rate of 2% (2016: 2%) has been assumed. Projected cash flows have been discounted at a rate of 6% (2016: 10%). The key assumptions used in the impairment review relate to revenue growth, the retention of existing business, and operating margins. 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. The discount rate assumed uses external sources of information, such as peer group data published in the financial press, and reflects current market assessments of the time value of money and the risks specific to the asset.

The carrying amount of goodwill with an indefinite life at the balance sheet date was £6.8m (2016: £6.8m).

### Impairment of assets excluding goodwill

Aircraft carrying values were tested for impairment on transition to IFRS. Thereafter, where there is a risk that carrying values are impaired, a full impairment review is undertaken. The smallest cash-generating unit to which this can be applied is aircraft fleet type. The combined carrying value of the Group's aircraft, engines and other components was £726.9m (2016: £365.5m). There was no indication of impairment during the year and therefore no impairment losses were recorded.

### Residual value of property, plant and equipment

Judgements have been made in respect of the residual values of aircraft included in Property, plant and equipment. These judgements determine the amount of depreciation charged in the Consolidated Income Statement.

### Provisions

Judgements have been made in respect of leased aircraft maintenance provisions. A charge is made in the Consolidated Income Statement, based on hours or cycles flown, to provide for the cost of the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes. Estimates are required in relation to the likely utilisation of the leased aircraft and the expected cost of maintenance events at the time they are expected to occur.

Accounting for other provisions also requires judgement to be exercised, including estimates made in relation to leased tractor and trailer return obligations, historical flight delays under Regulation (EC) No 261/2004 and possible customer compensation claims that cannot be reclaimed from hotels.

The bases of all estimates are reviewed no less frequently than annually, and when information becomes available that is capable of causing a material change to an estimate.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2017

## 4 New IFRS and amendments to IAS and interpretations

The IASB has issued the following standards and interpretations, with an effective date after the date of these financial statements. The Group continues to evaluate the potential impact of their adoption as described below.

| International Financial Reporting Standards | Applying to accounting periods beginning after |
|---|---|
| **IFRS 15 *Revenue from Contracts with Customers*** | **January 2018** |
| IFRS 15 will combine and supersede existing revenue recognition guidance and standards, including IAS 18 *Revenue*. The Group continues to assess the possible impact of the new standard, which involves:<br>• an examination of key contract types in order to identify any distinct performance obligations in the context of the contractual arrangement;<br>• assessing the point at which the Group delivers promised services to its customers and whether this presents a requirement to change the timing of its revenue recognition; and<br>• understanding the specific new disclosure requirements prescribed.<br>At this stage, the Group does not anticipate any material changes to its financial statements. | |
| **IFRS 9 *Financial Instruments*** | **January 2018** |
| IFRS 9 will supersede existing guidance on the classification and measurement of financial assets and introduce new rules for hedge accounting. The Group does not expect the financial statements to be materially affected in applying IFRS 9. | |
| **IFRS 16 *Leases*** | **January 2019** |
| IFRS 16 will supersede IAS 17 and remove the requirement for lessees to report on finance and operating leases separately. Early adoption is not anticipated and the Group continues to evaluate the impact of applying the new standard. | |

## 5 Segmental reporting

### Business segments

The Chief Operating Decision Maker ("CODM") is responsible for the overall resource allocation and performance assessment of the Group. The Board of Directors approves major capital expenditure, assesses the performance of the Group and also determines key financing decisions. Consequently, the Board of Directors is considered to be the CODM.

For management purposes, the Group is organised into two operating segments: Leisure Travel and Distribution & Logistics. These operating segments are consistent with how information is presented to the CODM for the purpose of resource allocation and assessment of their performance and as such, they are also deemed to be the reporting segments.

The Leisure Travel business specialises in scheduled holiday flights by its airline ***Jet2.com*** to destinations in the Mediterranean, the Canary Islands and to European Leisure Cities and the provision of ATOL licensed Package Holidays by its tour operator ***Jet2holidays***. Resource allocation decisions are based on the entire route network and the deployment of its entire aircraft fleet.

The Distribution & Logistics business is run on the basis of the evaluation of distribution centre-level performance data. However, resource allocation decisions are made based on the entire distribution network. The objective in making resource allocation decisions is to maximise the segment results rather than the results of the individual distribution centres within the network.

Group eliminations include the removal of inter-segment asset and liability balances.

Following the identification of the operating segments, the Group has assessed the similarity of their characteristics. Given the different performance targets, customer bases and operating markets of each, it is not appropriate to aggregate the operating segments for reporting purposes and, therefore, both are disclosed as reportable segments for the year ended 31 March 2017:

- Leisure Travel, which incorporates the Group's ATOL licensed Package Holidays operator, ***Jet2holidays*** and its leisure airline, ***Jet2.com***; and
- Distribution & Logistics, incorporating the Group's logistics company, **Fowler Welch**.

The Board assesses the performance of each segment based on operating profit, and profit before and after taxation. Revenue from reportable segments is measured on a basis consistent with the Consolidated Income Statement. Revenue is principally generated from within the UK, the Group's country of domicile. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. No customer represents more than 10% of the Group's revenue.

## 5 Segmental reporting (continued)

| Year ended 31 March 2017 | Leisure Travel £m | Distribution & Logistics £m | Group eliminations £m | Total £m |
|---|---|---|---|---|
| **Revenue** | 1,565.8 | 163.5 | – | **1,729.3** |
| **Operating profit** | 98.5 | 4.5 | – | **103.0** |
| Finance income | 3.0 | 0.1 | – | **3.1** |
| Finance costs | (5.0) | (0.1) | – | **(5.1)** |
| Net FX revaluation losses | (10.9) | – | – | **(10.9)** |
| **Net financing costs** | (12.9) | – | – | **(12.9)** |
| **Profit before taxation** | 85.6 | 4.5 | – | **90.1** |
| Taxation | (12.5) | (0.9) | – | **(13.4)** |
| **Profit after taxation** | 73.1 | 3.6 | – | **76.7** |
| | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 2,214.2 | 86.1 | (5.0) | **2,295.3** |
| Segment liabilities | (1,838.6) | (30.3) | 5.0 | **(1,863.9)** |
| **Net assets** | 375.6 | 55.8 | – | **431.4** |
| | | | | |
| **Other segment information** | | | | |
| Property, plant and equipment additions | 468.7 | 5.2 | – | **473.9** |
| Depreciation, amortisation and impairment | (84.5) | (2.5) | – | **(87.0)** |
| Share based payments | (0.3) | (0.1) | – | **(0.4)** |

| Year ended 31 March 2016 | Leisure Travel £m | Distribution & Logistics £m | Group eliminations £m | Total £m |
|---|---|---|---|---|
| **Revenue** | 1,261.4 | 144.0 | – | **1,405.4** |
| **Operating profit** | 99.6 | 5.4 | – | **105.0** |
| Finance income | 2.4 | – | – | **2.4** |
| Finance costs | (1.9) | – | – | **(1.9)** |
| Net FX revaluation losses | (1.3) | – | – | **(1.3)** |
| **Net financing costs** | (0.8) | – | – | **(0.8)** |
| **Profit before taxation** | 98.8 | 5.4 | – | **104.2** |
| Taxation | (14.5) | (0.9) | – | **(15.4)** |
| **Profit after taxation** | 84.3 | 4.5 | – | **88.8** |
| | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 1,331.6 | 82.2 | (5.7) | **1,408.1** |
| Segment liabilities | (1,065.0) | (30.1) | 5.7 | **(1,089.4)** |
| **Net assets** | 266.6 | 52.1 | – | **318.7** |
| | | | | |
| **Other segment information** | | | | |
| Property, plant and equipment additions | 210.6 | 2.9 | – | **213.5** |
| Depreciation, amortisation and impairment | (86.4) | (2.3) | – | **(88.7)** |
| Share based payments | (0.1) | – | – | **(0.1)** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2017

