

Channel Express (Air Services) Limited

Report and Accounts

31 March 2003



Channel Express (Air Services) Limited

Registered No. 2739537

DIRECTORS

Mr P Meeson	(Executive Chairman)
Mr M Forder	
Mr I Doubtfire	
Mr P Headley	(Resigned 18 February 2003)
Mr A Menzies	
Mr A Sainthill	
Mr D Daughters	
Mr I du Cros	(Appointed 1 April 2002)
Mr S Lee	(Appointed 1 April 2002)
Capt R Bradshaw	(Appointed 1 May 2003)

SECRETARY

Mr N Lawrence

AUDITORS

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

BANKERS

Barclays Bank plc
P O Box 612
Ocean Village
Southampton
SO14 2ZP

SOLICITORS

Addleshaw Goddard
150 Aldersgate Street
London
EC1A 4EJ

REGISTERED OFFICE

Building 470
Bournemouth International Airport
Christchurch
Dorset
BH23 6SE

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2003.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £790,833. The directors recommend a dividend of 222 pence per share, amounting to £555,000, which leaves £235,833 to be transferred to reserves.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activities during the year continued to be the operation of cargo aircraft on charter contracts throughout Europe. The company also operates passenger aircraft on charter contracts and scheduled low cost flights throughout Europe.

DIRECTORS AND THEIR INTERESTS

Mr P Meeson (Executive Chairman)
 Mr M Forder
 Mr I Doubtfire
 Mr P Headley (Resigned 18 February 2003)
 Mr A Menzies
 Mr A Sainthill
 Mr D Daughters (Appointed 1 April 2002)
 Mr I du Cros (Appointed 1 April 2002)
 Mr S Lee

None of the directors had any interest in the ordinary share capital of the company other than Mr P Meeson, who holds one ordinary share as trustee of the ultimate parent undertaking, Dart Group PLC.

Mr P Meeson and Mr M Forder are also directors of the ultimate parent undertaking, Dart Group PLC. Their interests in the share capital of Dart Group PLC are disclosed in the accounts of that company.

The interests of the other directors in the share capital of Dart Group PLC are as follows:

	<i>At 31 March 2003</i>	<i>At 1 April 2002</i>
	<i>Ordinary Shares of 5p each</i>	<i>Ordinary Shares of 5p each</i>
Mr A Menzies	63,250	70,500
Mr I du Cros	-	2,030

Mr I Doubtfire, Mr A Menzies, Mr A Sainthill, Mr S Lee and Mr I du Cros also held the following options to acquire 5p ordinary shares in Dart Group PLC at 31 March 2003:

Mr I Doubtfire

Dart Group Company Share Option Scheme:

<i>Number of shares</i>	<i>Exercise Price</i>	<i>Options exercisable</i>	<i>Options expire</i>
3,400	115.5p per share	22 July 1999	22 July 2006
3,400	115.5p per share	22 July 2002	22 July 2006
970	107.75p per share	26 June 2000	26 June 2007
970	107.75p per share	26 June 2003	26 June 2007
2,009	302.5p per share	17 November 2003	17 November 2010
2,009	302.5p per share	17 November 2006	17 November 2010
749	263.5p per share	3 July 2005	3 July 2012
749	263.5p per share	3 July 2008	3 July 2012
1,040	190.0p per share	18 November 2005	18 November 2012
1,040	190.0p per share	18 November 2008	18 November 2012

Dart Group PLC 2002 Unapproved Share Option Scheme:

12,500	190.0p per share	18 November 2005	18 November 2012
12,500	190.0p per share	18 November 2008	18 November 2012

Channel Express (Air Services) Limited

DIRECTORS' REPORT

Mr A Menzies

Dart Group Company Share Option Scheme:

<i>Number of shares</i>	<i>Exercise Price</i>	<i>Options exercisable</i>	<i>Options expire</i>
1,107	302.5p per share	17 November 2003	17 November 2010
1,107	302.5p per share	17 November 2006	17 November 2010
2,210	263.5p per share	3 July 2005	3 July 2012
2,210	263.5p per share	3 July 2008	3 July 2012
3,065	190.0p per share	18 November 2005	18 November 2012
3,065	190.0p per share	18 November 2008	18 November 2012

