DART GROUP PLC

Annual Report & Accounts 2018

DART GROUP PLC

Dart Group 2018 Annual Report

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

Leisure Travel

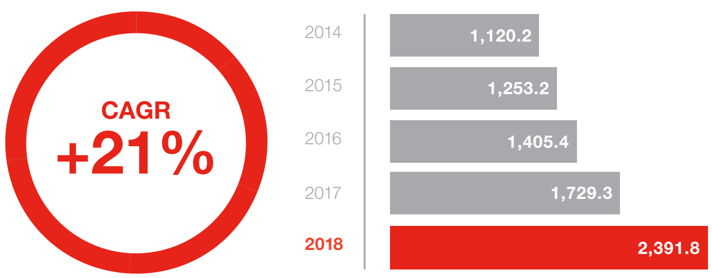
The provision of scheduled holiday flights by its award-winning airline, *Jet2.com*, and ATOL licensed package holidays by its acclaimed tour operator, *Jet2holidays*, to leisure destinations in the Mediterranean, the Canary Islands and to European Leisure Cities.

Distribution & Logistics

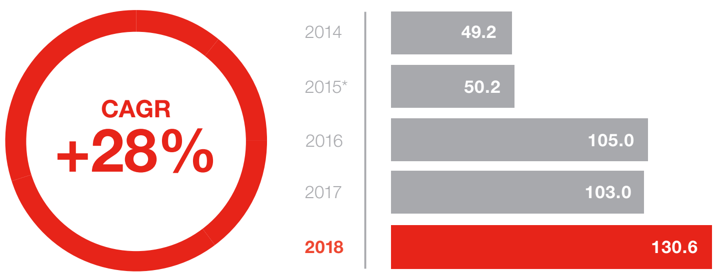
The distribution throughout the UK, by Fowler Welch, of fresh produce, and temperature-controlled and ambient products on behalf of retailers, processors, growers and importers.

Financial Highlights

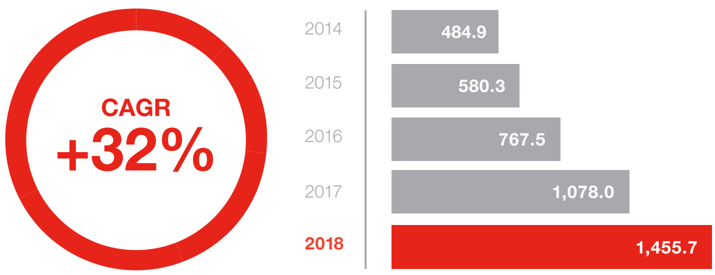
Revenue (£m)



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.

Contents

Operational Highlights

Our New Bases

London Stansted

On 30 March 2018, we marked our first anniversary of flights from **London Stansted** and **Birmingham Airports**, and to celebrate we offered families whose children shared a first birthday with us a real birthday treat – the chance to win a free holiday or free flights from each base!

It has been quite a first year since our first flights launched from both bases.

In that time we have operated more than 6,300 flights to and from **London Stansted**, flying more than one million passengers. Strong demand from customers and travel agents in London and the South of England has seen us enjoy encouraging growth and in our second year of operation we are flying to 39 fantastic leisure destinations with a fleet of ten based aircraft, with up to 312 weekly flights at peak season.

This success has been repeated at **Birmingham Airport**, where in our first year we operated more than 4,700 flights, flying over 800,000 passengers. For the financial year ending 31 March 2019, we have launched 13 new routes, flying to 39 fantastic leisure destinations with a fleet of nine based aircraft, as customers across the West Midlands enjoy and respond positively to our award-winning flights and ***Real Package Holidays™***.

This investment in aircraft and people means we now employ over 1,000 pilots and cabin crew, engineers and ground operations colleagues across both bases.

Jet2Villas

Over 1600 villas now on sale

In June 2017, we launched **Jet2Villas**, our new ATOL protected ***Jet2.com*** **flight + car + villa** package, offering customers the freedom of a villa holiday with all the advantages of a package holiday - and all for just a £60 per person deposit!

The convenience of a villa holiday, coupled with these package holiday benefits, means that **Jet2Villas** is already proving extremely popular with our customers.

As a result, we have expanded the programme for summer 2018 to over 1,600 villas in more than 30 European beach destinations.

Resort Flight Check-in®

Extra time on holiday

Our market leading **Resort Flight Check-In**® service, which allows customers to check-in their bags for their return flight with our specialist team, at their hotel and enjoy a hassle and bag free final day in resort, is extremely attractive.

Customers continue to tell us how much they love the service. Therefore, we have expanded the service to over 250 hotels for summer 2018 in 9 key holiday destinations – Alicante; Fuerteventura; Gran Canaria; Lanzarote; Larnaca; Majorca; Malaga; Paphos; and Tenerife.

Our Destinations


Budapest
Nessebar
Bourgas
Tekke Plaji
Izmir
BERLIN
PRAGUE
KRAKOW
VIENNA
SALZBURG
BUDAPEST
VERONA
VENICE
PULA
PISA
ROME
NAPLES
SPLIT
MONTENEGRO
DUBROVNIK
NEW
BOURGAS
CORFU
KEFALONIA
ZANTE
HALKIDIKI
BODRUM
IZMIR
NEW
KOS
DALAMAN
ANTALYA
LARNACA
RHODES
PAPHOS
NEW
CHANIA
HERAKLION
MALTA
Comino –
Crystal Lagoon
Malta
Chania Town
Chania

Alicante Almeria

Barcelona Bergerac Berlin

Chania Corfu Heraklion

Faro (Algarve) Florence Fu

Girona Gran Canaria Gre

Kefalonia Kos Krakow

Larnaca (Cyprus) Lyon M

Malta Menorca Murcia

Paphos (Cyprus) Paris Pisa P

Rome Salzburg Split T

Turin Venice Vero

Amsterdam Antalya
n Bodrum Budapest Bourgas
n (Crete) Dalaman Dubrovnik
uerteventura Geneva
enoble Ibiza Izmir Jersey
w La Rochelle Lanzarote
Madeira Majorca Malaga
n Naples New York Nice
Prague Pula Reus Rhodes
Tenerife Thessaloniki (Halkidiki)
ona Vienna Zante

Our Awards

Jet2.com and ***Jet2holidays*** are the UK's third-largest airline and second-largest tour operator.

We provide scheduled leisure flights and ATOL licensed package holidays to destinations in the Mediterranean, the Canary Islands and to European Leisure Cities.

We are committed to our core principles of being family friendly, offering value for money, and providing great customer service.

2018 TRAVELLERS' CHOICE® tripadvisor®

'Best Airline – UK'

'Best Low Cost Airline – Europe'

'Best Economy Class - Europe'

'7th Position – Top 10 Airlines of the World'

at the Trip Advisor Travellers' Choice Awards

Travel Brand of the Year

2018

Awards 2018 Which? Travel Brand of the Year

at the Which? Awards 2018

'Best Short Haul Operator'

'Best Trade Friendly Brand'

at the Travel Weekly Globe Awards

Gold Trusted Service Award

at the Feefo Trusted Service Awards

2018 Gold Trusted Service ★★★★★ feefo

The Grocer

Gold Award 2018

Fowler Welch

These are just the latest additions to our ever-growing awards cabinet. We continue to impress customers and industry insiders alike with our VIP service, and were even voted 'Best Short Haul Airline' five times in the last seven years at the Globe Travel Awards. Check out the best of the rest at **dartgroup.co.uk/our_awards**


WE TAKE PEOPLE ON HOLIDAY!

Strategic Report

Our Chairman's Statement

Have a lovely holiday

I am pleased to report on the Group's continuing positive trading performance for the year ended 31 March 2018.

Profit before taxation which includes a £20.0m gain for foreign exchange revaluations (2017: £10.9m loss) increased by 49% to £134.6m (2017: £90.1m). Before accounting for these revaluation gains, **profit before FX revaluations and taxation** increased by 13% to £114.6m (2017: £101.0m). **Basic earnings per share** increased by 44% to 74.59p (2017: 51.80p).

In consideration of these results, the Board is recommending a final dividend of 6.0p per share (2017: 3.897p), which will bring the total proposed dividend to 7.5p per share for the year (2017: 5.272p), an increase of 42%. This final dividend is subject to shareholders' approval at the Company's Annual General Meeting on 6 September 2018 and will be payable on 26 October 2018 to shareholders on the register at the close of business on 21 September 2018.

The increased profits reflect the continuing strong demand for our Leisure Travel products – holiday flights with our leading leisure airline ***Jet2.com*** and package holidays with our ATOL (*) protected tour operator ***Jet2holidays***. Our important flight-only product was enjoyed by 5.37m passengers in the year (2017: 3.64m), a growth of 48%, whilst demand for our ***Real Package Holidays™*** continues to grow, as ***Jet2holidays*** took 2.50m customers on package holidays (2017: 1.73m), an increase of 45%.

During the year, ***Jet2.com*** flew a total of 10.38m flight-only and package holiday passengers (one-way passenger sectors) (2017: 7.10m), primarily to and from sun, city and ski destinations, an increase of 46%. Average load factors, including from our popular new operating bases at Birmingham and London Stansted airports, increased to 92.2% (2017: 91.5%). Our customer volumes allow us to serve many 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.

Average airline ticket yields at £73.65 (2017: £86.65) were 15% lower than the prior year against a 45% increase in seat capacity and very competitive pricing in summer 2017. Some price investment was also made to support demand at the two new operating bases in their first seasons of operation. However, the average price of a ***Jet2holidays*** package holiday grew by 3% to £633 (2017: £617) and as a result, revenue in our Leisure Travel business increased by 42% to £2,223.2m (2017: £1,565.8m).

Our Distribution & Logistics business, **Fowler Welch**, achieved revenue growth of 3% to £168.6m (2017: £163.5m). However, profit before taxation fell by £0.1m to £4.4m (2017: £4.5m), as additional operational support was provided to a key customer over the Christmas period, while varying retailer demand and shorter production runs, led to cost pressures at our fruit ripening and packing joint venture, **Integrated Service Solutions (ISS)**.

> **"Whether taking a holiday flight with *Jet2.com*, or *Real Package Holidays™* with *Jet2holidays*, we recognise that this is one of the most important family experiences of the year."**

We are very pleased that the financial year ending 31 March 2019 sees the start of our Discretionary Colleague Profit Sharing Scheme, to reward those colleagues who do not already participate in performance related bonus or commission schemes and who have been employed for at least 12 months at each financial year end. 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 and Distribution & Logistics businesses. We are delighted to be sharing our success with our wonderful colleagues!

Leisure Travel

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

Whether taking a holiday flight with ***Jet2.com***, or ***Real Package Holidays™*** with ***Jet2holidays***, we recognise that this is one of the most important family experiences of the year. We therefore do our very best to ensure each of our customers **"has a lovely holiday"** that can be both eagerly anticipated and fondly remembered, supported by our core principles of being family friendly, offering value for money and giving great customer service.

We know that a great holiday experience, which creates wonderful memories, engenders loyalty and repeat bookings for our ***Real Package Holidays™***, to which we can add value through innovation and customer service. We continually strive to improve our customers' choice, experience and enjoyment and believe that sustained investment in our products, brands and customer service excellence, plus the consistent delivery of an attractive holiday experience, gives us the greatest opportunity to retain and attract new customers – the key to continuing profitable growth.

In the past year we have expanded our hotel portfolio to over 3,400 hotels (summer 2017: over 2,900 hotels), often placing substantial deposits to secure dependable and competitive room offerings in the most attractive properties. Encompassing a wide range of great value 2 to 5-star accommodation, catering for the young, not so young and families alike, many have adjacent waterparks and other great attractions included in the package, adding to the overall holiday experience.

Our market leading **Resort Flight Check-In®** service, which allows ***Jet2holidays***' customers to check-in their bags at their hotel before going to the airport for their flight home, continues to be extremely popular. As a result, we have expanded the service to over 250 hotels for summer 2018 (summer 2017: over 180 hotels) in 9 key holiday destinations – Alicante; Fuerteventura; Gran Canaria; Lanzarote; Larnaca; Majorca; Malaga; Paphos; and Tenerife.

Jet2Villas, our new ATOL protected ***Jet2.com*** flight + car + villa package was launched in June 2017 and offers a range of over 1,600 self-catering villas, many with a private pool, in more than 30 European beach destinations, all at very competitive prices and for just a £60 per person deposit! ***Jet2CityBreaks***, which offers a packaged flight + hotel in attractive European Leisure Cities also continues to grow profitably at a very encouraging rate.

And, in summer 2018, over 600 customer helpers will be employed in 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.

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 service, with customer helpers on hand to assist. We carefully control the quality of the flight experience, with passengers travelling on ***Jet2.com*** operated aircraft with our cabin crew and pilots intent on ensuring that the holiday starts and finishes with a relaxed and pleasant flight.

Our Chairman's Statement
continued

Package Holidays You Can Trust

In summer 2017, ***Jet2.com*** operated 75 aircraft (summer 2016: 64) and we were very pleased to be recognised as the Top UK Airline for Punctuality of flights running on time over the previous 12 months, by the world's leading travel intelligence company OAG.

We have continued to develop our customer-focused flying programme into summer 2018 where the aircraft fleet has increased to 90, with a commensurate increase in pilots, engineers and cabin crew.

The delivery of consistently great service is very much at the heart of ***Jet2.com*** and ***Jet2holidays*** brand values and to underpin this, we enthusiastically promote a company-wide engagement programme called 'Take Me There', ensuring every colleague in the business has received training on the importance of delivering service excellence at each point in our customers' journey. We are therefore very pleased to have been recognised in the latest UK Customer Satisfaction Index published by the Institute of Customer Service, as the highest ranked airline and package tour operator for customer service and by **TripAdvisor** as the only UK and European airline ranked in the Top 10 Airlines in the World.

Jet2holidays has now grown to be the UK's second largest ATOL licensed package holidays tour operator. Whilst our flight-only product remains very important, we believe our expanding package holiday business has tremendous potential. Consistently organising high quality, enjoyable, dependable and memorable holidays for our customers and delighting them from start to finish, engenders brand loyalty and repeat bookings. This, together with sustained investment in product and service, leads us to believe we have a great future in the UK Leisure Travel marketplace.

(*) ATOL, which is managed by the Civil Aviation Authority ('CAA'), is a statutory licensing scheme which also provides financial protection to consumers of licensable air travel. As a licensing scheme it ensures that only businesses regarded as financially robust and fit can sell licensable travel, and as a financial protection scheme it ensures that if an ATOL holder fails, affected consumers are either repatriated or receive a replacement holiday or a refund

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 value added 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.