## 6 Net operating expenses

| | 2017 £m | 2016 £m |
|---|---|---|
| Direct operating costs: | | |
| Accommodation costs | **512.9** | 344.0 |
| Fuel | **203.4** | 208.9 |
| Landing, navigation and third party handling | **141.2** | 132.8 |
| Maintenance costs | **63.1** | 62.4 |
| Aircraft and vehicle rentals | **54.7** | 38.5 |
| Subcontractor charges | **44.2** | 38.2 |
| Agent commission | **37.5** | 29.0 |
| In-flight cost of sales | **25.1** | 19.2 |
| Other direct operating costs | **56.7** | 45.6 |
| Staff costs | **257.2** | 204.4 |
| Depreciation of property, plant & equipment incl. aircraft and engines | **87.0** | 88.7 |
| Other operating charges | **144.9** | 89.7 |
| Other operating income | **(1.6)** | (1.0) |
| **Total net operating expenses** | **1,626.3** | 1,300.4 |

## 7 Operating profit

| | 2017 £m | 2016 £m |
|---|---|---|
| Operating profit is stated after charging: | | |
| Operating lease rentals: – Land and buildings | **4.0** | 3.9 |
| – Plant and machinery: short-term leases | **20.3** | 8.9 |
| – Plant and machinery: long-term leases | **34.3** | 29.7 |

| | 2017 £m | 2016 £m |
|---|---|---|
| **Auditor's remuneration** | | |
| Audit of these financial statements | **0.2** | 0.2 |
| Amounts receivable by Auditor and its associates in respect of: | | |
| – Other services | **0.1** | 0.2 |

## 8 Net financing costs

| | 2017 £m | 2016 £m |
|---|---|---|
| Finance income | **3.1** | 2.4 |
| Interest payable on aircraft and other loans | **(4.3)** | (1.9) |
| Interest payable on obligations under finance leases | **(0.8)** | – |
| Net FX revaluation losses | **(10.9)** | (1.3) |
| **Net financing costs** | **(12.9)** | (0.8) |

## 9 Employees

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

| | 2017 Number | 2016 Number |
|---|---|---|
| Operations | **4,861** | 3,938 |
| Administration | **1,461** | 1,194 |
| **Total persons employed** | **6,322** | 5,132 |

| | 2017 £m | 2016 £m |
|---|---|---|
| Wages and salaries | **226.1** | 181.2 |
| Share options – value of employee services | **0.4** | 0.1 |
| Social security costs | **22.2** | 16.8 |
| Other pension costs | **8.5** | 6.3 |
| **Total staff costs** | **257.2** | 204.4 |

Remuneration of the Directors, who are key management personnel of the Group, is set out below in aggregate. 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.

| | 2017 £m | 2016 £m |
|---|---|---|
| **Details of key management personnel:** | | |
| Short-term employee benefits | **7.0** | 6.4 |
| Post-employment benefits | **0.6** | 0.5 |
| **Total employee benefit costs of key management personnel** | **7.6** | 6.9 |

In addition to the following, details of Executive Directors' remuneration, along with information concerning share options and retirement benefits, are set out in the Report on Directors' Remuneration on pages 38 to 41.

| | 2017 | 2016 |
|---|---|---|
| **Details of Directors' remuneration:** | | |
| Highest paid Director | **£0.9m** | £0.8m |
| Number of Directors for whom retirement benefits accrue | **2** | 2 |
| Number of Directors who exercised share options | **1** | 1 |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

## 10 Taxation

| | 2017<br>£m | 2016<br>£m |
|---|---|---|
| **Current taxation:** | | |
| UK corporation tax based upon the profits for the year: | | |
| – current year | – | 16.5 |
| – prior year | (1.1) | (0.3) |
| Current tax (credit) / charge for the year | (1.1) | 16.2 |
| **Deferred taxation:** | | |
| Origination and reversal of timing differences | | |
| – current year | 15.1 | 4.0 |
| – prior year | 1.2 | 0.3 |
| Rate changes | (1.8) | (5.1) |
| Deferred tax charge / (credit) for the year | 14.5 | (0.8) |
| **Total taxation in income statement in the year** | 13.4 | 15.4 |

The taxation assessed for the current year is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2017<br>£m | 2016<br>£m |
|---|---|---|
| Profit before taxation | 90.1 | 104.2 |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%) | 18.0 | 20.8 |
| **Effects of:** | | |
| Expenses not deductible | (0.3) | (0.3) |
| Difference between current and deferred tax rates | (2.6) | – |
| Deferred tax rate changes | (1.8) | (5.1) |
| Adjustments to tax charge in previous periods | 0.1 | – |
| **Total (see above)** | 13.4 | 15.4 |

Deferred tax in the year has been provided at 17% (2016: 18%) as a consequence of legislation enacted in prior years, which will reduce the rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020.

| | 2017<br>£m | 2016<br>£m |
|---|---|---|
| **The net deferred taxation liability in the balance sheet is as follows:** | | |
| Deferred tax assets | – | 7.6 |
| Deferred tax liabilities | (53.5) | (36.7) |
| | (53.5) | (29.1) |

| | 2017<br>£m | 2016<br>£m |
|---|---|---|
| **The movement in the net deferred taxation liability is as follows:** | | |
| As at 1 April | (29.1) | (10.7) |
| (Charged) / credited to income statement | (14.5) | 0.8 |
| Charge taken directly to equity | (9.9) | (19.2) |
| **As at 31 March** | (53.5) | (29.1) |

## 10 Taxation (continued)

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

| | Deferred tax assets £m |
|---|---|
| **Financial Instruments:** | |
| At 31 March 2015 | **20.5** |
| Charge to equity | **(12.9)** |
| At 31 March 2016 | **7.6** |
| Charge to equity | **(7.6)** |
| **At 31 March 2017** | **–** |

| | Accelerated capital allowances £m | Financial instruments £m | Deferred tax liabilities Total £m |
|---|---|---|---|
| At 31 March 2015 | 30.8 | 0.4 | **31.2** |
| Charge to income | (0.8) | – | **(0.8)** |
| Charge to equity | – | 6.3 | **6.3** |
| At 31 March 2016 | 30.0 | 6.7 | **36.7** |
| Charge to income | 14.5 | – | **14.5** |
| Charge to equity | – | 2.3 | **2.3** |
| **At 31 March 2017** | **44.5** | **9.0** | **53.5** |

Deferred taxation in relation to financial instruments in the tables above includes the impact of the Group's forward foreign currency contracts, aviation fuel swaps, interest rate contracts, EU Allowance contracts and forward Certified Emissions Reduction contracts.