Dart Group PLC 2002 Unapproved Share Option Scheme:

12,500	190.0p per share	18 November 2005	18 November 2012
12,500	190.0p per share	18 November 2008	18 November 2012

Mr A Sainthill

Dart Group Company Share Option Scheme:

<i>Number of shares</i>	<i>Exercise Price</i>	<i>Options exercisable</i>	<i>Options expire</i>
12,100	123.75p per share	19 December 1999	19 December 2006
12,100	123.75p per share	19 December 2002	19 December 2006

Dart Group PLC 2002 Unapproved Share Option Scheme:

7,500	190.0p per share	18 November 2005	18 November 2012
7,500	190.0p per share	18 November 2008	18 November 2012

Mr D Daughters

Dart Group Company Share Option Scheme:

<i>Number of shares</i>	<i>Exercise Price</i>	<i>Options exercisable</i>	<i>Options expire</i>
2,500	210p per share	3 December 2002	3 December 2009
2,500	210p per share	3 December 2005	3 December 2009
3,223	302.5p per share	17 November 2003	17 November 2010
3,223	302.5p per share	17 November 2006	17 November 2010

Dart Group PLC 2002 Unapproved Share Option Scheme:

7,500	190.0p per share	18 November 2005	18 November 2012
7,500	190.0p per share	18 November 2008	18 November 2012

DIRECTORS' REPORT

Mr S Lee

Dart Group Company Share Option Scheme:

<i>Number of shares</i>	<i>Exercise Price</i>	<i>Options exercisable</i>	<i>Options expire</i>
5,000	225p per share	21 July 2001	21 July 2008
5,000	225p per share	21 July 2004	21 July 2008
1,423	263.5p per share	3 July 2005	3 July 2012
1,423	263.5p per share	3 July 2008	3 July 2012

Dart Group PLC 2002 Unapproved Share Option Scheme:

7,500	190.0p per share	18 November 2005	18 November 2012
7,500	190.0p per share	18 November 2008	18 November 2012

Mr I du Cros

Dart Group Company Share Option Scheme:

<i>Number of shares</i>	<i>Exercise Price</i>	<i>Options exercisable</i>	<i>Options expire</i>
5,000	107.75p per share	26 June 2003	26 June 2007
3,177	302.5p per share	17 November 2003	17 November 2010
3,178	302.5p per share	17 November 2006	17 November 2010
1,022	263.5p per share	3 July 2005	3 July 2012
1,022	263.5p per share	3 July 2008	3 July 2012

Dart Group PLC 2002 Unapproved Share Option Scheme:

7,500	190.0p per share	18 November 2005	18 November 2012
7,500	190.0p per share	18 November 2008	18 November 2012

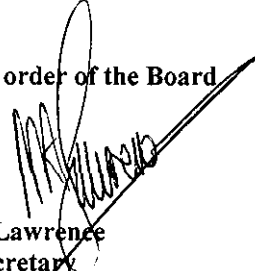
SUPPLIER PAYMENT POLICY

It is the company's policy to agree terms of payment with suppliers. Suppliers are made aware of the company's terms of payment and the company adheres to the terms agreed. It is not the company's policy to follow a code or standard in relation to payment practice. At 31 March 2003 the company's creditor days were 59.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board


N Lawrence
Secretary
18 June 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT
to the members of Channel Express (Air Services) Limited

We have audited the company's financial statements for the year ended 31 March 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Southampton

18 June 2003

Channel Express (Air Services) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2003

	Notes	2003 £	2002 £
TURNOVER	2	62,420,699	57,192,781
Net operating expenses	3	(61,711,691)	(54,727,309)
OPERATING PROFIT	4	709,008	2,465,472
Profit on sale of investments		-	47,688
Profit on sale of fixed assets		2,185	5,923
Net interest receivable	6	420,600	395,704
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,131,793	2,914,787
Taxation on profit on ordinary activities	7	(340,960)	(954,468)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		790,833	1,960,319
Dividend	8	(555,000)	(368,000)
RETAINED PROFIT FOR THE YEAR		235,833	1,592,319

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £790,833 for the year ended 31 March 2003 and of £1,960,319 for the year ended 31 March 2002.