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 year, the business benefited from the first full year of its Dairy Crest operation at Nuneaton, which commenced in June 2016. This operation adds to the geographical reach of our significant chilled distribution services and contributed positively in the year.

Fowler Welch continues to focus on growing its revenue pipeline and developing existing and new business opportunities. The development of innovative value adding solutions for its customers was recently recognised, as **Fowler Welch** won The Grocer Gold Logistics Supplier of the Year Award 2018. With its well-positioned supply chain network, a strong and experienced management team, a skilled workforce that prides itself on high standards of customer service, price competitiveness and an ability to provide flexible and innovative solutions, we are encouraged by the opportunities available for **Fowler Welch**.

Outlook

Demand for our leisure travel products has strengthened since the start of the new financial year and given current forward bookings we expect that Group profit before foreign exchange revaluations and taxation for the financial year ending 31 March 2019, will substantially exceed current market expectations.

Looking further ahead, emerging cost pressures coupled with the overall uncertain UK economic outlook, particularly related to Brexit and how it may impact on consumer spending, means we remain unclear how demand will develop in the medium term.

For the long term however, our strategy remains consistent – to grow both our flight-only and package holiday products. ***Real Package Holidays™*** take considerable organisation and attention to detail and are not easily replicated by non-specialists.

The Group dedicates significant resources to deliver an innovative and industry leading product and together with our scale, experience, competitiveness and customer focused approach, we believe we have a strong and resilient **Leisure Travel** business.

Philip

Philip Meeson
Executive Chairman
12 July 2018

Business & Financial Review

Our Manchester Maintenance Hangar

The Group's financial performance for the year ended 31 March 2018 is reported in line with International Financial Reporting Standards ("IFRS"), as adopted by the EU.

Summary Income Statement	2018 £m	2017 £m	Change
Revenue	**2,391.8**	1,729.3	*38%*
Net operating expenses	**(2,261.2)**	(1,626.3)	*(39%)*
Operating profit	**130.6**	103.0	*27%*
Net financing costs	**(16.3)**	(2.0)	
Profit on disposal of property, plant and equipment	**0.3**	–	
Group profit before FX revaluations and taxation	**114.6**	101.0	*13%*
Net FX revaluation gains / (losses)	**20.0**	(10.9)	
Group profit before taxation	**134.6**	90.1	*49%*
Net financing (income) / expense (including net FX revaluations)	**(3.7)**	12.9	
Depreciation	**111.6**	87.0	*(28%)*
EBITDA	**242.5**	190.0	*28%*
Operating profit margin	**5.5%**	6.0%	*(0.5 ppts)*
Group profit before FX revaluations & taxation margin	**4.8%**	5.8%	*(1.0 ppts)*
Group profit before taxation margin	**5.6%**	5.2%	*0.4 ppts*
EBITDA margin	**10.1%**	11.0%	*(0.9 ppts)*

It was a strong year of passenger growth for both ***Jet2.com*** and ***Jet2holidays***, but challenging in terms of summer 2017 pricing. However, net ticket yields improved in the second half of the year as the pricing environment normalised. The passenger volume increase, plus a £5.1m increase in Distribution & Logistics revenue to £168.6m (2017: £163.5m), resulted in Group revenue increasing by 38% to £2,391.8m (2017: £1,729.3m).

The growth of our leisure travel products resulted in an overall 46% increase in passenger sectors flown (2017: 17% increase). However, the mix of our higher margin package holidays decreased slightly as a percentage of overall passengers to 48.3% (2017: 48.7%), as a result of stronger flight-only demand in the second half and the dilution effect of the first seasons of operation of our two new operating bases at Birmingham and London Stansted.

Operating losses for the second half increased, as we continued to invest in people, aircraft and marketing in readiness for our expanded summer 2018 flying programme, together with careful cost investment to further differentiate our product and improve the customer experience. As a result, overall Group operating profit for the year increased by 27% to £130.6m (2017: £103.0m).

Net financing income of £3.7m (2017: net cost of £12.9m) was after both a charge for finance costs of £21.1m (2017: £5.1m) and a credit of £20.0m (2017: £10.9m charge) for foreign exchange revaluation gains arising from US dollar denominated aircraft debt and other foreign currency denominated balances. The year-on-year increase in finance costs was a result of borrowings drawn to fund the acquisition of the Group's new Boeing 737-800NG aircraft deliveries. 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 to comply with the requirements of IFRS.

As a result, the Group achieved a statutory profit before taxation for the year of £134.6m (2017: £90.1m). Group EBITDA increased by 28% to £242.5m (2017: £190.0m). The Group's effective tax rate of 18% (2017: 15%) was marginally lower than the 19% headline rate of corporation tax due to the recognition of deferred tax at 17%. Basic earnings per share increased by 44% to 74.59p (2017: 51.80p).

Summary of Cash Flows	2018 £m	2017 £m	Change
EBITDA	**242.5**	190.0	*28%*
Other income statement adjustments	**0.1**	0.4	*(75%)*
Movements in working capital	**184.6**	147.9	*25%*
Interest and taxes	**(12.3)**	(7.2)	*(71%)*
Net cash generated from operating activities	**414.9**	331.1	*25%*
Purchase of property, plant and equipment	**(411.1)**	(473.9)	*13%*
Movement on borrowings	**329.4**	424.4	*(22%)*
Other items	**(13.6)**	(4.6)	*(196%)*
Net increase in cash and money market deposits[(a)]	**319.6**	277.0	*15%*

(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.

The Group generated increased net cash flow from operating activities of £414.9m (2017: £331.1m), driven by the Leisure Travel business trading performance. Total capital expenditure incurred of £411.1m (2017: £473.9m) includes the purchase of both new Boeing 737-800NG and mid-life aircraft, plus pre-delivery payments, which have been substantially financed, for further new aircraft deliveries. Additionally, we continued to invest in the long-term maintenance of our existing aircraft fleet and funded the set-up of aircraft self-handling operations at East Midlands, Birmingham and London Stansted airports.

New loans totalling £458.2m (2017: £515.6m) were drawn down, as the Group secured both commercial debt and on balance sheet finance lease funding for the purchase of the new Boeing aircraft deliveries, offset by £128.8m (2017: £91.2m) of aircraft loan repayments. Overall, this resulted in a net cash inflow of £319.6m (2017: £277.0m) and an improved year-end gross cash position, including money market deposits, of £1,008.6m (2017: £689.0m). Net cash, stated after borrowings of £806.6m (2017: £520.5m), was £202.0m (2017: £168.5m).

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 £747.5m (2017: £553.9m). Of these customer advances, £80.3m (2017: £82.9m) 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 (2017: £nil).

Summary Balance Sheet	2018 £m	2017 £m	Change
Non-current assets[(b)]	**1,089.8**	813.3	*34%*
Net current assets[(c)]	**725.2**	533.9	*36%*
Cash and money market deposits	**1,008.6**	689.0	*46%*
Deferred revenue	**(1,455.7)**	(1,078.0)	*(35%)*
Borrowings	**(806.6)**	(520.5)	*(55%)*
Deferred tax	**(71.5)**	(53.5)	*(34%)*
Derivative financial instruments	**39.1**	47.2	*(17%)*
Total shareholders' equity	**528.9**	431.4	*23%*

(b) Stated excluding derivative financial instruments.

(c) Stated excluding cash and cash equivalents, money market deposits, deferred revenue, borrowings and derivative financial instruments.

Business & Financial Review

Leisure Travel

Self Handling in many of our UK Bases

In December 2017, the Group completed the refinancing of its existing banking facilities, replacing them with a £100m committed 5-year facility.

The Group continues to comfortably 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 £97.5m (2017: £112.7m) which primarily comprised profit after taxation of £110.7m (2017: £76.7m) and an adverse (2017: favourable) movement in the cash flow hedging reserve. This movement was primarily a result of the reversal of in-the-money currency and jet fuel forward contracts held at the end of the previous financial year which matured in the year, offset by a net out-the-money movement on currency forward contracts, which mature after the reporting date.

Segmental Performance – Leisure Travel

Flown passengers in the Leisure Travel business increased by 46% to 10.38m (one-way passenger sectors) (2017: 7.10m). Encouragingly, 58% of the total year-on-year passenger growth of 3.28m resulted from our two new operating bases at Birmingham and London Stansted which are already proving popular, with many passengers having chosen ***Real Package Holidays™*** with ***Jet2holidays***.

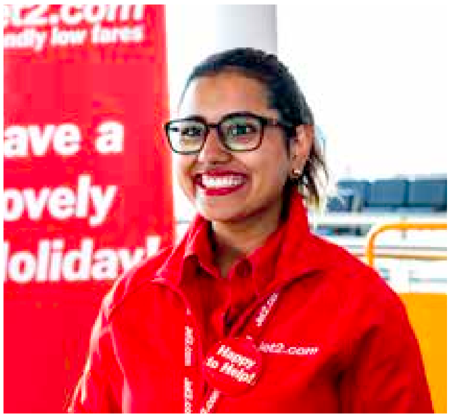
Average net ticket price per passenger reduced by 15% to £73.65 (2017: £86.65) as a challenging first half of the year gave way to a more normalised pricing environment in the second half. The average load factor increased to 92.2% (2017: 91.5%), a particularly encouraging performance given this included the first year of operation from our two new bases.

The percentage of customers taking shorter duration package holidays increased during the year, whilst the percentage taking all-inclusive holidays at 41% and higher value 4 and 5-star packages at 54% has remained consistent. The cost of acquiring hotel rooms increased, primarily because of the stronger Euro which directly impacted package holiday price. Some of this cost increase was absorbed by the business to drive increased package holiday customer volumes and to drive market share. The overall average price of a package holiday increased to £633 (2017: £617).

Non-ticket retail revenue per passenger increased by 1% to £33.25 (2017: £33.01). This revenue stream, which is primarily discretionary in nature, continues to be optimised through our customer contact programme as we focus on both Pre-departure and In-flight sales.

As a result, total Leisure Travel revenue grew by 42% to £2,223.2m (2017: £1,565.8m).

The Real Package Holidays™ experience allows greater value to be added through product innovation and service at each point in the customer's journey. We recognise that investing for the long-term success of the business, leading the market in differentiating our product and pleasing the customer from start to finish, lends itself to customer brand loyalty and therefore a better quality of recurring revenue and profitability.



Our market leading **Resort Flight Check-In®** service, which allows customers to check-in their baggage for their return flight at their hotel and enjoy a hassle and bag free final day in resort, is extremely attractive. As a result, this service has been expanded to over 250 hotels in 9 key holiday destinations for summer 2018 (summer 2017: 180 hotels). Our ***Jet2Villas*** product, launched in June 2017 is also proving popular, offering the freedom of a great value ***Jet2.com*** flight + car + villa holiday wrapped up in one ATOL protected package and has been expanded to over 1,600 villas in more than 30 destinations for summer 2018. We also took the opportunity to set up our own aircraft self-handling operations at East Midlands, Birmingham and London Stansted airports, to improve on-time performance and customer service.

This incremental investment, together with the pre-summer 2018 costs required to support the ongoing growth in the flying programme, led to an increase in second-half losses, resulting in the overall Leisure Travel operating profit for the year increasing by 28% to £126.2m (2017: £98.5m).

For many families, booking a holiday is the most important purchase of the year and we recognise that every customer has different aspirations and needs. Our booking channels reflect this, as close to 60% 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.

Investment in, and development of, digital strategy is integral to the Leisure Travel business. Its capability helps to build customer loyalty, drive revenue growth and deliver greater customer satisfaction. Increasing numbers of customers make online bookings through mobile platforms as functionality and accessibility improve and the development of our websites and apps continue to deliver efficiencies as customers find it easier to search for, and ultimately book, holiday flights and package holidays. Additionally, we continue to build on the strong foundation of our existing Customer Relationship Management programme and are working to increasingly deliver personalised communications to customers to strengthen our already strong relationships with them.

We also recognise that personal interaction is important for many customers when making such an important purchase, to ensure their individual needs are catered for. Currently 17% (or approximately 400,000) of our package holiday customers book through our customer contact centres in Leeds, Manchester and Palma, Majorca, which employ over 500 sales and customer service advisers. Approximately a quarter of our package holiday sales come through independent travel agents, who are considered very valuable and important distribution partners for the business.

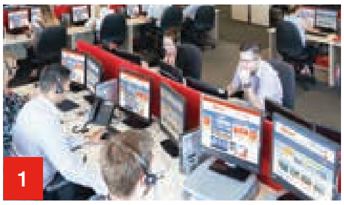
Looking forward, we will continue to innovate and differentiate our product supported by a broad, imaginative marketing strategy and underpinned by great customer service, to ensure that ***Jet2*** is always front of mind when a customer considers booking a holiday.

Business & Financial Review

Leisure Travel continued

Leisure Travel Financials	2018 £m	2017 £m	Change
Revenue	**2,223.2**	1,565.8	*42%*
Net operating expenses	**(2,097.0)**	(1,467.3)	*(43%)*
Operating profit	**126.2**	98.5	*28%*
Net financing costs	**(16.3)**	(2.0)	
Profit on disposal of property, plant and equipment	**0.3**	–	
Profit before FX revaluations and taxation	**110.2**	96.5	*14%*
Net FX revaluation gains / (losses)	**20.0**	(10.9)	
Profit before taxation	**130.2**	85.6	*52%*
Net financing (income) / costs (including net FX revaluations)	**(3.7)**	12.9	
Depreciation	**108.9**	84.5	*(29%)*
EBITDA	**235.4**	183.0	*29%*
Operating profit margin	**5.7%**	6.3%	*(0.6 ppts)*
Profit before FX revaluations & taxation margin	**5.0%**	6.2%	*(1.2 ppts)*
Profit before taxation margin	**5.9%**	5.5%	*0.4 ppts*
EBITDA margin	**10.6%**	11.7%	*(1.1 ppts)*

Have a Lovely Holiday!



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

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

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

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

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

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.

Great choice of hotels with water parks

Business & Financial Review

Distribution & Logistics

Segmental Performance – Distribution & Logistics

Revenue at **Fowler Welch** increased by 3% to £168.6m (2017: £163.5m) as the full year effect of the Dairy Crest operation at Nuneaton, plus growth at our Teynham, Washington and Heywood sites, was partially offset by lower revenue at our Spalding operation.