## 11 Dividends

| | 2017 £m | 2016 £m |
|---|---|---|
| 2016/17 interim dividend of 1.37 pence per share paid 1 February 2017 (2015/16: 0.90 pence) | **2.0** | 1.3 |
| 2015/16 final dividend of 3.10 pence per share paid 21 October 2016 (2014/15: 2.25 pence) | **4.6** | 3.3 |
| **Total** | **6.6** | 4.6 |

## 12 Earnings per share

| | 2017 No. | 2016 No. |
|---|---|---|
| Basic weighted average number of shares in issue | **148,079,465** | 147,454,373 |
| Dilutive potential ordinary shares: employee share options | **896,191** | 809,398 |
| **Diluted weighted average number of shares in issue** | **148,975,656** | 148,263,771 |

| | Year to 31 March 2017 | Year to 31 March 2016 |
|---|---|---|
| **Basis of calculation – earnings (basic and diluted)** | | |
| Profit for the purposes of calculating basic and diluted earnings | **£76.7m** | £88.8m |
| Earnings per share – basic | **51.80p** | 60.22p |
| Earnings per share – diluted | **51.48p** | 59.89p |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

## 13 Goodwill

| | £m |
|---|---|
| Net book value as at 31 March 2015, 31 March 2016 and 31 March 2017 | **6.8** |

## 14 Property, plant and equipment

| | Land and buildings £m | Aircraft, engines and other components £m | Plant, vehicles and equipment £m | **Total £m** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 March 2015 | 41.3 | 490.6 | 64.2 | **596.1** |
| Additions | 2.3 | 204.9 | 6.3 | **213.5** |
| Disposals | – | (26.3) | (1.3) | **(27.6)** |
| **At 31 March 2016** | **43.6** | **669.2** | **69.2** | **782.0** |
| Additions | 18.7 | 439.3 | 15.9 | **473.9** |
| Disposals | – | (64.2) | (0.3) | **(64.5)** |
| Foreign exchange rate movements | – | (0.2) | – | **(0.2)** |
| **At 31 March 2017** | **62.3** | **1,044.1** | **84.8** | **1,191.2** |
| **Depreciation** | | | | |
| At 31 March 2015 | (10.6) | (249.8) | (40.4) | **(300.8)** |
| Charge for the year | (2.1) | (80.1) | (6.5) | **(88.7)** |
| Disposals | – | 26.2 | 1.1 | **27.3** |
| At 31 March 2016 | **(12.7)** | **(303.7)** | **(45.8)** | **(362.2)** |
| Charge for the year | (1.7) | (77.7) | (7.6) | **(87.0)** |
| Disposals | – | 64.2 | 0.3 | **64.5** |
| **At 31 March 2017** | **(14.4)** | **(317.2)** | **(53.1)** | **(384.7)** |
| **Net book value** | | | | |
| **At 31 March 2017** | **47.9** | **726.9** | **31.7** | **806.5** |
| At 31 March 2016 | 30.9 | 365.5 | 23.4 | **419.8** |

Aircraft, engines and other components cost includes £107.5m (2016: £97.2m) relating to pre-delivery payments and £4.0m (2016: £2.2m) of interest charges on associated borrowing in respect of future new aircraft arrivals. Depreciation is not charged on these assets until the Group takes delivery of the corresponding aircraft.

Aircraft, engines and other components includes aircraft held under finance leases with a net book value of £102.8m (2016: nil).

## 15 Inventories

| | **2017 £m** | 2016 £m |
|---|---|---|
| Consumables | **1.2** | 1.1 |

## 16 Money market deposits & cash and cash equivalents

Included within cash and money market deposits is £82.9m (2016: £68.5m) of cash, which is restricted by the Group's merchant acquirers as collateral, against a proportion of forward bookings paid for by credit or debit card, until our customers have travelled. The business had no cash placed with counterparties in the form of margin calls to cover out-of-the-money hedge instruments (2016 cash placed: £5.2m).

## 17 Trade and other receivables

| | 2017 £m | 2016 £m |
|---|---|---|
| **Current:** | | |
| Trade receivables | **557.5** | 415.1 |
| Other receivables | **149.4** | 88.8 |
| Corporation tax recoverable | **0.9** | – |
| | **707.8** | 503.9 |

Other receivables includes balances totalling £30.1m (2016: £10.8m) recoverable after more than one year.

### Ageing analysis of trade receivables

| | 31 March 2017 (£m) | | | 31 March 2016 (£m) | | |
|---|---|---|---|---|---|---|
| | Gross receivables | Provision for doubtful debts | Net trade receivables | Gross receivables | Provision for doubtful debts | Net trade receivables |
| Not past due | **553.2** | **–** | **553.2** | 413.1 | – | 413.1 |
| Up to one month past due | **2.8** | **–** | **2.8** | 1.5 | – | 1.5 |
| Over one month past due | **1.6** | **(0.1)** | **1.5** | 0.5 | – | 0.5 |
| | **557.6** | **(0.1)** | **557.5** | 415.1 | – | 415.1 |

## 18 Trade and other payables

| | 2017 £m | 2016 £m |
|---|---|---|
| **Current:** | | |
| Trade payables | **46.4** | 28.8 |
| Other taxation and social security | **11.2** | 8.5 |
| Corporation tax payable | **–** | 6.9 |
| Other creditors and accruals | **78.7** | 65.2 |
| | **136.3** | 109.4 |

## 19 Other non-current liabilities

| | 2017 £m | 2016 £m |
|---|---|---|
| Other creditors and accruals | **–** | 0.1 |

## 20 Borrowings

Borrowings are repayable as follows:

| | Bank loans | | Aircraft loans | | Obligations under finance leases | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| Within one year | **7.5** | 0.7 | **113.4** | 82.7 | **8.7** | – | **129.6** | 83.4 |
| Between one and two years | **–** | 7.5 | **19.0** | – | **10.0** | – | **29.0** | 7.5 |
| Between two and five years | **–** | – | **61.2** | – | **32.0** | – | **93.2** | – |
| Over five years | **–** | – | **167.7** | – | **101.0** | – | **268.7** | – |
| **Total** | **7.5** | 8.2 | **361.3** | 82.7 | **151.7** | – | **520.5** | 90.9 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2017

## 21 Provisions

| | Maintenance | | Other | | Total | |
|---|---|---|---|---|---|---|
| | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m |
| Opening | **4.4** | 6.1 | **18.9** | 22.6 | **23.3** | 28.7 |
| Provision in the year | **20.3** | 15.7 | **12.0** | 4.4 | **32.3** | 20.1 |
| Transferred in from accruals | **–** | – | **1.8** | – | **1.8** | – |
| Utilised | **(8.9)** | (17.4) | **(7.2)** | (7.7) | **(16.1)** | (25.1) |
| Released unused | **–** | – | **(2.5)** | (0.4) | **(2.5)** | (0.4) |
| **Closing at 31 March** | **15.8** | 4.4 | **23.0** | 18.9 | **38.8** | 23.3 |

Maintenance provisions relate entirely to aircraft maintenance and the Group's obligation to maintain leased aircraft in accordance with the aircraft manufacturer's published maintenance programmes during the lease term, and to ensure that aircraft are returned to the lessor in accordance with its contractual requirements.