Channel Express (Air Services) Limited

BALANCE SHEET

at 31 March 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	9	1,391,438	962,361
CURRENT ASSETS			
Stock	10	2,206,299	2,233,254
Debtors	11	18,628,991	14,408,322
Cash at bank and in hand		9,391,464	4,019,667
		30,226,754	20,661,243
CREDITORS: amounts falling due within one year	12	(19,701,163)	(9,942,408)
NET CURRENT ASSETS		10,525,591	10,718,835
		11,917,029	11,681,196
CAPITAL AND RESERVES			
Called up share capital	14	250,000	250,000
Profit and loss account	15	11,667,029	11,431,196
SHAREHOLDERS' FUNDS - equity interests	15	11,917,029	11,681,196



P Meeson

Director

18 June 2003

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The company has utilised the exemptions provided under Financial Reporting Standard No. 1 (Revised) and has not presented a cash flow statement. The cash flows of the company are included in the group accounts of the ultimate parent undertaking.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold premises	-	over the period of the lease
Plant and equipment	-	over 5 years
Motor vehicles	-	over 4 years
Computer equipment	-	over 3 years

Stock

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Finance charges are allocated to accounting periods on the basis of the obligation for each accounting period.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies

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

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts chargeable to third parties.

The turnover and profit before tax is attributable to the operation of cargo aircraft on charter contracts and all arises within the United Kingdom.

3. NET OPERATING EXPENSES

	2003	2002
	£	£
Direct operating costs	41,668,586	37,455,769
Staff costs (note 5)	13,721,716	12,432,339
Depreciation	522,262	565,739
Other operating charges	5,900,786	4,273,462
Other operating income	(101,660)	-
	61,711,691	54,727,309

4. OPERATING PROFIT

Operating profit is stated after charging:	2003	2002
	£	£
Auditors' remuneration	20,950	15,950
Operating lease rentals - land and buildings	342,458	311,598
- plant and machinery	8,446,758	7,517,109

NOTES TO THE ACCOUNTS

5. STAFF COSTS

	2003 £	2002 £
Wages and salaries	11,926,308	10,792,750
Social security costs	1,218,111	1,136,231
Other pension costs	577,297	503,358
	13,721,716	12,432,339

The average weekly number of employees during the year, including directors, was as follows:

	2003 No.	2002 No.
Operations	377	324
Administration	29	25
	406	349

Directors' remuneration

	2003 £	2002 £
Emoluments	668,294	472,573
Pension contributions	62,802	48,226
	731,096	520,799
Highest paid director:		
Emoluments	148,782	108,231
Pension contributions	12,932	11,608
	161,714	119,839

6. NET INTEREST RECEIVABLE

	2003 £	2002 £
Interest receivable from group undertakings	435,721	375,462
Bank interest receivable	5,205	48,852
Bank and other interest payable	(20,326)	(28,610)
	420,600	395,704

7. TAXATION

	2003 £	2002 £
Current taxation:		
UK Corporation Tax based upon the profit for the year	370,000	953,143
Adjustments in respect of previous periods	-	12,645
	370,000	965,788
Deferred taxation:		
Origination and reversal of timing differences		
- current year	(2,787)	(11,320)
- prior year	(26,253)	-
	(29,040)	(11,320)
	340,960	954,468

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

	2003 £	2002 £
Profit on ordinary activities	1,131,793	2,914,787
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	339,538	874,436
<i>Effects of:</i>		
Expenses not deductible for tax purposes	23,330	27,274
Capital allowances for period in excess of depreciation	7,132	51,433
Adjustments to tax charge in respect of previous periods	-	12,645
	370,000	965,788