Our 156,000 square foot depot at Spalding in the major growing region of Lincolnshire, is one of the largest chilled food consolidation hubs in the UK and is the largest chilled site in the **Fowler Welch** network. Revenue from this operation reduced by 3.5% in the year, primarily a result of the planned movement of volume to other company sites to create space to upgrade the warehouse facility. The subsequent £2m investment in new white walling, lighting and racking, to what is already a very successful operation, has created a more efficient and modern environment from which to attract new customers.

Revenue from our Kent operations at Teynham and Paddock Wood distribution centres increased by close to 7%, primarily due to the commencement of a new contract for the distribution of salads. These distribution facilities sit in the heart of the county's fruit growing areas and provide packing and distribution services for this important local industry and for businesses importing fruit and produce from across the English Channel.

Integrated Service Solutions (ISS), **Fowler Welch**'s joint venture operation at Teynham, which ripens, grades and packs a variety of stone fruit, berries and exotic fruits, had a challenging year as volume fluctuation, new line implementation, shorter production runs and retailer promotional peaks stretched the operational team. Recovery took time to implement and pleasingly, with improved controls now in place, the final quarter's performance was encouraging and this has continued into the new financial year.

The Hilsea depot, which is located near to Portsmouth International Port, warehouses, consolidates and distributes supplies of salads, herbs and vegetables to UK retailers. In what was another year of encouraging performance, the business increased operating profit from slightly reduced revenues, as it delivered operating efficiency improvements.

Distribution & Logistics Financials	**2018 £m**	2017 £m	*Change*
Revenue	**168.6**	163.5	*3%*
Net operating expenses	**(164.2)**	(159.0)	*(3%)*
Operating profit	**4.4**	4.5	*(2%)*
Net financing costs	**–**	–	*–*
Profit before taxation	**4.4**	4.5	*(2%)*
Depreciation	**2.7**	2.5	*(8%)*
EBITDA	**7.1**	7.0	*1%*
Operating profit margin	**2.6%**	2.8%	*(0.2 ppts)*
Profit before taxation margin	**2.6%**	2.8%	*(0.2 ppts)*
EBITDA margin	**4.2%**	4.3%	*(0.1 ppts)*

The regional distribution operations at Washington in Tyne and Wear and Newton Abbot, near Exeter in Devon, provide direct store delivery services on behalf of leading retailers to over 100 stores every day. Both improved their operating profit performance year-on-year, as they reacted swiftly to handle additional volume following the failure of a major UK wholesaler.

The operation at Nuneaton, near Coventry, significantly improved its operating profit performance, due to a full year of trading (the operation having commenced in June 2016), the planned transfer of incremental volume from Spalding to allow upgrades to that depot, plus new customer wins as the operation progressively expands.

The Heywood 'Hub' is **Fowler Welch**'s 500,000 square foot ambient (non-temperature controlled) shared user and distribution centre near Bury, Greater Manchester. Considerable operational progress was made during the year as several new suppliers for its major retail client were successfully implemented. In addition, a new material commercial agreement with a mixed fruit soft drink manufacturer was implemented. With strong customer relationships and ongoing investment in its infrastructure, the year ahead for Heywood is set to be positive.

Several projects were also successfully delivered in the year – the roll out of a fleet of Lithium Ion warehouse handling equipment to improve operating efficiency and a further 4.1% improvement in vehicle miles per gallon, a result of continued focus on driver training and operational efficiency – these were key factors in **Fowler Welch** winning the ***Waste2Zero Award for Best Practice in Logistics***.

Though the marketplace remains extremely competitive, **Fowler Welch**'s principles of adding value for customers through Listening, Responding and Delivering remain undiminished. With its strong and committed team, a well-positioned national network of sites and the expertise to operate effectively in both the temperature-controlled (chill and produce) and ambient arenas, **Fowler Welch** has strong operational foundations from which to continue to grow.

Field to Consumer

1

❮ Picked

Tulips are picked in Spalding Lincolnshire, where they are grown from bulbs in vast greenhouses.

❯ Processed

They are then measured and cut with care to ensure the flowers are all the same size in each bouquet.

2

3

❮ Packed

Wrapped in special packaging ensures the flowers keep their freshness and allows the retailer to guarantee they will be at their best for up to 5 days.

❯ Delivered

Our colleagues then collect from the farms and deliver into retail distribution centres or stores, the same day.

4

5

❮ Purchased

Delighting our customers is at the core of **Fowler Welch**, whether it be daily and weekly deliveries or supporting them through peak trading periods, such as Mother's Day.

❯ Enjoyed!

6

Key Performance Indicators

Leisure Travel Key Performance Indicators	2018 £m	2017 £m	Change
Number of routes operated during the year	**306**	235	*30%*
Leisure Travel sector seats available (capacity)	**11.27m**	7.76m	*45%*
Leisure Travel passenger sectors flown	**10.38m**	7.10m	*46%*
Leisure Travel load factor	**92.2%**	91.5%	*0.7 ppts*
Flight-only passenger sectors flown	**5.37m**	3.64m	*48%*
Package holiday passenger sectors flown	**5.01m**	3.46m	*45%*
Package holiday customers	**2.50m**	1.73m	*45%*
Net ticket yield per passenger sector (excl. taxes)	**£73.65**	£86.65	*(15%)*
Average package holiday price	**£633**	£617	*3%*
Non-ticket revenue per passenger sector	**£33.25**	£33.01	*1%*
Average hedged price of fuel (per tonne)	**$516**	$467	*10%*
Fuel requirement hedged – next 12 months	**90%**	97%	*(7.0 ppts)*
Advance sales made as at 31 March	**£1,455.7m**	£1,078.0m	*35%*

Handling our Aircraft at Manchester Airport

Distribution & Logistics Key Performance Indicators	2018	2017	Change
Warehouse space as at 31 March (square feet)	**897,000**	897,000	–
Number of tractor units in operation	**515**	487	*6%*
Number of trailer units in operation	**742**	669	*11%*
Miles per gallon	**9.7**	9.3	*4%*
Annual fleet mileage	**49.4m**	40.5m	*22%*

See Glossary of Terms on page 92 for further details.

One of our Fowler Welch trucks out for collections

Risk Management

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 they 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 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;
- A Risk Management forum (comprising the Leisure Travel Operational Directors), the objectives of which are: to ensure that an effective risk management process is operating throughout the organisation; and to be actively involved in identifying, updating, assessing and managing those risks most significant to the long-term value of the organisation;
- Regular management and statutory board meetings within the Distribution and Logistics business at which risk management is discussed;
- 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 Description	Mitigation
Safety and Security 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.	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 action groups and steering committees. Compliant and effective Safety Management System oversight is provided by the appropriate use of occurrence report investigations, flight data management, safety risk management, health and safety and aviation security inspections, together with compliance & assurance audits across our operations. All airline safety and security matters are managed by our Safety, Compliance and Security 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 safety risk that require closer attention. ***Jet2holidays***' commitment to customer safety is monitored through the delivery and regular review of the package holiday safety management system. 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 business processes and procedures. Supplier compliance is reviewed prior to any hotel being 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. The recruitment of Overseas Risk & Safety Managers has proven to be effective in providing both a rapid response to emerging risks and a support and advice resource for suppliers on safety related issues. A Risk and Safety Steering Committee, chaired by the Chief Executive Officer of ***Jet2holidays***, meets monthly to oversee the delivery of the safety strategy and to discuss any specific risks which have been identified during the compliance process. The Committee also recommends the health and safety strategy implemented by the Board.

Risk Management
continued

Risk Description	Mitigation
Competition The Group could be impacted by competitor activity in each business area. The Leisure Travel business operates in competition with tour operators, on-line travel agents and low-cost airlines and changes to capacity and pricing can have an adverse financial impact.	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 its great value proposition remains attractive to its customers. We continue to work alongside and invest in relationships with selected hoteliers to secure dependable and competitive room offerings that meet our customers' requirements. The development of digital strategy is integral to the Leisure Travel business. Its capability helps to build customer loyalty, drive revenue growth and deliver greater customer satisfaction. Increasing numbers of customers make online bookings through mobile platforms as functionality and accessibility improve and the development of our websites and apps continue to deliver efficiencies as customers find it easier to search for, and ultimately book, holiday flights and package holidays. We also continue to differentiate our Leisure Travel business through innovative product development and the provision and expansion of added value services, such as our **Resort Flight Check-In®** service. 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** growing its revenue pipeline and developing existing and new 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 The Group is reliant on a number of key IT systems and processes, their scalability and ongoing development. The loss of access to these systems, or the ***Jet2.com*** and ***Jet2holidays*** websites may result in significant disruption to operations and could adversely impact the Group's reputation and financial performance.	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. 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 and has recently introduced a 24 / 7 onsite IT Operations function. The Group uses leading web application protection and denial of service protection services. The Group carries out regular, comprehensive, internal and external vulnerability scanning and penetration testing 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. In preparation for the General Data Protection Regulation, the Group carried out a complete review of all information systems, data feeds and suppliers to ensure appropriate technical and organisational measures are in place.
Input cost volatility The Leisure Travel business incurs considerable operational costs which are euro and US dollar denominated and can be exposed to sudden movements in exchange rates. 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 remains important.	The Group's strategy is to manage foreign exchange rate and fuel price risk via forward currency contracts and aviation fuel swaps with approved counterparties. 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. 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 21 to the consolidated financial statements.

Risk Description	Mitigation
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 strategy is to manage interest cost risk via interest rate swaps with approved counterparties. 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 21 to the consolidated financial statements.
Economic conditions 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 provide scheduled holiday flights by its airline, ***Jet2.com***, and ATOL licensed package holidays by its tour operator, ***Jet2holidays***, to leisure destinations in the Mediterranean, the Canary Islands and to European Leisure Cities. The Leisure Travel business has built a strong brand and reputation for providing ***Package Holidays you can trust®***. Sustained investment in its products, brands and customer service excellence, plus the consistent delivery of an attractive holiday experience, gives the business the greatest opportunity to retain and attract new customers – the key to continuing profitable growth.
Government policy and regulatory intervention 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 and on-time performance. The Group will also continue to engage with policy setters and regulators to encourage legislation that is fit for purpose and to ensure full awareness of proposed future changes.
Environmental 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, our commercial centre in Leeds gives us the ability to run our business from more than one site, which supports business continuity planning. The business has a dedicated emergency response facility from which our response to serious operational incidents can be managed and performs regular emergency management exercises. We have automated systems to support the activation of our emergency response team enabling us to respond promptly to incidents, deploy appropriate solutions and thereby mitigate the impact on our customers and limit any potential interruption to our business. The Group also maintains prudent levels of liquid funds to enable the business to continue to operate through a period of sustained disruption.
Recruitment and retention of talent The current and future success of the business is reliant on the recruitment and retention of the right people with the right capabilities. Inability to recruit and retain key personnel may impact adversely on the Group's ability to deliver its strategic objectives.	The Group prepares and executes role specific seasonal recruitment campaigns to recruit and train the resources required to deliver our operational plan. The Group also operates a defined leadership framework, which enables the business to identify those colleagues who have the potential to develop into leadership roles and supports the succession planning process.

Risk Management
continued

Risk Description	Mitigation
Brexit Brexit risk reflects the potential impact of the UK's decision to leave the EU on the Group's operations and financial position.	Brexit is the subject of negotiation between the UK Government and the EU and the full implications for the Group remain unclear. The following points are deemed to be of continuing importance for the Group: • the continuation of the 3rd and 4th freedom flying rights (ability to carry passengers from one's own country to another, and from another country back to one's own) through the UK's continued membership of the European Common Aviation Area or through a separate Air Transport Agreement; • the impact of Sterling volatility during this period of political uncertainty, and the close management of the Group's hedging policy to mitigate this; • the question of visa-free (and ETIAS charge-free) travel between the UK and the EU; • the understanding of the implication of possible taxation and border changes; and • the question of the UK business's access to European employment markets. The Directors continue to closely monitor negotiations between the UK Government and the European Commission, reviewing the latest political developments, attending relevant briefing meetings and workshops and engaging in discussions with the Department for Transport, the Department for Exiting the European Union, the UK Civil Aviation Authority – our regulator, and trade associations.
Liquidity and capital risk 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. 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. A regular assessment is made of the Group's banking facility covenant compliance and the UK Civil Aviation Authority's Available Liquidity Test. The Group maintains prudent levels of liquid funds to enable the business to continue to operate through fluctuations in economic conditions or through a period of sustained disruption.

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 45 and the reporting responsibilities of the Auditor are set out in their report on page 50.

Viability Statement

The Directors have prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2021, 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.

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, as outlined, its ability to mitigate and manage those risks. 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 2021.

Gary Brown
Group Chief Financial Officer
27 July 2018

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! Our UK Leisure Travel business specialises in the provision of scheduled holiday flights by our award-winning leisure airline, ***Jet2.com***, and ATOL licensed package holidays by our acclaimed tour operator, ***Jet2holidays***, to destinations in the Mediterranean, the Canary Islands and to European Leisure Cities.

Whether taking a holiday flight with ***Jet2.com***, or **Real Package Holidays™** with ***Jet2holidays***, we recognise that this is one of the most important family experiences of the year. We therefore do our very best to ensure each of our customers ***"has a lovely holiday"*** that can be both eagerly anticipated and fondly remembered, supported by our core principles of being family friendly, offering value for money and giving great customer service.

Fowler Welch focuses on adding value through **Listening**, **Responding** and **Delivering** for its customers, utilising 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. All of these are 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.

Since ***Jet2holidays*** inception, we have carefully developed relationships with over 3,400 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 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, and also minimising the carbon impact per unit of product delivered.

During 2018, ***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, an 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. Sixty-seven of the aircraft it operates are now 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 being Socially Responsible and 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. In the year, vehicle miles per gallon improved by a further 4.1% reflecting **Fowler Welch**'s commitment to sustainability. This commitment was recognised by receipt of the "Best Practice in Logistics Award 2017" at the Waste2Zero Awards.

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. Working in partnership with key customers, **Fowler Welch** has also worked to reduce its carbon foot print through reducing food miles driven.

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. 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**.