Other provisions relate to the Group's obligation to return leased tractor and trailer units to lessors in accordance with its contractual requirements, possible passenger claims for historical flight delays under Regulation (EC) No 261/2004 and possible customer compensation claims that cannot be reclaimed from hotels.

## 22 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

### Liquidity risk

The Group's strategy for managing liquidity risk is to maintain cash balances in an appropriately liquid form and in accordance with approved counterparty limits, while securing the continuity and flexibility of funding through the use of committed banking facilities and specialist aircraft finance. Short-term cash flow risk, in relation to margin calls in respect of fuel and foreign currency hedge positions, is minimised through diversification of counterparties together with appropriate credit thresholds. In addition, a regular assessment is made of the Group's banking facility covenant compliance and the UK Civil Aviation Authority's Available Liquidity Test.

### Credit risk

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 and sets credit limits for each counterparty accordingly. The Group regularly monitors such limits, incorporating this information into credit risk controls, and does not currently hold any collateral.

The maximum exposure to credit risk is limited to the carrying value of each asset as summarised in section (c) below.

### Foreign currency risk

The Leisure Travel business incurs considerable operational costs which are euro and US dollar denominated and is therefore exposed to sudden movements in exchange rates.

Transactional currency exposures arise as a result of expenditure on hotel accommodation, aviation fuel, aircraft maintenance, air traffic control, and airport charges. The Group's policy is to cover up to 90% of its expected requirements for a period of up to 30 months in advance, using forward foreign exchange contracts. As at 31 March 2017, the Group had hedged a significant proportion of its forecast foreign exchange requirements for 2017/18 and a proportion of its requirements for the subsequent year. Further information in relation to foreign currency exchange risk is given below.

### Aviation fuel price risk

The cost of fuel is a material element of the cost base of the Leisure Travel business and the effective management of aviation fuel price volatility continues to be important.

The Group's policy is to forward cover up to 90% of future fuel requirements, up to 30 months in advance. As at 31 March 2017, the Group had hedged a significant proportion of its forecast fuel requirements for 2017/18 and 2018/19 and a proportion of its requirement for the subsequent year.

## 22 Financial instruments (continued)

### Carbon price risk

The Group also hedges exposure in relation to its obligations under the EU Emissions Trading Scheme, which sets requirements on a calendar year basis. As at 31 March 2017, the Group had acquired a significant proportion of its requirement for the year ending 31 December 2017 and more than 60% of the following year's requirement.

### Interest rate risk

As part of its strategy for achieving continuity and flexibility of funding, the Group uses specialist aircraft finance. Some of this borrowing is subject to floating rate interest charges, which generates interest cost volatility. The Group's policy is to mitigate, to an acceptable level, this possible cost volatility. The Group uses interest rate swaps to cover a proportion of floating rate borrowings and as at 31 March 2017, had hedged a substantial proportion of its forecast cash flows in relation to floating rate borrowings for 2017/18 and subsequent years.

All hedging has been carried out in line with the Group's Hedging Policy.

Under IAS 39, the forward currency, carbon, interest and fuel derivatives are eligible for cash flow hedge accounting. Movements in fair value are summarised in section (b) below. Cash flow hedges relate to forecast cash flows through to 31 March 2020.

### (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 2017.

| Financial assets | 31 March 2017 Carrying amount £m | 31 March 2016 Carrying amount £m |
|---|---|---|
| **Liquid assets and receivables:** | | |
| Cash and cash equivalents | **488.7** | 342.0 |
| Money market deposits | **200.3** | 70.0 |
| Trade receivables | **557.5** | 415.1 |
| **Designated cash flow hedge relationships:** | | |
| Forward US dollar contracts | **27.0** | 15.4 |
| Forward euro contracts | **29.8** | 39.4 |
| Forward jet fuel contracts | **27.1** | 9.7 |
| Forward carbon contracts | **0.1** | – |
| **Total financial assets** | **1,330.5** | 891.6 |

| Financial liabilities | 31 March 2017 Carrying amount £m | 31 March 2016 Carrying amount £m |
|---|---|---|
| **Loans, payables, and other liabilities:** | | |
| Trade payables | **46.4** | 28.8 |
| Bank loans | **7.5** | 8.2 |
| Aircraft loans | **361.3** | 82.7 |
| Obligations under finance leases | **151.7** | – |
| Other financial liabilities | **–** | 0.5 |
| **Designated cash flow hedge relationships:** | | |
| Forward US dollar contracts | **3.0** | 1.5 |
| Forward euro contracts | **18.2** | – |
| Forward jet fuel contracts | **13.6** | 66.8 |
| Forward carbon contracts | **1.0** | 0.8 |
| Forward interest rate contracts | **1.0** | – |
| **Total financial liabilities** | **603.7** | 189.3 |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

## 22 Financial instruments (continued)

There are no differences between the carrying values of the Group's financial instruments and their fair values. The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

- due to their short maturities, the fair values of trade receivables and trade payables have been stated at their book value;
- the fair value of derivative financial instruments has been measured by reference to the fair value of the instruments, as provided by external counterparties; and
- the fair value of derivative financial instruments is based on the expected full recovery of asset values from the relevant counterparties.

IFRS 13 requires the classification of fair value measurements using a fair value hierarchy that reflects the nature of the inputs used in making the assessments.

The fair value of the Group's foreign currency and interest rate derivative financial instruments is designated as level 2 as the fair value measure uses inputs other than quoted prices in active markets for identical assets or liabilities. Fuel derivatives, which are measured by reference to external counterparty information, are also classified as level 2.

### (b) Movements in fair value of financial instruments

Net movements in fair value of financial instruments are as follows:

| | Cash flow hedges | |
|---|---|---|
| | **Assets £m** | **Liabilities £m** |
| At 31 March 2015 | 28.5 | (128.9) |
| Other comprehensive income | 36.1 | 59.8 |
| Credited in income statement | (0.1) | – |
| **At 31 March 2016** | **64.5** | **(69.1)** |
| Other comprehensive income | 19.5 | 32.3 |
| **At 31 March 2017** | **84.0** | **(36.8)** |

| | **2017 £m** | 2016 £m |
|---|---|---|
| **Amounts charged in the Consolidated Income Statement within:** | | |
| Operating expenses: fuel (note 6) | **–** | (0.1) |

All (losses) / gains on cash flow hedges recycled from equity into the Consolidated Income Statement are reflected within operating expenses or net financing costs.