8. DIVIDEND

	2003 £	2002 £
Ordinary proposed 222 p (2002 : 147.2p) per share	555,000	368,000

NOTES TO THE ACCOUNTS

9. TANGIBLE FIXED ASSETS

	Short leasehold property £	Plant, vehicles and equipment £	Total £
Cost:			
At 1 April 2002	438,414	3,738,938	4,177,352
Additions	31,854	921,834	953,688
Disposals	-	(37,051)	(37,051)
At 31 March 2003	470,268	4,623,721	5,093,989
Depreciation:			
At 1 April 2002	(353,618)	(2,861,373)	(3,214,991)
Provided during the year	(44,453)	(477,809)	(522,262)
Disposals	-	34,702	34,702
At 31 March 2003	(398,071)	(3,304,480)	(3,702,551)
Net book value at 31 March 2003	72,197	1,319,241	1,391,438
Net book value at 1 April 2002	84,796	877,565	962,361

10. STOCK

	2003 £	2002 £
Aircraft parts	2,206,299	2,233,254

11. DEBTORS

	2003 £	2002 £
Trade debtors	5,120,718	5,243,022
Amounts due from parent undertaking	9,707,476	7,520,274
Amounts due from group undertakings	4,750	61,656
Other debtors and prepayments	3,701,333	1,517,696
Deferred taxation (note 13)	94,714	65,674
	18,628,991	14,408,322

NOTES TO THE ACCOUNTS

12. CREDITORS: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	10,694	4,195
Trade creditors	7,850,845	6,372,515
Amounts due to parent undertaking	27,000	1,207,140
Amounts due to group undertakings	61,951	52,562
Corporation tax	-	647,458
Other taxes and social security costs	481,200	367,236
Other creditors and accruals	3,734,631	1,291,302
Deferred income	7,534,842	-
	19,701,163	9,942,408

13. DEFERRED TAXATION

	2003	2002
	£	£
Deferred taxation arising from:		
Accelerated capital allowances		
Deferred tax asset at start of year	65,674	54,354
Deferred tax credit in profit and loss account	29,040	11,320
	94,714	65,674

There are no unprovided deferred taxation balances (2002: £Nil).

14. SHARE CAPITAL

	2003	Authorised	Allotted, called up and	
	No.	2002	2003	2002
		No.	£	£
Ordinary shares of £1 each	250,000	250,000	250,000	250,000

NOTES TO THE ACCOUNTS

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 2001	250,000	9,838,877	10,088,877
Profit for the year	-	1,960,319	1,960,319
Dividend	-	(368,000)	(368,000)
At 1 April 2002	250,000	11,431,196	11,681,196
Profit for the year	-	790,833	790,833
Dividend	-	(555,000)	(555,000)
At 31 March 2003	250,000	11,667,029	11,917,029

16. CAPITAL COMMITMENTS

	2003 £	2002 £
Contracted but not provided	-	-

17. CONTINGENT LIABILITIES

The company has cross guarantees in respect of the banking arrangements of fellow subsidiary undertakings.

18. PENSION COMMITMENTS

All company pensions are to be provided from the proceeds of money purchase schemes and the company has no obligation to meet any shortfalls arising from actuarial valuations lower than those originally anticipated. The charge to the profit and loss account represents the payments due to the fund during the year.

19. OTHER FINANCIAL COMMITMENTS

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and Buildings £	2003 Plant and Machinery £	2002 Land and Buildings £	2002 Plant and Machinery £
Operating leases which expire:				
within one year	46,138	3,716,032	72,661	70,554
within two to five years	12,000	-	-	1,174,825
over five years	237,000	-	208,000	-
	295,138	3,716,032	280,661	1,245,379

20. RELATED PARTY TRANSACTIONS

The company has utilised the exemption under Financial Reporting Standard No. 8 as a subsidiary undertaking (where 90% or more of the voting rights are controlled by its ultimate parent company) not to disclose transactions with other entities that are part of Dart Group PLC.

21. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the smallest and largest group of undertakings for which group accounts are drawn up and of which the company is a member is Dart Group PLC, the ultimate parent undertaking. Dart Group PLC is registered in England and Wales and copies of its accounts can be obtained from Building 470, Bournemouth International Airport, Christchurch, Dorset BH23 6SE.