Happy to Help!
Jet2.com
Jet2.com
Jet2.com
Customer Helper
Jess
Jet2.com

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 regular 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. This 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 ("MDP"). People managers across all areas of the business benefit from the MDP, 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 high standard of pilot training delivered in-house by over 170 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 Pilot Apprentice Scheme – to operate all types of ***Jet2.com*** aircraft. Following such a course, all ***Jet2.com*** pilots are rigorously assessed every six months and provided with support and development training 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. Prior to flying, new entrants must have successfully completed our intensive four-week training course that meets EASA requirements. All cabin crew attend the business's state-of-the-art training centre where their theoretical training is put into practice and, each 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. Additionally, they receive frequent continuation training, which is supplemented with technical update training across all line and base maintenance facilities every year.

The ***Jet2.com*** engineering training team are UK CAA Part 147 approved and able to deliver aircraft type rating training to engineering colleagues for all three of the fleet types currently operated. The team are also an Approved Apprenticeship Learning Provider and hold City and Guilds approval enabling them to deliver an approved in-house 4-year Engineering Apprenticeship scheme.

Jet2.com Ground and Overseas Operations colleagues receive an intensive induction programme before commencing their roles; this focusses on the key elements of the role, whilst ensuring safety and security are paramount at all times. On-the-job support is provided to ensure all colleagues have the skills and behaviours to complete the role to the highest standards.

The team consists of approximately 80 qualified trainers covering the UK, Spain and Portugal. Each year, every colleague also receives refresher training to ensure standards of customer service and safety are maintained.

Fowler Welch launched its Driver Apprentice Scheme during the year, welcoming over 20 new colleagues onto the program. 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. 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.

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. In the year, the recognition scheme was enhanced to drive increased participation and engagement. The scheme provides monthly and quarterly awards for behaviour and successes that deserve special acknowledgement and support the company's mission.

We are very pleased that the financial year ending 31 March 2019 sees the start of our Discretionary Colleague Profit Sharing Scheme, to reward those colleagues who do not already participate in performance related bonus or commission schemes and who have been employed for at least 12 months at each financial year end. 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. We are delighted to be sharing our success with our wonderful colleagues!

Our Leeds Contact Centre

Communication

The Group recognises the importance of promoting and maintaining good communication 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 have an appreciation of 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, covers every UK-based Leisure Travel colleague. 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 actively 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 has also implemented 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.

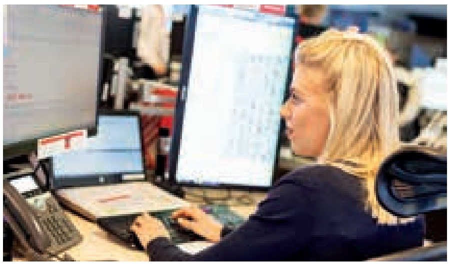
Equality and diversity

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.

Over
9320
employees for summer 18

Over
2870
Flight Deck and Cabin Crew for summer 18

Over
615
employees delivering Resort Flight Check-In



Leisure Travel employee numbers correct at time of print, August 2018.

Case Study
The Ultimate School Trip

Last November our Social Media Team launched the exciting Ultimate School Trip campaign, giving one school class from each of our nine UK airport regions the chance to win the school trip of a lifetime with *Jet2holidays* at Sol Katmandu Park & Resort in Majorca.

The aim of this campaign was to further grow our rapidly expanding fan base on social media and showcase our family friendly ethos in style. Even more, this campaign was designed to take our brand out into the community by supporting schools with education and funding.

A high impact launch

The competition, aimed at school children aged 9-13, was launched with a bang with kid's TV legends, Dick & Dom, the celebrity faces of the campaign.

In order to win a place on the trip, pupils were encouraged to jet-power their imaginations and produce their own promotional piece for Katmandu Park, whether that be a poster, poem, song or video. A dedicated campaign website was created, providing lots of tips and inspiration for both teachers and pupils.

To generate even more excitement and brand engagement, we ran a series of roadshows to announce the competition in Primary and Secondary schools all over the UK. In total we visited 28 schools and the reception was absolutely brilliant, especially as we took along the Katmandu mascots, Maiya and Kumar!

A full communications plan was also activated to raise as much awareness as possible during the entry driving phase, including media relations, paid social activity, a dedicated email campaign and targeted advertising.

Amazing entries

The competition closed on 28 February 2018 and we were blown away with the quality of the 1,659 entries we received. There were raps, poems, pop up books, models, a stop motion animation and even a catchy song!

Emmerdale star, Anthony Quinlan, was tasked with the tough job of selecting our shortlist of five schools in each of our airport regions to go up for the public vote. In addition to being shortlisted, each of these 45 schools also received £1,000 worth of school equipment vouchers.

Campaigning for votes

The public vote, which took place from 12 to 16 March 2018, saw schools encouraging their communities to secure as many votes as possible, with pupils putting posters in shop windows, organising rallies, bag packing in supermarkets and hitting local TV & radio stations.

Over 100,000 people voted for the 45 schools within the shortlist!

Our nine winning schools were:

- Canal View Primary (Edinburgh)
- Loudoun Montgomery Primary (Glasgow)
- Newburn Manor Primary (Newcastle)
- Southwark Primary (East Midlands)
- St Luke's Primary (Leeds Bradford)

- St Patrick's Primary (Belfast)
- St Paul's Primary (Birmingham)
- Tirlebrook Primary (London Stansted)
- Waterfoot Primary (Manchester)

Planning, passports & PMQs

We then had the task of organising the Ultimate School Trip overseas for our nine winners. We teamed up with leading school trip operator, WST Travel, to support on the logistics and safeguarding involved in taking young children abroad without their parents.

As several of these schools were in deprived areas, many of the children's parents were unable to afford passports. We therefore stepped in and spent £6,000 in passport fees to ensure 79 children didn't miss out on this once-in-a-lifetime trip. As always, we were happy to help where needed, and also donated a suitcase of clothes and sun cream for some, to ensure that everyone was packed and ready to go on their fantastic trip.

Ultimate School Trip even made it into Prime Minister's Questions after the Home Office blocked one of the boys, a Syrian refugee, from travelling because he couldn't get the right travel documents in time. The local MP pleaded his case to Theresa May who immediately got the Home Secretary to look into it and allow him to travel.

The ultimate school trip weekend

The weekend of the Ultimate School Trip finally arrived! On 20-22 April 2018 we whisked 260 children and 49 teachers away for two days of fun and learning at Sol Katmandu Park & Resort, which our Branding Team transformed into a ***Jet2holidays*** village with 600 square metres of branding.

The pupils had an amazing time taking part in educational workshops with celebrity hosts including Dick & Dom, CBBC's Angellica Bell and Diversity's Jordan Banjo. The workshops focused on science, drama and crafts, and gave the pupils all the buzz and excitement you would expect from a school trip in the sunshine.

The children also enjoyed a host of awesome experiences, including a VIP send off at UK airports, a welcome dinner with the celebrities and the ultimate Kandu party! We even arranged a special trip to the beach for some of the pupils who had never been to a beach before.

> **"Thanks for the amazing week we've had. We've had radio interviews, time on the local press, packing bags for votes... It's really brought our whole school and town community together."**

Chris Tomkins, Tirlebrook School Teacher

Furthermore, five pupils and one lucky teacher scooped a free holiday back to Sol Katmandu Park & Resort with ***Jet2holidays*** in summer 19 with their family, after winning a Star Prize holiday hunt!

Results

This campaign was a huge success in terms of building brand engagement, awareness and positive sentiment, particularly on our social media channels and in consumer media. Overall we achieved a combined audience reach of 11.8 million on our social channels and an engagement rate of 7%. In addition, we generated more than 300 pieces of national and regional media coverage.

It has also delivered results with both ***Jet2holidays*** and Sol Katmandu seeing a spike in website traffic during key points in the campaign period.

Most of all, we created happy memories for the 260 pupils and 49 teachers on this trip. For many, this was the first time they had enjoyed a holiday abroad and we are proud to have all worked together as one team to give these children the school trip of a lifetime!

Our Governance

Corporate Governance Statement

The Group is committed 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 Group is listed on AIM, it is not required to comply with the Code. However, an explanation of how the Group has complied with the Code and other corporate governance measures that have been applied by the Board during the financial year is set out below and also in the Directors' Remuneration Report and Audit Committee Report.

The Board

The Board comprises:

- Philip Meeson, who owns 37.85%[1] of the issued share capital of the Company, performs the role of Executive Chairman of the Group and has responsibility for the leadership of the Board;
- Gary Brown, the Group Chief Financial Officer;
- Stephen Heapy, Chief Executive Officer of ***Jet2.com*** Limited and ***Jet2holidays*** Limited; and
- Mark Laurence, an independent Non-Executive Director.

Executive responsibility for the day-to-day running of the Group's Leisure Travel business (comprising the operating subsidiaries ***Jet2.com*** and ***Jet2holidays***) sits with its Chief Executive Officer, Stephen Heapy. Executive responsibility for the day-to-day running of **Fowler Welch** sits with its Chief Executive Officer, Nicholas Hay.

The biographies of the Directors appear on page 38 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 45 and a statement on going concern is given within note 2 to the consolidated financial statements on page 59.

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.

[1] As at 30 June 2018

The Board meets at least four times a year in order to, amongst other things, review trading performance, ensure adequate funding is in place 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.

Directors are submitted for re-election at regular intervals, subject to satisfactory performance. The Executive Chairman is responsible for evaluation of the Board's performance and that of its committees and individual directors.

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	4	2	–
Gary Brown, Group Chief Financial Officer	4	–	2*
Stephen Heapy, Executive Director	4	–	2
Mark Laurence, Independent Non-Executive Director	4	2	2

*by invitation

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:

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 38 to 39.

The Audit Committee is chaired by Mark Laurence, an independent 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 Audit 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 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 provides independent assurance by performing 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

The Business & Financial Review on pages 14 to 21 includes a detailed review of the Group's business and future developments. In addition, communications with shareholders are given high priority and 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 Executive Chairman 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 6 September 2018 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 Statement of Corporate Governance

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

Philip Meeson
Executive Chairman
27 July 2018

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 ***Jet2.com*** and ***Jet2holidays***. 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 Board 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 with stockbrokers Kitcat and Aitken, before moving to WI Carr and then Smith New Court PLC. 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 helping to found Fundsmith in 2010. Mark is also vice-chairman of the endowment investment committee of King's College University and a governor of Bryanston School in Dorset.

Audit Committee Report

I am pleased to present the Audit Committee's report for the year ended 31 March 2018. The Audit Committee comprises Stephen Heapy, the Chief Executive Officer of ***Jet2.com*** and ***Jet2holidays***, 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 ("KPMG"), our Auditor. In addition, I had two additional meetings during the year with the Audit Partner at KPMG to discuss the scope of work to be carried out and auditing developments.

The Committee's primary function is to assist the Board in fulfilling its responsibilities to protect the interests of 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 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.

Last year's accounts were selected for review by the Financial Reporting Council's Audit Quality Review Team and I am pleased to report that the audit work within the scope of their review achieved a 2A grading, meaning only limited improvements were recommended. Only two recommendations were highlighted, the first suggested an enhancement to KPMG's audit procedures over the completeness and accuracy of data used in revenue and deferred revenue testing and the second encouraged KPMG to consider the profile of the provision for delays and cancellations more sceptically, both of which are areas of focus for our Committee along with other areas which remain largely unchanged from last year.

Financial reporting & external audit

Annually, KPMG present their audit plan to the Committee which identifies what they consider to be the key audit risks and the planned scope of work. Having considered the planning work carried out and the results of the 2017/18 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 and estimates applied in the preparation of the consolidated financial statements that are set out on pages 54 to 79. In approving the effectiveness and independence of the external Auditor, the Committee also reviewed the audit engagement letter, proposed audit fees, KPMG's audit plan, including key audit risks, and relevant professional, ethical and regulatory requirements.

As part of their external audit, KPMG reviewed the Group's key processes and IT controls. It was encouraging to note that the overall IT control environment continues to strengthen, with scope to further improve and refine access controls in 2018/19.

This year our Auditor has reported to shareholders using the new Long-Form Audit Report ("LFAR") which is now mandatory for all AIM listed companies and brings our audit reporting into line with international rules and with all fully listed companies.

The LFAR, which is addressed to shareholders, goes beyond the previously used binary assurance opinion and standardised text and provides shareholders with greater detail into the audit that was carried out on their behalf. It sets out the materiality measure used, the degree to which parts of the group were scoped-in to the audit and what specific audit issues the auditor faced, their underlying causes and how they were addressed and can be found on pages 46 to 50 of this annual report. I highly commend it to readers who wish to have a greater understanding, insight and assurance.

A brief summary of the key audit risks identified were as follows:

Revenue recognition (Leisure Travel)

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

Provisions for leisure travel compensation claims

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.

Aircraft maintenance provisions

The Committee reviewed the accounting treatment in relation to aircraft maintenance provisions, including the underlying assumptions. The Committee noted the subjective element of provision calculations in estimating the full extent and cost of work required for maintenance events and concluded that appropriate accounting treatments have been applied.

Derivative instruments

The Committee considered the Group's treasury policy for managing foreign currency, fuel price and interest rate risk and discussed with our Auditor 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 2018 have been verified to external sources.

Aircraft depreciation

The Committee reviewed the accounting treatment in relation to aircraft depreciation and noted that this had been applied consistently and appropriately.

Going concern & medium term viability

The Committee 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 tests, 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 2018.

Internal audit & risk management

The Committee engages directly with the Group's internal audit team, who also had separate meetings with KPMG. 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 finance and internal audit functions have again demonstrated their skilful ability to keep pace with the Group's growth for which our Audit Committee is enormously grateful.

The coming year will continue the pace of accounting change with the adoption of new accounting standards, IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*, for which the business is already prepared. Further details on how they will impact on our reporting can be found on page 64 of this annual report. Looking further ahead, we will apply IFRS 16 – *Leases* for the year ending 31 March 2020, for which preparation is under way.

In conclusion, having considered reviews from both KPMG 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 2018 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
27 July 2018

Report on Directors' Remuneration

Remuneration Committee

During the year ended 31 March 2018, 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 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 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. In the financial year ended 31 March 2018, the maximum pension benefit provided was equivalent to 14% of salary.	Not applicable
Benefits 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. 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 **(Cash bonus with deferral element)** 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. 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. Philip Meeson, the Executive Chairman, does not participate in the SEIP.	**SEIP cash award** 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. The maximum award value under the SEIP is 100% of base salary. 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. 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. For the financial year commencing 1 April 2018, the profit metric relates to 60% of the maximum opportunity, and the customer and individual metrics to 20% each. 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 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 dealing day following (and including) the date of 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 the nominal value per share. 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. 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

The remaining share options granted under the legacy Unapproved Share Option Plan 2005 (the "Unapproved Plan") were exercised during the year. No legacy share options remain outstanding at the year end.