### (c) Maturity profile of financial assets and liabilities

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

| | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| **Financial assets** | **Derivative financial instruments £m** | **Liquid assets and receivables £m** | **Total £m** | Derivative financial instruments £m | Liquid assets and receivables £m | Total £m |
| < 1 year | **74.7** | **1,246.5** | **1,321.2** | 49.3 | 827.1 | 876.4 |
| 1 – 2 years | **9.3** | **–** | **9.3** | 15.2 | – | 15.2 |
| | **84.0** | **1,246.5** | **1,330.5** | 64.5 | 827.1 | 891.6 |

## 22 Financial instruments (continued)

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

| | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| **Financial liabilities** | **Derivative financial instruments £m** | **Loans, payables and other liabilities £m** | **Total £m** | Derivative financial instruments £m | Loans, payables and other liabilities £m | Total £m |
| < 1 year | **15.9** | **176.0** | **191.9** | 64.5 | 112.7 | 177.2 |
| 1 – 2 years | **20.9** | **29.0** | **49.9** | 4.6 | 7.5 | 12.1 |
| 2 – 5 years | **–** | **93.2** | **93.2** | – | – | – |
| > 5 years | **–** | **268.7** | **268.7** | – | – | – |
| | **36.8** | **566.9** | **603.7** | 69.1 | 120.2 | 189.3 |

### (d) Borrowing facilities

The Group has various borrowing facilities and financing arrangements available to it. The total borrowing facilities available at 31 March 2017 were as follows:

| | Amounts drawn down | | Facilities available | |
|---|---|---|---|---|
| | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m |
| Revolving credit facilities [i] | **–** | – | **35.0** | 35.0 |
| Bank loans [ii] | **7.5** | 8.1 | **7.5** | 8.1 |
| Aircraft loans [iii] | **361.3** | 82.8 | **361.3** | 82.8 |
| Obligations under finance leases [iii] | **151.7** | – | **151.7** | – |
| | **520.5** | 90.9 | **555.5** | 125.9 |

i. £35.0m revolving credit facility committed until the end of August 2017. The Group is currently negotiating a new revolving credit facility;

ii. The bank loan matures in August 2017 and is not expected to be renewed;

iii. Aircraft loans and finance leases provide funding for certain new aircraft additions and pre-delivery payments; and

iv. During the year, the Group secured US$23.0m of new Letter of Credit facilities in relation to a number of the Group's card processing counterparties, with respect to Leisure Travel advance sales. The balance at the reporting date was US$59.8m (2016: US$49.4m).

### (e) Interest rate risk

| | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| **Financial assets** | **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 |
| **Money market deposits & cash and cash equivalents:** | | | | | | |
| Sterling | **630.8** | **46.9** | **677.7** | 380.7 | 12.3 | 393.0 |
| US dollar | **10.2** | **4.0** | **14.2** | 15.6 | 0.2 | 15.8 |
| Euro | **9.1** | **(11.3)** | **(2.2)** | 3.0 | – | 3.0 |
| Other | **–** | **(0.7)** | **(0.7)** | – | 0.2 | 0.2 |
| | **650.1** | **38.9** | **689.0** | 399.3 | 12.7 | 412.0 |

The floating rate financial assets comprise cash on deposit at various market rates according to currency and term. Money market deposits comprise deposits with a maturity of more than three months from placement. The Group operates composite bank accounts which allow the offset of individual bank and overdraft accounts across a range of currencies.

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2017

## 22 Financial instruments (continued)

| | 31 March 2017 | | | 31 March 2016 | | |
|---|---|---|---|---|---|---|
| **Financial liabilities** | **Floating rate financial liabilities £m** | **Fixed rate financial liabilities £m** | **Total £m** | Floating rate financial liabilities £m | Fixed rate financial liabilities £m | Total £m |
| **Borrowings** | | | | | | |
| Sterling | **7.5** | **236.8** | **244.3** | 8.1 | – | 8.1 |
| US dollar | **199.9** | **76.3** | **276.2** | 82.8 | – | 82.8 |
| | **207.4** | **313.1** | **520.5** | 90.9 | – | 90.9 |

An interest rate sensitivity analysis has not been provided on the basis that the interest rate risk for substantially all of the floating rate interest costs accounted for in the Consolidated Income Statement during the year was hedged.

### (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 Consolidated Income Statement in the following year.

| | US dollar £m | Euro £m | Other £m | **Total £m** |
|---|---|---|---|---|
| 31 March 2016 | (77.5) | (16.8) | 0.3 | (94.0) |
| **31 March 2017** | **(190.5)** | **(37.7)** | **(1.1)** | **(229.3)** |

### (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 of a reasonably possible change in fuel prices, with all other variables held constant.

| | **31 March 2017 + / - £m** | 31 March 2016 + / - £m |
|---|---|---|
| **Impact on Profit for the year** | | |
| 10% change in jet fuel prices | **–** | – |
| 5% movement of sterling | **9.7** | 4.5 |
| **Impact on Other comprehensive income/(expense)** | | |
| 10% change in jet fuel prices | **44.2** | 17.8 |
| 5% movement of sterling | **78.1** | 32.6 |

## 23 Called up share capital and reserves

### (a) Share capital

| | Number of shares | **2017 £m** | 2016 £m |
|---|---|---|---|
| Authorised ordinary shares of 1.25p each | 160,000,000 | **2.0** | 2.0 |
| Allotted, called up and fully paid: | | | |
| As at 31 March 2016 | 147,898,091 | **1.8** | 1.8 |
| Share options exercised | 353,516 | **–** | – |
| **As at 31 March 2017** | **148,251,607** | **1.8** | 1.8 |

### (b) Employee share schemes
Dart Group PLC has two legacy share option schemes in operation in addition to the recently introduced Senior Executive Incentive Plan ("SEIP"). All of these plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2, *Share-based Payment*, which means that IFRS 2 has been applied to all grants of employee share based payments that had not vested at 31 March 2017. The total expense recognised for the period arising from share based payments was £0.4m (2016: £0.1m).

## 23 Called up share capital and reserves (continued)

### Summary of options outstanding

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

| Scheme | Grant date | Option price | 31 March 2017 shares | 31 March 2016 shares | Timing of exercise and expiry |
|---|---|---|---|---|---|
| Unapproved 2005 | 04 Sep 08 | 24.75p | – | 61,880 | All exercisable, expiring 04 Sep 18 |
| Unapproved 2005 | 05 Aug 10 | 67.00p | **25,000** | 147,201 | All exercisable, expiring 05 Aug 20 |
| Unapproved 2005 | 04 Aug 11 | 85.00p | **60,000** | 60,000 | All exercisable from 04 Aug 17, expiring 04 Aug 21 |
| SEIP | Various | 1.25p | **237,751** | – | 77k, 98k and 63k exercisable from 6 Jul 17, 26 Jul 18, and 24 Jul 19 respectively |
| **Total Unapproved** | | | **322,751** | 269,081 | |
| Approved 2005 | 03 Aug 07 | 101.75p | **18,500** | 28,500 | All exercisable, expiring 03 Aug 17 |
| Approved 2005 | 04 Sep 08 | 24.75p | **96,962** | 115,982 | All exercisable, expiring 04 Sep 18 |
| Approved 2005 | 10 Sep 09 | 52.50p | **246,900** | 342,204 | All exercisable, expiring 10 Sep 19 |
| Approved 2005 | 16 Dec 09 | 46.75p | **12,500** | 13,300 | All exercisable, expiring 16 Dec 19 |
| Approved 2005 | 05 Aug 10 | 67.00p | **31,500** | 76,138 | All exercisable, expiring 05 Aug 20 |
| Approved 2005 | 23 Dec 10 | 94.50p | **71,200** | 84,623 | All exercisable, expiring 23 Dec 20 |
| Approved 2005 | 04 Aug 11 | 85.00p | **62,500** | 66,250 | 16k currently exercisable, remainder from 04 Aug 17, all expiring 04 Aug 21 |
| Approved 2005 | 22 Dec 11 | 63.88p | **57,500** | 57,500 | All exercisable from 22 Dec 17, expiring 22 Dec 21 |
| Approved 2005 | 01 Aug 12 | 76.38p | **69,509** | 74,509 | 4k currently exercisable, remainder from 01 Aug 18, expiring 01 Aug 22 |
| **Total Approved** | | | **667,071** | 859,006 | |
| **Total** | | | **989,822** | 1,128,087 | |