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

Service contracts

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. Gary Brown will retire from the Board at the next Annual General Meeting and, being eligible, will offer himself for re-election.

Mark Laurence has a formal letter of engagement containing a three-month rolling notice period for notice given by either party.

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.

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 2018 £000**	Total 2017 £000
Executive Directors:							
Philip Meeson	462	10	–	–	–	**472**	458
Gary Brown	455	1	312	134	62	**964**	876
Stephen Heapy	480	26	333	143	57	**1,039**	944
Non-Executive Directors:							
Mark Laurence	55	–	–	–	–	**55**	55
Total	**1,452**	**37**	**645**	**277**	**119**	**2,530**	2,333

Notes:

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 for the year ended 31 March 2018. These Deferred Awards were granted after the reporting date, on 19 July 2018, as set out in SEIP Deferred Awards granted since 31 March 2018 below.

3 Included within Stephen Heapy's "Basic salary and fees" is £22k, 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 / Deferred Awards to acquire ordinary shares in the Company granted to, or held by, the Directors.

Interest 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/ award price	At 31 March 2017 No.	Granted during the year No.	Exercised during the year No.	Lapsed in the year No.	**At 31 March 2018 No.**
Stephen Heapy	Unapproved Plan	£0.8500	30,000	–	(30,000)[3]	–	**–**
Stephen Heapy	SEIP Deferred Award	£0.0125	90,282	25,610	(41,581)[4]	–	**74,311**[1]
Gary Brown	SEIP Deferred Award	£0.0125	81,032	24,024	(35,781)[4]	–	**69,275**[2]

[1] Vesting as follows: 32,047 on 26 July 2018, and 16,654 on 24 July 2019, and 25,610 on 20 July 2020.

[2] Vesting as follows: 29,735 on 26 July 2018, and 15,516 on 24 July 2019, and 24,024 on 20 July 2020.

[3] Options exercised on 7 December 2017, on which date closing mid-market price of a share was £6.88.

[4] Deferred awards exercised on 19 July 2017, on which date closing mid-market price of a share was £5.48.

The share based payment charge to the Consolidated Income Statement in respect of the above share options and Deferred Awards, was £192,100 (2017: £69,500).

The closing mid-market price of the Company's shares on 31 March 2018 was £8.32 per 1.25 pence ordinary share. The highest and lowest closing mid-market prices during the year were £8.57 and £4.86, respectively.

SEIP Deferred Awards granted since 31 March 2018

Since the reporting date, on 19 July 2018, the following Deferred Awards were granted under the SEIP in relation to the year ended 31 March 2018, the value of which is included in the table of Directors' emoluments above.

Director	Award	Award price	**Shares granted since year end No.**	Normal vesting date
Stephen Heapy	SEIP Deferred Award	1.25p	**20,421**	18 July 2021
Gary Brown	SEIP Deferred Award	1.25p	**19,156**	18 July 2021

All of the above Deferred Awards were granted on 19 July 2018, on which date the average closing mid-market price of a share for the preceding 12 month period was £6.99.

Director shareholdings

The Directors who held office at 31 March 2018 had the following interests in the ordinary shares of the Company at that date:

Director	**31 March 2018**	31 March 2017
Philip Meeson	**56,240,000**	56,240,000
Stephen Heapy	**185,621**	145,136
Gary Brown	**19,362**	–
Mark Laurence	**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.

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
27 July 2018

Directors' Report

Much of the information previously provided as part of the Directors' Report is now 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 10 to 31;
- Risk Management: pages 23 to 27;
- Corporate Governance Statement approved by the Board: pages 36 to 37;
- Details of current Directors and Directors who served through the year: page 38; and
- Directors' remuneration: pages 40 to 43.

Results and dividends

The results for the year are set out in the Consolidated Income Statement and show a profit after taxation of £110.7m (2017: £76.7m). An interim dividend of 1.5p per share was paid on 5 February 2018 (2017: 1.375p).

In consideration of the results for the year, the Directors recommend the payment of a final dividend for the year ended 31 March 2018 of 6.0p per share (2017: 3.897p), making a total of 7.5p per share for the year (2017: 5.272p). The final dividend, which is subject to shareholder approval at the Company's Annual General Meeting on 6 September 2018, will be payable on 26 October 2018 to shareholders on the register at the close of business on 21 September 2018.

Post-balance sheet events

There have been no material events after the balance sheet date of 31 March 2018 through to the date of this Annual Report.

Issued share capital

Issued share capital was increased by 341,907 (2017: 353,516) 1.25 pence ordinary shares following the exercise of their rights by holders of share options / Deferred Awards granted on the following dates:

Grant Date	No. of options/ awards exercised	Scheme
03-Aug-07	**8,500**	Approved
04-Sep-08	**12,800**	Approved
10-Sep-09	**59,595**	Approved
16-Dec-09	**5,000**	Approved
05-Aug-10	**20,250**	Approved
23-Dec-10	**30,900**	Approved
04-Aug-11	**15,000**	Approved
22-Dec-11	**27,500**	Approved
05-Aug-10	**25,000**	Unapproved
04-Aug-11	**60,000**	Unapproved
07-Jul-14	**77,362**	SEIP
Total	**341,907**	

Details of the increases in issued share capital are given in note 22 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 29 June 2018:

Silver Point Capital
8.25%

Schroder Investment Management (Institutional Group)
3.42%

Acadian Asset Management
3.19%

Annual General Meeting

The Annual General Meeting will be held on 6 September 2018 at 9.30am at Buchanan 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;
- assess the Group and Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors’ Report that comply with that law and those regulations.

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
27 July 2018

Gary Brown
Group Chief Financial Officer
27 July 2018

Independent Auditor's Report
to the members of Dart Group PLC

1. Our opinion is unmodified

We have audited the financial statements of Dart Group PLC ("the Company") for the year ended 31 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, Company balance sheet, Company statement of changes in equity and the related notes, including the accounting policies in note 2.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with FRS 101; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:		£6.0m (2017: £4.3m)
Group financial statements as a whole		4.5% (2017: 4.8%) of Group profit before tax
Coverage		100% (2017: 100%) of Group profit before tax
Risks of material misstatement		**vs 2017**
Recurring risks:	Revenue recognition	◀▶
	Provisions for leisure travel compensation claims	◀▶
	Aircraft maintenance provisions	◀▶
	Derivative instruments	◀▶
	Aircraft depreciation (Group and parent Company)	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Revenue recognition (Leisure travel) (£2,223.2m; 2017: £1,565.8m) *Refer to page 39 (Audit Committee Report), page 60 (accounting policy) and pages 65 to 66 (financial disclosures).*	**Processing error:** Due to the high volume of sales, each comprising multiple components (such as flight, accommodation, car hire, advanced seat assignment and insurance), there is a risk that the booking systems and the reporting system do not appropriately process the information to recognise the respective revenue in the correct accounting period.	**Our procedures included:** — **Tests of detail:** We tested the Group's revenue recorded by extracting customer booking data for the year and performing an independent calculation of revenue using booking dates and flight departure dates. — **Expectation vs outcome:** We undertook an analysis of cash receipts in the year to form our own expectation of Group revenue and compared this to the Group's results.
Provision for leisure travel compensation claims (£24.3m; 2017: £23.0m) *Refer to page 39 (Audit Committee Report), page 63 (accounting policy) and page 73 (financial disclosures).*	**Subjective estimate:** The Group's leisure travel compensation provision comprises of its obligation towards possible customer claims in respect of flight delays and cancellations under regulation EC 261/2004 and possible customer compensation claims that cannot be recovered from hotels. Provisions for flight delays are subject to significant estimations on the rate of claims. Provisions for possible customer compensation claims that cannot be reclaimed from hotels involve significant estimation as there are uncertainties over the volume of claims from customers, the value of the claim and the ultimate value that the Group can reclaim from hoteliers.	**Our procedures included:** — **Control design and operation:** We evaluated the design and implementation of the processes and controls over the recording of claims, the setting and monitoring of provision rates and cash payments, by observing the controls being carried out. — **Historical comparisons:** We developed an expectation of the current year balance based on our view of the relationships between claims received and average claim cost, including consideration of historical data by comparison of provision rates to actual claim rates incurred. — **Test of details:** We compared the data used in the provisions calculation against claims documentation. — **Sensitivity analysis:** We performed sensitivity analysis over the key inputs such as the claim rate, the claim value and the provision rate. — **Assessing transparency:** We assessed whether the Group's disclosures detailing leisure travel provisions adequately disclose the potential liabilities of the Group.

	The risk	Our response
Aircraft maintenance provisions (£17.4m; 2017: £15.8m) *Refer to page 39 (Audit Committee Report), page 61 (accounting policy) and page 73 (financial disclosures).*	**Subjective estimate:** Liabilities for maintenance costs are provided for in respect of aircraft leased under operating leases. Calculation of the maintenance provision incorporates assumptions including: the current condition of the aircraft and lifespan of the life limited parts, the timing and expected cost of the maintenance event and the anticipated expenditure required to ensure aircraft are returned to the lessor in accordance with contractual requirements. Due to the uncertainties inherent in these assumptions, this is an area that gives rise to risk in our audit.	**Our procedures included:** — **Control design and operation:** We evaluated the design and implementation of the processes and controls in place for monitoring aircraft utilisation and setting of provision rates, and carried out tests of the operating effectiveness of the processes and controls. — **Historical comparisons:** We developed an expectation of the current year balance based on our view of the relationships between provision rates and aircraft utilisation, including a consideration of historical data by comparison of provision rates to actual cost of maintenance events incurred. — **Test of details:** We tested the aircraft utilisation data, reviewed contracts to understand lease return conditions and reviewed the calculations within the provisioning model.
Derivative instruments (Assets £88.0m; 2017: £84.0m (including £9.3m non-current)) (Liabilities £48.9m; 2017: £36.8m (including £20.9m non-current)) *Refer to page 39 (Audit Committee Report), page 61 (accounting policy) and pages 73-75 (financial disclosures).*	**Processing error:** The Group has a strategy to manage foreign exchange rate, interest rate and fuel price risk through forward currency contracts, interest rate and aviation fuel swaps. We focused on this area as there are a high number of contracts and swap arrangements which increases the risk that not all relevant information is captured and processed on timely basis.	**Our procedures included:** — **Control design and operation:** We observed the performance of the Group's monthly counterparty reconciliations to test the operating effectiveness of the processes and controls. — **Our treasury expertise:** We used our KPMG treasury specialists to inspect the contract and swap documentation and ensure that the nature of the forward contract or swap was understood. Our specialists independently valued the derivatives and compared to the Group's valuation — **Test of details:** We examined the existence of forward currency and aviation fuel swaps by checking to confirmations from independent counterparties.

	The risk	Our response
Aircraft depreciation Group and Parent Company risk area **Group:** (£99.3m; 2017: £77.7m) **Parent Company:** (£31.9m; 2017: £31.8m) *Refer to page 39 (Audit Committee Report), pages 60 and 84 (accounting policy) and pages 71 and 86 (financial disclosures).*	**Subjective estimate:** The Group operates aircraft that are owned or held under finance lease arrangements by the Parent Company and other Group companies. For the purposes of estimating depreciation an aircraft is first separated into several major components, such as the airframe, undercarriage and engines. Depreciation rates are estimated and vary according to the aircraft component type and incorporate assumptions over the utilisation of the aircraft and the lifespan of life limited parts. Due to the complexity of the estimation of value of the major components, residual values and depreciation rates, this is an area that gives rise to risk in our audit.	**Our procedures included:** — **Historical comparisons:** We challenged the appropriateness of the allocation of cost to major components by comparison to historic component overhaul costs. — **Benchmarking assumptions:** We assessed the reasonableness of useful life by comparing the lifespan of parts to manufacturer's specification and technical guidance. We also assessed the reasonableness of residual values to market evidence. — **Reperformance:** We reperformed the calculation of the depreciation expense and compared this to the Group's result.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £6.0m (2017: £4.3m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.5% (2017: 4.8%).

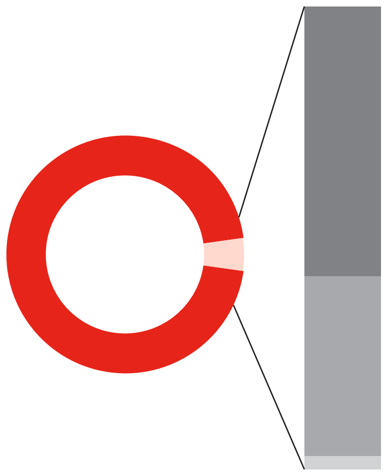
Materiality for the Parent Company financial statements as a whole was set at £4.0m (2017: £3.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2017: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.3m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 11 (2017: 6) reporting components, we subjected 8 (2017: 5) to full scope audits for Group purposes and 3 (2017: 1) to specified risk-focused audit procedures. The components within the scope of our work accounted for 100% of Group revenues. The work on all of the components, including the audit of the Parent Company, was performed by the Group team.

Group profit before tax
£134.6m (2017: £90.1m)

Group Materiality
£6m (2017: £4.3m)



£6m
Whole financial statements materiality (2017: £4.3m)

£4m
Range of materiality at 8 components (£4m-£0.02m) (2017: £3.2m to £0.02m)

£0.3m
Misstatements reported to the Audit Committee (2017: £0.2m)

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the Directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 45, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Adrian Stone (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Sovereign Square
Sovereign Street
Leeds LS1 4DA

27 July 2018

Our Financials

Our Financials

Consolidated Income Statement

for the year ended 31 March 2018

	Note	Results for the year ended 31 March 2018 £m	Results for the year ended 31 March 2017 £m
Revenue	5	**2,391.8**	1,729.3
Net operating expenses	6	**(2,261.2)**	(1,626.3)
Operating profit	5,7	**130.6**	103.0
Finance income		**4.8**	3.1
Finance costs		**(21.1)**	(5.1)
Net FX revaluation gains / (losses)		**20.0**	(10.9)
Net financing income / (expense)	8	**3.7**	(12.9)
Profit on disposal of property, plant and equipment		**0.3**	–
Profit before taxation		**134.6**	90.1
Taxation	10	**(23.9)**	(13.4)
Profit for the year		**110.7**	76.7
all attributable to equity shareholders of the parent			
Earnings per share			
– basic	12	**74.59p**	51.80p
– diluted	12	**74.25p**	51.48p

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2018

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year	**110.7**	76.7
Other comprehensive income / (expense)		
Cash flow hedges:		
Fair value gains	**50.6**	36.5
Add back (gains) / losses transferred to income statement	**(58.7)**	15.3
Related taxation credit / (charge)	**1.5**	(9.9)
Revaluation of foreign operations	**0.7**	–
	(5.9)	41.9
Total comprehensive income for the period	**104.8**	118.6
all attributable to equity shareholders of the parent		

Our Financials

Consolidated Statement of Financial Position

at 31 March 2018

	Note	2018 £m	2017 £m
Non-current assets			
Goodwill	13	**6.8**	6.8
Property, plant and equipment	14	**1,083.0**	806.5
Derivative financial instruments	21	**23.7**	9.3
		1,113.5	822.6
Current assets			
Inventories	15	**1.8**	1.2
Trade and other receivables	16	**937.4**	707.8
Derivative financial instruments	21	**64.3**	74.7
Money market deposits	17	**220.2**	200.3
Cash and cash equivalents	17	**788.4**	488.7
		2,012.1	1,472.7
Total assets		**3,125.6**	2,295.3
Current liabilities			
Trade and other payables	18	**172.3**	136.3
Deferred revenue		**1,450.6**	1,076.3
Borrowings	19	**88.6**	129.6
Provisions	20	**41.7**	38.8
Derivative financial instruments	21	**40.7**	15.9
		1,793.9	1,396.9
Non-current liabilities			
Deferred revenue		**5.1**	1.7
Borrowings	19	**718.0**	390.9
Derivative financial instruments	21	**8.2**	20.9
Deferred tax	10	**71.5**	53.5
		802.8	467.0
Total liabilities		**2,596.7**	1,863.9
Net assets		**528.9**	431.4
Shareholders' equity			
Share capital	22	**1.9**	1.8
Share premium	22	**12.7**	12.5
Cash flow hedging reserve	22	**31.6**	38.2
Retained earnings		**482.0**	378.9
Other reserves	22	**0.7**	–
Total shareholders' equity		**528.9**	431.4

The accounts on pages 54 to 89 were approved by the Board of Directors at a meeting held on 27 July 2018 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 2018

	Note	2018 £m	2017 £m
Profit on ordinary activities before taxation		**134.6**	90.1
Finance income	8	**(4.8)**	(3.1)
Finance costs	8	**21.1**	5.1
Net FX revaluation (gains) / losses	8	**(20.0)**	10.9
Depreciation	14	**111.6**	87.0
Profit on disposal of property, plant and equipment		**(0.3)**	–
Equity settled share based payments	22	**0.4**	0.4
Operating cash flows before movements in working capital		**242.6**	190.4
Increase in inventories		**(0.6)**	(0.1)
Increase in trade and other receivables		**(230.5)**	(203.1)
Increase in trade and other payables		**33.5**	27.6
Increase in deferred revenue		**377.7**	310.5
Increase in provisions		**4.5**	13.0
Cash generated from operations		**427.2**	338.3
Interest received		**4.8**	3.1
Interest paid		**(17.2)**	(3.6)
Income taxes received / (paid)		**0.1**	(6.7)
Net cash generated from operating activities		**414.9**	331.1
Cash flows used in investing activities			
Purchase of property, plant and equipment	14	**(411.1)**	(473.9)
Proceeds from sale of property, plant and equipment		**0.3**	–
Net increase in money market deposits	17	**(19.9)**	(130.3)
Net cash used in investing activities		**(430.7)**	(604.2)
Cash from financing activities			
Repayment of borrowings		**(128.8)**	(91.2)
New loans advanced		**458.2**	515.6
Proceeds on issue of shares		**0.3**	0.1
Equity dividends paid	11	**(8.0)**	(6.6)
Net cash from financing activities		**321.7**	417.9
Effect of foreign exchange rate changes	24	**(6.2)**	1.9
Net increase in cash in the year		**299.7**	146.7
Cash and cash equivalents at beginning of year	24	**488.7**	342.0
Cash and cash equivalents at end of year	24	**788.4**	488.7

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

	Share capital £m	Share premium £m	Cash flow hedging reserve £m	Retained earnings £m	Other reserves £m	**Total shareholders' equity £m**
Balance at 31 March 2016	1.8	12.4	(3.7)	308.2	–	**318.7**
Total comprehensive income	–	–	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**
Total comprehensive income	–	–	(6.6)	110.7	0.7	**104.8**
Issue of share capital	0.1	0.2	–	–	–	**0.3**
Dividends paid in the year	–	–	–	(8.0)	–	**(8.0)**
Share based payments	–	–	–	0.4	–	**0.4**
Balance at 31 March 2018	**1.9**	**12.7**	**31.6**	**482.0**	**0.7**	**528.9**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

1. Authorisation of financial statements and statement of compliance

The Group's financial statements for the year ended 31 March 2018 were authorised by the Board of Directors on 27 July 2018 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

Basis of preparation

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 81 to 89.

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.

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 contracts and interest rate 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 profit before and after taxation, balance sheets and cash flows through to 31 March 2021.

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 2021, including performance against financial covenants and an assessment of the principal areas of risk and uncertainty.

Having considered the points above, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2018.

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 2018

2. Accounting policies (continued)

Revenue

Revenue (which excludes Value Added Tax and Air Passenger Duty) arises from package holidays, passenger aircraft operations, charter aircraft operations, non-ticket retail activities, 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 such as hold baggage charges, 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" gains or losses. 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 24-30 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.

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.

2. Accounting policies (continued)

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

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 include 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 Statement of Cash Flows, 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 and are accounted for within the loans and receivables category of financial assets under International Accounting Standard ("IAS") 39.

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 contracts and interest rate 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the time period when economic benefits from the leased assets are consumed.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

2. Accounting policies (continued)

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 income / (expense).

Net financing income / (expense)

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.

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 full 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, 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.

Classification of operating and finance leases

The classification of leases as either operating or finance leases is determined by the extent to which the risks and rewards incidental to ownership of a leased asset lie with the Group or the lessor.

Management consider several factors in their judgement of classification, such as whether the lease term is for a major part of the economic life of the asset and whether, at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Where these criteria are met, the lease will be classified as a finance lease, with all other leases being classified as operating leases.

Further details of the Group's leases at 31 March 2018 can be found in Notes 14 and 23.

3. Accounting estimates and judgements (continued)

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Residual value of property, plant and equipment

Estimations have been made in respect of the residual values of aircraft included in property, plant and equipment, which determine the amount of depreciation charged in the Consolidated Income Statement. These estimated residual values are reviewed annually at the balance sheet date and compared to prevailing market residual values of equivalent aged assets.

Further details on the net book value of the Group's property, plant and equipment at 31 March 2018 can be found in Note 14.

Impairment of aircraft, engines and other components

Where there is a risk that aircraft carrying values are impaired, a full impairment review is undertaken. An impairment review requires the estimation of the value in use of the smallest cash-generating unit, which in this case is individual aircraft fleet types, along with the application of a suitable discount rate to calculate present value. Each fleet type is separated into its major components, being the airframe, undercarriage and engines. The combined carrying value of the Group's aircraft, engines and other components was £995.6m (2017: £726.9m). There was no indication of impairment during the year and therefore no impairment losses were recorded. Further details on the net book value of the Group's aircraft, engines and other components at 31 March 2018 can be found in Note 14.

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 estimates to be 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, or when information becomes available that is capable of causing a material change to an estimate. Further details of the provisions held by the Group at 31 March 2018 can be found in Note 20.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

4. New IFRS and amendments to IAS and interpretations

The International Accounting Standards Board ("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**

The Group will adopt IFRS 15 in its financial statements for the year ending 31 March 2019 and will apply the fully retrospective transition method, with the comparative year and opening net assets (as at 1 April 2017) restated. This new standard supersedes all existing revenue requirements in IFRS. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 discusses whether a contract contains more than one distinct good or service. In light of this guidance, the Group considered whether its package holidays offering contained more than one promised service, and concluded that a package holiday constituted delivery of one distinct performance obligation including flights, accommodation, transfers and other holiday-related services.

Under IFRS 15, revenues are recognised when a performance obligation is satisfied, which happens when control of the goods or services underlying the particular performance obligation is transferred to the customer. The impact of this for Leisure Travel is to defer the recognition of certain non-ticket revenue streams to the date of departure rather than the date of booking. The performance obligations for Distribution & Logistics have been considered, and there will be no changes in the timing of revenue recognition as a result of implementing IFRS 15.

In addition, a proportion of flight delay compensation payments made to customers, previously recorded wholly within net operating expenses, will be offset against revenues. This presentational change will reduce revenue where the performance obligation has not been fully satisfied, but will have a net nil impact on the overall profit for the year.

For the Group's 2018 financial statements, on adoption of IFRS 15, the deferral in timing of revenue recognition will result in a reduction in opening net assets at 1 April 2017 of approximately £11m – £12m. The Group also expects revenue to reduce by £11m – £12m and profit before tax by £4m – £5m. The impact on profit before tax in future years is not anticipated to be material.

IFRS 9 *Financial Instruments*	**January 2018**

The Group will adopt IFRS 9 in its financial statements for the year ending 31 March 2019. This new standard replaces current guidance provided by IAS 39 on classification and measurement of financial assets and liabilities. In addition, IFRS 9 includes new requirements for general hedge accounting and impairment of financial assets.

Under IFRS 9, all recognised financial assets within scope are required to be subsequently measured at amortised cost or fair value. The classification of each financial asset is based on whether the business model of the Group is to hold assets to collect contractual cash flows or to benefit from changes in the fair value of assets. The Group does not anticipate any material changes to its classification of financial assets in light of this change.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. The Group will apply the practical expedient afforded by IFRS 9 in calculating credit losses and therefore does not anticipate any material changes to its current impairment calculations.

Finally, under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. This new guidance is aligned with the Group's current hedging policy and therefore does not result in any material changes.

Overall, the Group does not anticipate any material change in either its net assets or profit for the year on transition to IFRS 9.

IFRS 16 *Leases*	**January 2019**

The Group will adopt IFRS 16 in its financial statements for the year ending 31 March 2020. IFRS 16 replaces IAS 17 and removes the requirement for lessees to report on finance and operating leases separately.

Under IFRS 16, the Group will distinguish between leases and service contracts based on whether there is an identified asset controlled by the Group. Control exists if the customer has the right to obtain substantially all of the economic benefit from the use of the asset and the right to direct the use of that asset. Where control exists, the Group will be required to recognise a right-of-use asset and also a lease liability, rather than accounting for operating lease payments through profit and loss.

Upon application of the new standard, the Group expect to capitalise all aircraft and properties currently accounted for as operating leases. As a result, the Group will incur depreciation charges on these assets and interest charges on the associated lease liabilities, in place of the operating lease charges currently incurred.

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 the provision of scheduled holiday flights by its airline ***Jet2.com***, and ATOL licensed package holidays by its tour operator, ***Jet2holidays***, to leisure destinations in the Mediterranean, the Canary Islands and to European Leisure Cities. 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.

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

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 2018:

- Leisure Travel, which incorporates the Group's leisure airline, ***Jet2.com***, and its ATOL licensed package holidays operator, ***Jet2holidays***; 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. Segment revenue reported below represents revenue generated from external customers. There was no intersegment revenue in the current year (2017: nil).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

5. Segmental reporting (continued)

Year ended 31 March 2018	Leisure Travel £m	Distribution & Logistics £m	Group eliminations £m	Total £m
Revenue	**2,223.2**	**168.6**	**–**	**2,391.8**
Operating profit	**126.2**	**4.4**	**–**	**130.6**
Finance income	4.8	–	–	**4.8**
Finance costs	(21.1)	–	–	**(21.1)**
Net FX revaluation gains	20.0	–	–	**20.0**
Net financing income	**3.7**	**–**	**–**	**3.7**
Profit on disposal of property, plant and equipment	0.3	–	–	**0.3**
Profit before taxation	**130.2**	**4.4**	**–**	**134.6**
Taxation	(23.2)	(0.7)	–	**(23.9)**
Profit after taxation	**107.0**	**3.7**	**–**	**110.7**
Assets and liabilities				
Segment assets	3,044.0	86.5	(4.9)	**3,125.6**
Segment liabilities	(2,574.7)	(26.9)	4.9	**(2,596.7)**
Net assets	**469.3**	**59.6**	**–**	**528.9**
Other segment information				
Property, plant and equipment additions	405.2	5.9	–	**411.1**
Depreciation, amortisation and impairment	(108.9)	(2.7)	–	**(111.6)**
Share based payments	(0.3)	(0.1)	–	**(0.4)**

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 expense	**(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)**

6. Net operating expenses

	2018 £m	2017 £m
Direct operating costs:		
Accommodation costs	**837.7**	512.9
Fuel	**222.3**	203.4
Landing, navigation and third-party handling	**219.4**	141.2
Maintenance costs	**77.7**	63.1
Aircraft and vehicle rentals	**63.1**	54.7
Agent commission	**48.1**	37.5
Subcontractor charges	**40.3**	44.2
In-flight cost of sales	**35.4**	25.1
Other direct operating costs	**87.1**	56.7
Staff costs incl. agency staff	**336.8**	257.2
Depreciation of property, plant and equipment	**111.6**	87.0
Other operating charges	**183.9**	144.9
Other operating income	**(2.2)**	(1.6)
Total net operating expenses	**2,261.2**	1,626.3

7. Operating profit

	2018 £m	2017 £m
Operating profit is stated after charging:		
Operating lease rentals: – Land and buildings	**5.2**	4.0
– Plant and machinery: short-term leases	**27.8**	20.3
– Plant and machinery: long-term leases	**36.3**	34.3

	2018 £m	2017 £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**	0.1

8. Net financing income / (expense)

	2018 £m	2017 £m
Finance income	**4.8**	3.1
Interest payable on aircraft and other loans	**(13.0)**	(4.3)
Interest payable on obligations under finance leases	**(8.1)**	(0.8)
Net foreign exchange revaluation gains / (losses)	**20.0**	(10.9)
Net financing income / (expense)	**3.7**	(12.9)

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

9. Employees

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

	2018 Number	2017 Number
Operations	**7,097**	4,861
Administration	**1,314**	1,461
Total persons employed	**8,411**	6,322

	2018 £m	2017 £m
Wages and salaries	**273.9**	211.9
Share options – value of employee services	**0.4**	0.4
Social security costs	**30.0**	22.2
Other pension costs	**11.1**	8.5
Total staff costs	**315.4**	243.0

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.