Since the reporting date, Deferred Awards were granted under the SEIP. The total number of shares awarded totalled 93,570 and included certain Director awards as detailed in the Report on Directors' Remuneration. These awards vest on 20 July 2020. 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. Certain market conditions apply to options granted under the Dart Group Unapproved Share Option Plan 2005. The number and weighted average exercise prices of share options are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price (pence) | Number of options | Weighted average exercise price (pence) |
| Outstanding at 1 April | **1,128,087** | **61.10** | 2,430,497 | 57.70 |
| Granted | **237,751** | **1.25** | – | – |
| Exercised | **(353,516)** | **56.54** | (885,956) | 55.20 |
| Lapsed | **(22,500)** | **54.19** | (416,454) | 53.90 |
| **Outstanding at 31 March** | **989,822** | **48.53** | 1,128,087 | 61.10 |
| Exercisable at 31 March | **502,562** | **56.40** | 602,859 | 48.60 |
| Estimated weighted average share price at date of exercise | | **503.44** | | 492.00 |

Options outstanding at 31 March are in respect of all options issued since 7 November 2002 (see note 2 - employee benefits). The options outstanding at the year end have an exercise price in the range of 24.8p to 101.8p and a weighted average contractual life of 4.4 years (2016: 4.0 years).

### (c) Reserves

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

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2017

## 24 Commitments

Minimum future commitments under non-cancellable operating leases are as follows:

| | Land and buildings | | Aircraft and engines | | Plant and machinery | |
|---|---|---|---|---|---|---|
| | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m |
| Less than one year | **3.8** | 2.8 | **19.8** | 22.3 | **10.9** | 9.7 |
| Between two and five years | **9.4** | 8.9 | **33.6** | 52.4 | **16.9** | 11.8 |
| Over five years | **9.5** | 5.5 | **–** | 2.0 | **1.2** | 0.4 |
| | **22.7** | 17.2 | **53.4** | 76.7 | **29.0** | 21.9 |

## 25 Notes to cash flow statement

| **Changes in net cash** | At 31 March 2016 £m | Cash flow £m | Exchange differences £m | **At 31 March 2017 £m** |
|---|---|---|---|---|
| Cash at bank and in hand | 342.0 | 144.8 | 1.9 | **488.7** |
| Borrowings due within one year | (83.4) | (39.5) | (6.7) | **(129.6)** |
| Borrowings due after one year | (7.5) | (384.9) | 1.5 | **(390.9)** |
| **Net cash / (debt)** | 251.1 | (279.6) | (3.3) | **(31.8)** |
| | | | | |
| Money market deposits | 70.0 | 130.3 | - | **200.3** |
| Net cash and money market deposits | 321.1 | (149.3) | (3.3) | **168.5** |

## 26 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.

## 27 Pension scheme

The Group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the Group into the scheme and amounted to £8.5m (2016: £6.3m). There were no outstanding or prepaid contributions at either the current or previous year end.

## 28 Related party transactions

### Compensation of key management personnel

The compensation of key management personnel, comprising the Executive and Non-Executive Directors of Dart Group PLC and its subsidiaries, is summarised in note 9 to the consolidated financial statements. The remuneration of the Directors of Dart Group PLC is set out in detail in the Report on Directors' Remuneration on pages 38 to 41.

# Parent Company Financial Statements

# Parent Company Balance Sheet
at 31 March 2017

| | Note | 2017 £m | 2016 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 5 | **677.6** | 386.8 |
| Investments | 6 | **23.0** | 22.7 |
| | | **700.6** | 409.5 |
| **Current assets** | | | |
| Debtors - of which falling due > 1 year: £4.7m (2016: £5.5m) | 7 | **23.8** | 18.2 |
| Money market deposits | | **65.2** | 20.0 |
| Cash and cash equivalents | | **65.0** | 10.3 |
| | | **154.0** | 48.5 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 8 | **(459.3)** | (354.2) |
| **Net current liabilities** | | **(305.3)** | (305.7) |
| **Total assets less current liabilities** | | **395.3** | 103.8 |
| Loans falling due after more than one year | | **(164.3)** | (7.5) |
| Finance lease obligations | | **(143.0)** | – |
| Derivative financial instruments | | **(0.3)** | – |
| Deferred taxation | 9 | **(28.5)** | (20.1) |
| **Net assets** | | **59.2** | 76.2 |
| **Shareholders' equity** | | | |
| Share capital | | **1.8** | 1.8 |
| Share premium | | **12.5** | 12.4 |
| Profit and loss account | | **45.7** | 62.2 |
| Cash flow hedging reserve | | **(0.8)** | (0.2) |
| **Total shareholders' equity** | | **59.2** | 76.2 |

The accounts on pages 74 to 81 were approved by the Board of Directors at a meeting held on 28 July 2017 and were signed on its behalf by:

**Gary Brown**
Group Chief Financial Officer
Dart Group PLC
Registered no. 01295221

# Parent Company Statement of Changes in Equity

for the year ended 31 March 2017

| | Share capital £m | Share premium £m | Cash flow hedging reserve £m | Profit and loss account £m | Total shareholders' equity £m |
|---|---|---|---|---|---|
| **Balance at 31 March 2015** | **1.8** | **11.9** | **3.0** | **55.0** | **71.7** |
| Total comprehensive expense | – | – | (3.2) | (8.2) | **(11.4)** |
| Issue of share capital | – | 0.5 | – | – | **0.5** |
| Dividends paid to shareholders | – | – | – | (4.6) | **(4.6)** |
| Intra-group dividends | – | – | – | 20.0 | **20.0** |
| **Balance at 31 March 2016** | **1.8** | **12.4** | **(0.2)** | **62.2** | **76.2** |
| Total comprehensive expense | – | – | (0.6) | (13.6) | **(14.2)** |
| Share based payments | – | – | – | 0.6 | **0.6** |
| Issue of share capital | – | 0.1 | – | – | **0.1** |
| Dividends paid to shareholders | – | – | – | (6.6) | **(6.6)** |
| Intra-group dividends | – | – | – | 3.1 | **3.1** |
| **Balance at 31 March 2017** | **1.8** | **12.5** | **(0.8)** | **45.7** | **59.2** |

# Notes to the Parent Company Financial Statements for the year ended 31 March 2017

## 1 Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* issued by the Financial Reporting Council and has adopted FRS 101 *Reduced Disclosure Framework* accordingly.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- transactions with other Group companies;
- capital management;
- the effects of new but not yet effective IFRS; and
- compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 *Share-based Payments* in respect of Group settled share based payments; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments*: *Disclosures*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in relation to future financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## 2 Significant accounting policies

### Going concern

The Company provides aircraft leasing, treasury, legal and IT management services to the Group and, accordingly, its financial performance is inextricably linked with the performance of its subsidiaries.