	2018 £m	2017 £m
Details of key management personnel:		
Short-term employee benefits	**7.3**	7.0
Post-employment benefits	**0.6**	0.6
Total employee benefit costs of key management personnel	**7.9**	7.6

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 40 to 43.

	2018	2017
Details of Directors' remuneration:		
Highest paid Director	**£1.0m**	£0.9m
Number of Directors for whom retirement benefits accrue	**2**	2
Number of Directors who exercised share options / Deferred Awards	**2**	1

10. Taxation

	2018 £m	2017 £m
Current taxation:		
UK corporation tax based upon the profits for the year:		
– current year	**3.4**	–
– prior year	**0.3**	(1.1)
Current tax charge / (credit) for the year	**3.7**	(1.1)
Deferred taxation:		
Origination and reversal of timing differences		
– current year	**19.8**	15.1
– prior year	**0.4**	1.2
Rate changes	**–**	(1.8)
Deferred tax charge for the year	**20.2**	14.5
Total taxation in income statement in the year	**23.9**	13.4

The taxation assessed for the current year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £m	2017 £m
Profit before taxation	**134.6**	90.1
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	**25.6**	18.0
Effects of:		
Expenses not deductible	**(0.1)**	(0.3)
Difference between current and deferred tax rates	**(2.3)**	(2.6)
Deferred taxation rate changes	**–**	(1.8)
Adjustments to tax charge in previous periods	**0.7**	0.1
Total (see above)	**23.9**	13.4

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

	2018 £m	2017 £m
The movement in the deferred taxation liability is as follows:		
Opening at 1 April	**53.5**	29.1
Charged to income statement	**20.2**	14.5
(Credit) / charge taken directly to equity	**(1.5)**	9.9
Foreign exchange rate movements	**(0.7)**	–
Closing at 31 March	**71.5**	53.5

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

	Deferred tax assets Total £m
Financial instruments	
At 31 March 2016	**7.6**
Charge to equity	**(7.6)**
At 31 March 2017 & 2018	**–**

Our Financials

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

10. Taxation (continued)

	Accelerated capital allowances £m	Financial instruments £m	Deferred tax liabilities Total £m
At 31 March 2016	30.0	6.7	**36.7**
Charge to income statement	14.5	–	**14.5**
Charge to equity	–	2.3	**2.3**
At 31 March 2017	**44.5**	**9.0**	**53.5**
Charge to income statement	20.2	–	**20.2**
Credit to equity	–	(1.5)	**(1.5)**
Translation differences	(0.7)	–	**(0.7)**
At 31 March 2018	**64.0**	**7.5**	**71.5**

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 swaps, EU Allowance contracts and forward Certified Emissions Reduction contracts.

11. Dividends

	2018 £m	2017 £m
2017/18 interim dividend of 1.5 pence per share paid 5 February 2018 (2016/17: 1.37 pence)	**2.2**	2.0
2016/17 final dividend of 3.897 pence per share paid 27 October 2017 (2015/16: 3.10 pence)	**5.8**	4.6
Total	**8.0**	6.6

12. Earnings per share

	2018 No.	2017 No.
Basic weighted average number of shares in issue	**148,415,077**	148,079,465
Dilutive potential ordinary shares: employee share options	**682,262**	896,191
Diluted weighted average number of shares in issue	**149,097,339**	148,975,656

	Year to 31 March 2018	Year to 31 March 2017
Basis of calculation – earnings (basic and diluted)		
Profit for the purposes of calculating basic and diluted earnings	**£110.7m**	£76.7m
Earnings per share – basic	**74.59p**	51.80p
Earnings per share – diluted	**74.25p**	51.48p

13. Goodwill

	£m
Net book value as at 31 March 2016, 31 March 2017 and 31 March 2018	**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 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**
Additions	4.2	391.0	15.9	**411.1**
Disposals	–	(20.3)	(0.1)	**(20.4)**
Foreign exchange rate movements	–	(23.5)	–	**(23.5)**
At 31 March 2018	**66.5**	**1,391.3**	**100.6**	**1,558.4**
Depreciation				
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)**
Charge for the year	(2.3)	(99.3)	(10.0)	**(111.6)**
Disposals	–	20.3	0.1	**20.4**
Foreign exchange rate movements	–	0.5	–	**0.5**
At 31 March 2018	**(16.7)**	**(395.7)**	**(63.0)**	**(475.4)**
Net book value				
At 31 March 2018	**49.8**	**995.6**	**37.6**	**1,083.0**
At 31 March 2017	47.9	726.9	31.7	**806.5**

Aircraft, engines and other components cost includes £46.0m (2017: £107.5m) relating to pre-delivery payments. During the year, interest charges of £2.7m (2017: £4.0m) were capitalised in relation to borrowings in respect of 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 £394.2m (2017: £102.8m).

15. Inventories

	2018 £m	2017 £m
Consumables	**1.8**	1.2

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for the year ended 31 March 2018

16. Trade and other receivables

	2018 £m	2017 £m
Current:		
Trade receivables	**751.1**	557.5
Other receivables	**186.3**	149.4
Corporation tax recoverable	**–**	0.9
	937.4	707.8

Other receivables includes balances totalling £30.6 (2017: £30.1m) recoverable after more than one year.

Ageing analysis of trade receivables

	31 March 2018 £m			31 March 2017 £m		
	Gross receivables	Provision for doubtful debts	Net trade receivables	Gross receivables	Provision for doubtful debts	Net trade receivables
Not past due	**747.3**	**–**	**747.3**	553.2	–	553.2
Up to one month past due	**2.6**	**–**	**2.6**	2.8	–	2.8
Over one month past due	**1.3**	**(0.1)**	**1.2**	1.6	(0.1)	1.5
	751.2	**(0.1)**	**751.1**	557.6	(0.1)	557.5

17. Money market deposits & cash and cash equivalents

Included within cash and money market deposits is £80.3m (2017: £82.9m) 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. These balances become unrestricted once 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 (2017 cash placed: £nil).

18. Trade and other payables

	2018 £m	2017 £m
Current:		
Trade payables	**51.8**	46.4
Other taxation and social security	**13.3**	11.2
Corporation tax payable	**2.5**	–
Other creditors and accruals	**104.7**	78.7
	172.3	136.3

19. Borrowings

Borrowings are repayable as follows:

	Bank loans		Aircraft loans		Obligations under finance leases		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Within one year	**–**	7.5	**59.7**	113.4	**28.9**	8.7	**88.6**	129.6
Between one and two years	**–**	–	**24.2**	19.0	**30.8**	10.0	**55.0**	29.0
Between two and five years	**–**	–	**77.9**	61.2	**99.7**	32.0	**177.6**	93.2
Over five years	**–**	–	**185.5**	167.7	**299.9**	101.0	**485.4**	268.7
Total	**–**	7.5	**347.3**	361.3	**459.3**	151.7	**806.6**	520.5

20. Provisions

	Maintenance		Other		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening at 1 April	**15.8**	4.4	**23.0**	18.9	**38.8**	23.3
Provision in the year	**16.8**	20.3	**11.3**	12.0	**28.1**	32.3
Transferred in from accruals	**–**	–	**–**	1.8	**–**	1.8
Utilised	**(15.2)**	(8.9)	**(7.3)**	(7.2)	**(22.5)**	(16.1)
Released unused	**–**	–	**(2.7)**	(2.5)	**(2.7)**	(2.5)
Closing at 31 March	**17.4**	15.8	**24.3**	23.0	**41.7**	38.8

Maintenance provisions relate entirely to 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. The main assumptions underlying the possible passenger claims for flight delays and possible customer compensation claims are the number of valid claims received and which may be received, the amount at which those claims may be settled, and additionally for customer compensation claims the proportion which may be reclaimed from hotels. The majority of cash outflows connected with these provisions are expected to occur within three years of the balance sheet date.

21. 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 can be 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 2018, the Group had hedged a significant proportion of its forecast foreign exchange requirements for 2018/19 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 remains 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 2018, the Group had hedged a significant proportion of its forecast fuel requirements for 2018/19 and 2019/20.

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 2018, the Group had acquired a significant proportion of its requirement for the year ending 31 December 2018 and a proportion of the following year's requirement.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

21. Financial instruments (continued)

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 2018, had hedged a substantial proportion of its forecast cash flows in relation to floating rate borrowings for 2018/19 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 2018.

Financial assets	31 March 2018 Carrying amount £m	31 March 2017 Carrying amount £m
Liquid assets and receivables:		
Cash and cash equivalents	**788.4**	488.7
Money market deposits	**220.2**	200.3
Trade receivables	**751.1**	557.5
Designated cash flow hedge relationships:		
Forward US dollar contracts	**0.8**	27.0
Forward euro contracts	**7.1**	29.8
Forward jet fuel contracts	**71.4**	27.1
Forward carbon contracts	**6.6**	0.1
Forward interest rate contracts	**2.1**	–
Total financial assets	**1,847.7**	1,330.5

Financial liabilities	31 March 2018 Carrying amount £m	31 March 2017 Carrying amount £m
Loans payables, and other liabilities:		
Trade payables	**51.8**	46.4
Bank loans	**–**	7.5
Aircraft loans	**347.3**	361.3
Obligations under finance leases	**459.3**	151.7
Designated cash flow hedge relationships:		
Forward US dollar contracts	**32.3**	3.0
Forward euro contracts	**16.1**	18.2
Forward jet fuel contracts	**–**	13.6
Forward carbon contracts	**–**	1.0
Forward interest rate contracts	**0.5**	1.0
Total financial liabilities	**907.3**	603.7

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.

21. Financial instruments (continued)

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. Foreign currency and interest rate derivatives are measured by reference to forward market expectations. 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 2016	64.5	(69.1)
Other comprehensive income	19.5	32.3
At 31 March 2017	84.0	(36.8)
Other comprehensive income	4.0	(12.1)
At 31 March 2018	**88.0**	**(48.9)**

(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 2018			31 March 2017		
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	**64.3**	**1,759.7**	**1,824.0**	74.7	1,246.5	1,321.2
1 – 2 years	**23.7**	**–**	**23.7**	9.3	–	9.3
	88.0	**1,759.7**	**1,847.7**	84.0	1,246.5	1,330.5

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

	31 March 2018			31 March 2017		
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	**40.7**	**140.4**	**181.1**	15.9	176.0	191.9
1 – 2 years	**8.2**	**55.0**	**63.2**	20.9	29.0	49.9
2 – 5 years	**–**	**177.6**	**177.6**	–	93.2	93.2
> 5 years	**–**	**485.4**	**485.4**	–	268.7	268.7
	48.9	**858.4**	**907.3**	36.8	566.9	603.7

Notes to the Consolidated Financial Statements
for the year ended 31 March 2018

21. Financial instruments (continued)

(d) Borrowing facilities

The Group has various borrowing facilities and financing arrangements available to it. The total committed borrowing facilities available at 31 March 2018 were as follows:

	Amounts utilised		Committed facilities available	
	2018 £m	2017 £m	2018 £m	2017 £m
Revolving credit facilities [i]	–	–	89.3	35.0
Bank loans [ii]	–	7.5	–	7.5
Aircraft loans [iii]	347.3	361.3	347.3	361.3
Obligations under finance leases	459.3	151.7	459.3	151.7
	806.6	520.5	895.9	555.5

i. During the year, the Group secured a £100.0m committed revolving credit facility plus a £40.0m accordion revolving credit facility, both with a termination date of 1 December 2022. Of the £100.0m committed revolving credit facility, £10.7m had been utilised as at 31 March 2018, this utilisation being entirely in relation to letters of credit;

ii. The bank loan matured in August 2017;

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

iv. The balance of existing Letter of Credit facilities in relation to a number of the Group's card processing counterparties, with respect to Leisure Travel advance sales at the reporting date was US$45.0m (2017: US$59.8m), of which US$14.3m was drawdown.

(e) Interest rate risk

Financial assets – money market deposits & cash and cash equivalents:

	31 March 2018			31 March 2017		
	Floating rate financial assets £m	Financial assets on which no interest is receivable £m	Total £m	Floating rate financial assets £m	Financial assets on which no interest is receivable £m	Total £m
Sterling	868.6	27.4	896.0	630.8	46.9	677.7
US dollar	97.4	1.7	99.1	10.2	4.0	14.2
Euro	0.1	12.8	12.9	9.1	(11.3)	(2.2)
Other	0.3	0.3	0.6	–	(0.7)	(0.7)
	966.4	42.2	1,008.6	650.1	38.9	689.0

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.

Financial liabilities – Borrowings:

	31 March 2018			31 March 2017		
	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Sterling	–	244.9	244.9	7.5	236.8	244.3
US dollar	132.0	429.7	561.7	199.9	76.3	276.2
	132.0	674.6	806.6	207.4	313.1	520.5

21. Financial instruments (continued)

(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 2017	(190.5)	(37.7)	(1.1)	(229.3)
31 March 2018	**(40.7)**	**(38.4)**	**0.1**	**(79.0)**

(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 and interest rates, with all other variables held constant.