The Directors have prepared financial forecasts for the Company, comprising operating profit, profit before and after taxation, balance sheets and cash flows through to 31 March 2020.

For the purpose of assessing the appropriateness of the preparation of the Company's accounts on a going concern basis, the Directors have considered the current cash position, the availability of banking facilities, the Company's net current liability position, and sensitised forecasts of future trading through to 31 March 2020, including performance against financial covenants and the assessment of principal areas of uncertainty and risk.

Having considered the points outlined above, the Directors have a reasonable expectation that the Company will be able to operate within the levels of available banking facilities and cash for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2017.

### 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, and differences arising are recognised in the results for the year.

### Investments

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

## 2 Significant accounting policies (continued)

### Tangible fixed assets
Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Pre-delivery payments and interest charges on associated borrowing, in respect of future new aircraft arrivals, are recorded in property, plant and equipment at cost. Depreciation is not charged on these additions until the Company takes delivery of the corresponding aircraft.

Depreciation is calculated to write the cost of property, plant and equipment down to each asset's estimated residual value using the straight-line method over its estimated useful economic life, or the estimated useful economic life of individual major components, as follows:

| | |
|---|---|
| Freehold property | 30 years |
| Short leasehold property | Over the life of the lease |
| Aircraft, engines and other components * | 2-30 years |
| Plant, vehicles and equipment | 3-7 years |

* excluding pre-delivery payments and interest charges on associated borrowing (see above).

The element of the cost of acquired aircraft not attributed to major components is depreciated to its expected residual value over its remaining useful life, which is assumed to end 20-30 years from original build date depending on the type of aircraft. Where aircraft are subject to specific life extension expenditure, the cost of such work is depreciated over the remaining extended life.

### 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*** to continue to maintain each aircraft and its engines in accordance with the aircraft manufacturer's published maintenance programmes during the term of the lease and to ensure that each aircraft is returned to the Company in a satisfactory condition.

The Company receives a monthly security deposit from ***Jet2.com*** based on a monthly usage calculation that is set at a level which is estimated to cover the cost of future maintenance events when they occur.

The deposit is refundable to ***Jet2.com*** immediately after each maintenance event has been completed by ***Jet2.com***. Consequently, these deposits are classified as "amounts due to Group undertakings" within Creditors: amounts falling due within one year. This arrangement does not constitute a financing transaction and no interest is charged on the deposit balance.

### Borrowings
All loans and borrowings are initially recorded at fair value less any directly attributable transaction costs and premium or discount. The loans and borrowings are, where applicable, subsequently measured at amortised cost using the effective interest rate method.

### Operating Leases
Rental charges on operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

### Finance Leases
Finance leases are recognised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in interest payable.

### Cash and cash equivalents
Cash equivalents are defined as including short-term deposits maturing within three months of placement.

### Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed, as required by IAS 12.

### Employee benefits – pension costs
All pensions are provided from the proceeds of money purchase schemes. The charge to the profit and loss represents the payments due during the year.

# Notes to the Parent Company Financial Statements for the year ended 31 March 2017

## 3 Accounting estimates and judgements

In the application of the Company's accounting policies, which are described above, 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 Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

### Impairment of assets

A full impairment review of aircraft carrying values is undertaken annually or more frequently if a risk that carrying values are impaired is identified. The smallest cash-generating unit to which this can be applied is aircraft fleet type.

The combined carrying value of aircraft, engines and other components totalled £674.4m (2016: £384.1m). No impairment losses were recorded during the year.

### Residual value of tangible fixed assets

Judgements have been made in respect of the residual values of aircraft included in tangible fixed assets. Those judgements determine the amount of depreciation charged in the profit and loss account.

## 4 Profit for the year

The Company has taken advantage of the provisions of section 408 of the Companies Act 2006 and has elected to not publish its own profit and loss account for the year. Of the profit on ordinary activities after taxation for the year, a loss of £13.6m (2016: loss £8.2m) is dealt with in the accounts of the Company.

## 5 Tangible fixed assets

| | Land & buildings £m | Aircraft, engines and other components £m | Plant, vehicles & equipment £m | **Total fixed assets £m** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 March 2016 | 2.8 | 552.6 | 7.8 | **563.2** |
| Additions | – | 407.1 | 1.2 | **408.3** |
| Disposals | – | (125.3) | – | **(125.3)** |
| **At 31 March 2017** | **2.8** | **834.4** | **9.0** | **846.2** |
| **Depreciation** | | | | |
| At 31 March 2016 | (1.0) | (168.5) | (6.9) | **(176.4)** |
| Charge for the year | (0.1) | (31.8) | (0.6) | **(32.5)** |
| On disposals | – | 40.3 | – | **40.3** |
| **At 31 March 2017** | **(1.1)** | **(160.0)** | **(7.5)** | **(168.6)** |
| **Net book value** | | | | |
| **At 31 March 2017** | **1.7** | **674.4** | **1.5** | **677.6** |
| At 31 March 2016 | 1.8 | 384.1 | 0.9 | **386.8** |

Aircraft, engines and other components cost includes £107.5m (2016: £97.2m) relating to pre-delivery payments and £4.0m (2016: £2.2m) of interest charges on associated borrowing in respect of future new aircraft arrivals. Depreciation is not charged on these assets until the Group takes delivery of the corresponding aircraft.

Aircraft, engines and other components includes aircraft held under finance leases with a net book value of £102.8m (2016: nil).

## 6 Investments

| | £m |
|---|---|
| **Shares in subsidiary undertakings at cost, and net investment:** | |
| At 31 March 2016 | **22.7** |
| Investment in Dart Leasing & Finance Limited | **0.1** |
| Share based payments | **0.2** |
| **At 31 March 2017** | **23.0** |

During the year Dart Group PLC acquired 100,000 ordinary shares in Dart Leasing & Finance Limited at a nominal value of $1 per share.

### The subsidiary undertakings of the Company are:

| Subsidiary undertaking | Principal activity | % holding | Country of incorporation or registration |
|---|---|---|---|
| **Principal subsidiary undertakings:** | | | |
| Dart Leasing & Finance Limited * | Aircraft leasing and financing services | 100% | United Kingdom |
| **Fowler Welch** Limited * | Distribution and logistics services | 100% | United Kingdom |
| ***Jet2.com*** Limited * | Leisure travel airline services | 100% | United Kingdom |
| ***Jet2holidays*** Limited | Leisure travel Package Holiday services | 100% | United Kingdom |
| Jet2 Transport Services Limited | Leisure travel transport services | 100% | United Kingdom |
| **Other subsidiary undertakings:** | | | |
| Fowler Welch (Containers) Limited | Leasing services | 100% | United Kingdom |
| Jet2 Support Services (Spain) Limited | Leisure travel support services | 100% | United Kingdom |
| Vardy Limited * | Aviation services | 100% | Republic of Ireland |
| ***Dormant subsidiary undertakings:*** | | | |
| Coolchain Limited * | Dormant company | 100% | United Kingdom |
| Fowler Welch BV | Dormant company | 100% | Netherlands |
| FW Distribution Limited * | Dormant company | 100% | United Kingdom |
| Jet2 Limited * | Dormant company | 100% | United Kingdom |

* Indicates investments held directly by Dart Group PLC as at 31 March 2017.

The issued share capital of each subsidiary undertaking consists entirely of ordinary shares except for Coolchain Limited, which has both ordinary and preference shares in issue.

All of the above subsidiaries have been consolidated in the Dart Group PLC consolidated accounts.

With the exception of the following entities, all of the above subsidiaries share the same registered address as Dart Group PLC, which is provided on page 85:

**Fowler Welch BV**
West Marsh Road
Spalding
Lincolnshire
PE11 2BB
UK

**Vardy Limited**
1 Grant's Row
Lower Mount Street
Dublin 2
D02 HX96
Ireland

# Notes to the Parent Company Financial Statements for the year ended 31 March 2017

## 7 Debtors

| | 2017 £m | 2016 £m |
|---|---|---|
| Other debtors and prepayments | **7.7** | 5.1 |
| Corporation tax recoverable | **11.0** | 5.7 |
| Amounts owed by Group undertakings – £4.7m due >1 year (2016: £5.5m) | **5.1** | 7.0 |
| Derivative financial instruments | **–** | 0.4 |
| | **23.8** | 18.2 |

## 8 Creditors: amounts falling due within one year

| | 2017 £m | 2016 £m |
|---|---|---|
| Bank overdraft | **18.4** | 51.7 |
| Trade creditors | **0.1** | 0.1 |
| Amounts owed to Group undertakings | **312.6** | 215.8 |
| Other creditors and accruals | **3.8** | 2.6 |
| Loans | **115.0** | 83.4 |
| Finance lease obligations | **8.7** | – |
| Derivative financial instruments | **0.7** | 0.6 |
| | **459.3** | 354.2 |

Included in amounts owed to Group undertakings are maintenance security deposits repayable to ***Jet2.com*** of £151.7m (2016: £129.4m).

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.

## 9 Deferred taxation

| | 2017 £m | 2016 £m |
|---|---|---|
| ***Deferred taxation arising from:*** | | |
| Opening balance | **20.1** | 19.9 |
| Charge to income | **11.5** | 1.1 |
| Movement on transfer of fixed assets | **(2.9)** | – |
| Credit to equity | **(0.2)** | (0.9) |
| **Deferred tax liability at end of year** | **28.5** | 20.1 |
| | | |
| ***Deferred taxation breakdown:*** | | |
| Accelerated Capital Allowances | **28.7** | 20.1 |
| Timing differences on derivative financial instruments | **(0.2)** | – |
| **Deferred tax liability at end of year** | **28.5** | 20.1 |

There are no unrecognised deferred taxation balances at 31 March 2017 (2016: £nil).

## 10 Directors and employees

| | 2017 £m | 2016 £m |
|---|---|---|
| Wages and salaries | **2.1** | 1.7 |
| Social security costs | **0.3** | 0.2 |
| Other pension costs | **0.1** | 0.1 |
| Share based payments | **0.2** | – |
| **Total staff costs** | **2.7** | 2.0 |

On average, the Company had nine employees during the year ended 31 March 2017 (2016: 12). Details of Directors' emoluments are set out in the Directors' remuneration report on pages 38 to 41.

| | 2017 | 2016 |
|---|---|---|
| Details of Directors' remuneration: | | |
| Highest paid Director | **£0.9m** | £0.7m |
| Number of Directors for whom retirement benefits accrue | **1** | 1 |
| Number of Directors who exercised share options | **-** | - |

## 11 Share based payments

Details of share based payment schemes operated by the Group are disclosed in note 23 to the consolidated financial statements. Amounts charged in the Company accounts for the year were £0.2m (2016: £nil).

## 12 Contingent liabilities

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

## 13 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 8(k) of FRS 101, not to disclose transactions and balances with other Group companies.

## 14 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.

# Supplementary Information



*Fowler Welch Teynham Distribution Centre*

# Glossary of Terms

| | |
|---|---|
| **Ambient** | Non-temperature-controlled distribution. |
| **ATOL** | Air Travel Organiser's Licence. |
| **Average Package Holiday Price** | Total Package Holiday revenue, excluding non-ticket revenue, in a period, divided by the number of Package Holiday customers departing in that period. |
| **Capacity** | See Sector Seats Available below. |
| **CAGR** | Compound annual growth rate. |
| **CODM** | Chief operating decision maker. |
| **EBITDA** | Earnings before interest, taxation, depreciation and amortisation. |
| **ETIAS** | The European Travel Information and Authorisation System is the European Commission's proposed new visa scheme which could apply to non-EU citizens, including UK citizens, post-Brexit. |
| **Load Factor** | The percentage relationship of Passenger Sectors Flown to Sector Seats Available. |
| **Miles per Gallon** | Average number of miles driven for every gallon of fuel consumed. |
| **Net Ticket Yield** | Total airline ticket revenue, excluding taxes, divided by the number of Passenger Sectors Flown. |
| **Non-ticket Revenue** | All non-ticket revenue, including hold baggage charges, advanced seat assignment fees, extra legroom fees, in-flight sales and commissions earned on car hire and insurance bookings. |
| **Passenger Sectors Flown** | Number of passengers flown on a single leg journey. Passengers flown comprises seats sold (including no-shows), seats for promotional purposes and seats provided to staff for business travel. |
| **Sector** | A single leg flight journey. |
| **Sector Seats Available** | Total number of seats available according to the Leisure Travel scheduled flying programme (also known as Capacity). |

# Secretary and Advisers

**Registered number**

1295221

**Secretary and Registered Office**

Ian Day
Low Fare Finder House
Leeds Bradford International Airport
Leeds
LS19 7TU

**Auditor**

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

**Registrars**

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

**Bankers**

Barclays Bank PLC
1 Park Row
Leeds
LS1 5WU

Yorkshire Bank
94 -96 Briggate
Leeds
LS1 6NP

Lloyds Bank plc
2nd Floor Lisbon House
116 Wellington Street
Leeds
LS1 4LT

Santander Global Banking & Markets
2 Triton Square
Regent's Place
London
NW1 3AN

**Stockbrokers**

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Canaccord Genuity Limited
9th Floor
88 Wood Street
London EC2V 7QR

**Nominated advisers**

Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY

**Solicitors**

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Bird & Bird LLP
12 New Fetter Lane
London
EC4A 1JP

Norton Rose Fulbright LLP
3 More London Riverside
London
SE1 2AQ

# Financial Calendar

| | |
|---|---|
| **Annual General Meeting** | 7 September 2017 |
| **Proposed final dividend payment** | 27 October 2017 |
| **Results for the six months to 30 September 2017** | 16 November 2017 |
| **Results for the twelve months to 31 March 2018** | July 2018 |

# Notes

# Notes

# Notes


# DART GROUP PLC

Low Fare Finder House
Leeds Bradford International Airport
Leeds
LS19 7TU

+44 (0)113 238 7444
information@dartgroup.co.uk
www.dartgroup.co.uk