	31 March 2018		31 March 2017	
	Income statement	**Other comprehensive income**	Income statement	Other comprehensive income
10% increase in jet fuel prices	**–**	**33.6**	–	44.2
10% weakening in GBP vs USD	**(3.0)**	**56.4**	(14.0)	40.4
10% weakening in GBP vs EUR	**(2.8)**	**148.1**	(2.8)	124.6
1ppt increase in interest rate	**(1.4)**	**0.1**	–	–
10% decrease in jet fuel prices	**–**	**(33.6)**	–	(44.2)
10% strengthening in GBP vs USD	**3.7**	**(46.1)**	17.1	(33.0)
10% strengthening in GBP vs EUR	**3.5**	**(121.1)**	3.4	(101.9)
1ppt decrease in interest rate	**1.4**	**(0.1)**	–	–

22. Called up share capital and reserves

(a) Share capital

	Number of shares	**2018 £m**	2017 £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 2017	148,251,607	**1.8**	1.8
Share options / Deferred Awards exercised	341,907	**0.1**	–
As at 31 March 2018	148,593,514	**1.9**	1.8

(b) Employee share schemes

Dart Group PLC has two legacy share option schemes in operation and a 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 fully vested at 31 March 2018. The total expense recognised for the period arising from share based payments was £0.4m (2017: £0.4m).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

22. Called up share capital and reserves (continued)

Summary of options / Deferred Awards outstanding

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

Scheme	Grant date	Option / award price	31 March 2018 shares	31 March 2017 shares	Timing of exercise and expiry
Unapproved 2005	05 Aug 10	67.00p	–	25,000	All exercised
Unapproved 2005	04 Aug 11	85.00p	–	60,000	All exercised
SEIP	Various	1.25p	**253,959**	237,751	98k, 63k and 94k exercisable from 26 Jul 18, 24 Jul 19 and 20 Jul 2020 respectively.
Total Unapproved			**253,959**	322,751	
Approved 2005	03 Aug 07	101.75p	–	18,500	8.5k exercised and 10k lapsed
Approved 2005	04 Sep 08	24.75p	**84,162**	96,962	All exercisable, expiring 04 Sep 18
Approved 2005	10 Sep 09	52.50p	**184,900**	246,900	All exercisable, expiring 10 Sep 19
Approved 2005	16 Dec 09	46.75p	**7,500**	12,500	All exercisable, expiring 16 Dec 19
Approved 2005	05 Aug 10	67.00p	**11,250**	31,500	All exercisable, expiring 05 Aug 20
Approved 2005	23 Dec 10	94.50p	**40,300**	71,200	All exercisable, expiring 23 Dec 20
Approved 2005	04 Aug 11	85.00p	**47,500**	62,500	All exercisable, expiring 04 Aug 21
Approved 2005	22 Dec 11	63.88p	**18,750**	57,500	All exercisable, expiring 22 Dec 21
Approved 2005	01 Aug 12	76.38p	**69,509**	69,509	All exercisable from 01 Aug 18, expiring 01 Aug 22
Total Approved			**463,871**	667,071	
Total			**717,830**	989,822	

Since the reporting date, Deferred Awards were granted under the SEIP. The total number of shares awarded totalled 58,185 and included certain Director awards as detailed in the Report on Directors' Remuneration. These awards vest on 18 July 2021. 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:

	2018		2017	
	Number of options / Deferred Awards	**Weighted average exercise price Pence**	Number of options / Deferred Awards	Weighted average exercise price Pence
Outstanding at 1 April	**989,822**	**48.53**	1,128,087	61.10
Granted	**93,570**	**1.25**	237,751	1.25
Exercised	**(341,907)**	**54.76**	(353,516)	56.54
Lapsed	**(23,655)**	**78.73**	(22,500)	54.19
Outstanding at 31 March	**717,830**	**38.40**	989,822	48.53
Exercisable at 31 March	**394,362**	**55.63**	502,562	56.40
Estimated weighted average share price at date of exercise		**636.56**		503.44

Options / awards outstanding at 31 March 2018 are in respect of all options / awards issued since 4 September 2008 (see note 2 – employee benefits). The options / awards outstanding at the year end have an exercise price in the range of 1.25p to 94.50p and a weighted average contractual life of 4.3 years (2017: 4.4 years).

(c) Reserves

The share premium reserve represents amounts received in excess of the nominal value of the shares on issue of new shares.

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.

Other reserves represent foreign exchange translation differences arising on revaluation of non-GBP functional currency subsidiaries of the Group.

23. Commitments

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

	Land and buildings		Aircraft and engines		Plant and machinery	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Less than one year	**5.2**	3.8	**20.2**	19.8	**11.2**	10.9
Between two and five years	**19.4**	9.4	**37.8**	33.6	**16.7**	16.9
Over five years	**25.4**	9.5	**1.8**	–	**1.7**	1.2
	50.0	22.7	**59.8**	53.4	**29.6**	29.0

24. Notes to cash flow statement

Changes in net cash	At 31 March 2017 £m	Cash flow £m	Exchange differences £m	Accrued interest £m	**At 31 March 2018 £m**
Cash at bank and in hand	488.7	305.9	(6.2)	–	**788.4**
Borrowings due within one year	(129.6)	7.3	34.9	(1.2)	**(88.6)**
Borrowings due after one year	(390.9)	(336.7)	9.6	–	**(718.0)**
Net cash / (debt)	(31.8)	(23.5)	38.3	(1.2)	**(18.2)**
Money market deposits	200.3	19.9	–	–	**220.2**
Net cash and money market deposits	168.5	(3.6)	38.3	(1.2)	**202.0**

25. Contingent liabilities

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

26. 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 £11.1m (2017: £8.5m). There were no outstanding or prepaid contributions at either the current or previous year end.

27. 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 40 to 43.

Parent Company Financial Statements

Parent Company Balance Sheet

at 31 March 2018

	Note	2018 £m	2017 £m
Fixed assets			
Property, plant and equipment	5	**605.1**	677.6
Investments	6	**19.6**	23.0
		624.7	700.6
Current assets			
Debtors – of which falling due > 1 year: £4.3m (2017: £4.7m)	7	**18.4**	23.8
Money market deposits		**50.0**	65.2
Cash and cash equivalents		**175.5**	65.0
		243.9	154.0
Current liabilities			
Creditors: amounts falling due within one year	8	**(513.2)**	(459.3)
Net current liabilities		**(269.3)**	(305.3)
Total assets less current liabilities		**355.4**	395.3
Loans falling due after more than one year		**(174.3)**	(164.3)
Finance lease obligations		**(66.2)**	(143.0)
Derivative financial instruments		**–**	(0.3)
Deferred taxation	9	**(34.2)**	(28.5)
Net assets		**80.7**	59.2
Shareholders' equity			
Share capital		**1.9**	1.8
Share premium		**12.7**	12.5
Cash flow hedging reserve		**–**	(0.8)
Profit and loss account		**66.1**	45.7
Total shareholders' equity		**80.7**	59.2

The accounts on pages 81 to 89 were approved by the Board of Directors at a meeting held on 27 July 2018 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 2018

	Share capital £m	Share premium £m	Cash flow hedging reserve £m	Profit and loss account £m	Total shareholders' equity £m
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**
Total comprehensive income	–	–	0.8	28.0	**28.8**
Share based payments	–	–	–	0.4	**0.4**
Issue of share capital	0.1	0.2	–	–	**0.3**
Dividends paid to shareholders	–	–	–	(8.0)	**(8.0)**
Balance at 31 March 2018	**1.9**	**12.7**	**–**	**66.1**	**80.7**

Notes to the Parent Company Financial Statements

for the year ended 31 March 2018

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 Property, plant and equipment;
- 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 Payment* 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 profit before and after taxation, balance sheets and cash flows through to 31 March 2021.

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 2021, including performance against financial covenants and an assessment of the principal areas of risk and uncertainty.

Having considered the points above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2018.

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.

Notes to the Parent Company Financial Statements

for the year ended 31 March 2018

2. Significant accounting policies (continued)

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 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 24-30 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the time period when economic benefits from the leased assets are consumed.

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.

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 changed and in future periods if applicable.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, 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.

Classification of operating and finance leases

The classification of leases as either operating or finance leases is determined by the extent to which the risks and rewards incidental to ownership of a leased asset lie with the Group or the lessor.

Management consider several factors in their judgement of classification, such as whether the lease term is for a major part of the economic life of the asset and whether, at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Where these criteria are met, the lease will be classified as a finance lease, with all other leases being classified as operating leases.

Further details of the Company's leases at 31 March 2018 can be found in Note 5.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Residual value of Property, plant and equipment

Estimations have been made in respect of the residual values of aircraft included in property, plant and equipment, which determine the amount of depreciation charged in the Profit and loss account. These estimated residual values are reviewed annually at the balance sheet date and compared to prevailing market residual values of equivalent aged assets.

Further details on the net book value of the Company's property, plant and equipment at 31 March 2018 can be found in Note 5.

Impairment of aircraft, engines and other components

Where there is a risk that aircraft carrying values are impaired, a full impairment review is undertaken. An impairment review requires the estimation of the value in use of the smallest cash-generating unit, which in this case is individual aircraft fleet types, along with the application of a suitable discount to calculate present value. The combined carrying value of the Company's aircraft, engines and other components was £601.7m (2017: £674.4m). There was no indication of impairment during the year and therefore no impairment losses were recorded. Further details on the net book value of the Company's aircraft, engines and other components at 31 March 2018 can be found in Note 5.

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 Group's profit on ordinary activities after taxation for the year, a profit of £28.0m (2017: loss £13.6m) is dealt with in the accounts of the Company.

Notes to the Parent Company Financial Statements

for the year ended 31 March 2018

5. Property, plant & equipment

	Land & buildings £m	Aircraft, engines and other components £m	Plant, vehicles & equipment £m	**Total fixed assets £m**
Cost				
At 31 March 2017	2.8	834.4	9.0	**846.2**
Additions	0.5	174.5	0.6	**175.6**
Assets transferred to Group undertakings	–	(215.0)	–	**(215.0)**
Disposals	–	(20.3)		**(20.3)**
At 31 March 2018	**3.3**	**773.6**	**9.6**	**786.5**
Depreciation				
At 31 March 2017	(1.1)	(160.0)	(7.5)	**(168.6)**
Charge for the year	(0.1)	(31.9)	(0.8)	**(32.8)**
Assets transferred to Group undertakings	–	2.8	–	**2.8**
Disposals	–	17.2	–	**17.2**
At 31 March 2018	**(1.2)**	**(171.9)**	**(8.3)**	**(181.4)**
Net book value				
At 31 March 2018	**2.1**	**601.7**	**1.3**	**605.1**
At 31 March 2017	1.7	674.4	1.5	**677.6**

Aircraft, engines and other components cost includes £46.0m (2017: £107.5m) relating to pre-delivery payments. During the year, interest charges of £2.7m (2017: £4.0m) were capitalised in relation to borrowing in respect of new aircraft arrivals; of these capitalised interest charges £1.5m related to aircraft subsequently transferred to Group undertakings. 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 £47.3m (2017: £102.8m).

6. Investments

	£m
Shares in subsidiary undertakings at cost, and net investment:	
At 31 March 2017	**23.0**
Share based payments	**0.1**
Impairment	**(3.5)**
At 31 March 2018	**19.6**

During the year Dart Group PLC impaired its investment in Coolchain Limited as a result of a capital restructure. There is no impact on the consolidated net assets of Dart Group PLC.

6. Investments (continued)

The subsidiary undertakings of the Company are:

Subsidiary undertaking	Principal activity	Country of incorporation or registration
Principal subsidiary undertakings:		
Dart Leasing & Finance Limited *	Aircraft leasing and financing services	United Kingdom
Dart Leasing and Finance (MSN 63154/63156) Limited	Aircraft leasing and financing services	United Kingdom
Fowler Welch Limited *	Distribution and logistics services	United Kingdom
Jet2.com Limited *	Leisure travel airline services	United Kingdom
Jet2holidays Limited	Leisure travel package holiday services	United Kingdom
Jet2 Transport Services Limited	Leisure travel transport services	United Kingdom
Jet2 Support Services (Spain) Limited *	Leisure travel support services	United Kingdom
Jet2 Support Services (Cyprus) Limited	Leisure travel support services	Cyprus
Other subsidiary undertakings:		
Fowler Welch (Containers) Limited	Leasing services	United Kingdom
Vardy Limited *	Aviation services	Republic of Ireland
Dormant subsidiary undertakings:		
Coolchain Limited *	Dormant company	United Kingdom
Fowler Welch BV	Dormant company	Netherlands
FW Distribution Limited *	Dormant company	United Kingdom
Jet2 Limited *	Dormant company	United Kingdom

* Indicates investments held directly by Dart Group PLC as at 31 March 2018.

The Group owns 100% of the issued share capital and voting rights of all the companies above.

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 93:

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

Jet2 Support Services (Cyprus) Limited
21 Vasili Michailidi
3026 Limassol
Cyprus

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

7. Debtors

	2018 £m	2017 £m
Other debtors and prepayments	**6.9**	7.7
Corporation tax recoverable	**6.6**	11.0
Amounts owed by Group undertakings – £4.3m due >1 year (2017: £4.7m)	**4.9**	5.1
	18.4	23.8

Our Financials

Notes to the Parent Company Financial Statements

for the year ended 31 March 2018

8. Creditors: amounts falling due within one year

	2018 £m	2017 £m
Bank overdraft	**50.4**	18.4
Trade creditors	**0.8**	0.1
Amounts owed to Group undertakings	**399.4**	312.6
Other creditors and accruals	**6.7**	3.8
Loans	**51.0**	115.0
Finance lease obligations	**4.9**	8.7
Derivative financial instruments	**–**	0.7
	513.2	459.3

Included in amounts owed to Group undertakings are maintenance security deposits repayable to ***Jet2.com*** of £160.0m (2017: £151.7m).

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

	2018 £m	2017 £m
Deferred taxation arising from:		
Opening balance	**28.5**	20.1
Charge to income	**15.9**	11.5
Movement on transfer of fixed assets	**(10.4)**	(2.9)
Credit to equity	**0.2**	(0.2)
Deferred tax liability at end of year	**34.2**	28.5
Deferred taxation breakdown:		
Accelerated Capital Allowances	**34.2**	28.7
Timing differences on derivative financial instruments	**–**	(0.2)
	34.2	28.5

There are no unrecognised deferred taxation balances at 31 March 2018 (2017: £nil).

10. Directors and employees

	2018 £m	2017 £m
Wages and salaries	**2.1**	2.1
Social security costs	**0.4**	0.3
Other pension costs	**0.1**	0.1
Share based payments	**0.2**	0.2
	2.8	2.7

On average, the Company had four employees during the year ended 31 March 2018 (2017: 4). Details of Directors' emoluments are set out in the Report on Directors' Remuneration on pages 40 to 43.

	2018	2017
Details of Directors' remuneration:		
Highest paid Director	**£1.0m**	£0.9m
Number of Directors for whom retirement benefits accrue	**2**	1
Number of Directors who exercised share options / deferred awards	**2**	–

11. Share based payments

Details of share based payment schemes operated by the Group are disclosed in note 22 to the consolidated financial statements. Amounts charged in the Company accounts for the year were £0.2m (2017: £0.2m).

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 22 respectively.

Supplementary Information

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, such as hold baggage charges, 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	**Link Asset Services** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Bankers	**Barclays Bank plc** 1 Park Row Leeds LS1 5WU	**HSBC Bank plc** 4th Floor City Point 29 King Street Leeds LS1 2HL
	Lloyds Bank plc 2nd Floor Lisbon House 116 Wellington Street Leeds LS1 4LT	
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	6 September 2018
Proposed final dividend payment	26 October 2018
Results for the six months to 30 September 2018	15 November 2018
Results for the twelve months to 31 March 2019	July 2019

Notes





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