Jet2.com Limited

Report and Accounts

31 March 2011

Registered No. 2739537

DIRECTORS

Philip Meeson	Executive Chairman
Ian Doubtfire	
Ashley Cowen	(appointed 17/01/2011)
Richard Chambers	
Robin Evans	
Brian Gresham	(resigned 31/03/2011)
Paul Humphreys	
Stephen Lee	
Andrew Menzies	
Andrew Merrick	
Antony Sainthill	
Philip Ward	

SECRETARY

Andrew Merrick

AUDITOR

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

BANKERS

Barclays Bank PLC
Barclays Corporate Banking Centre
4th Floor Apex Plaza
Forbury Road
Reading RG1 1AX

Clydesdale Bank (trading as Yorkshire Bank)
4 Victoria Place
Manor Road
Leeds LS11 5AE

SOLICITORS

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Bird and Bird
15 Fetter Lane
London
EC4A 1JP

REGISTERED OFFICE

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

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2011

RESULTS AND DIVIDENDS

The results for the year are set out in the Profit and Loss Account and show a profit before taxation of £17,102,000 (2010 £6,785,000) Profit after taxation of £12,094,000 compares to a profit after taxation of £4,670,000 in 2010 Prior year exceptional costs before taxation of £8,358,000 relate to the close-out, in September 2008, of onerous fuel hedging contracts relating to Summer 2009 requirements The decision to close out the contracts was triggered by unusual volatility in fuel prices, which fell rapidly from a peak of $1,400 per tonne in July 2008 The directors do not recommend the payment of a dividend (2010 £nil)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Jet2.com operates twelve Boeing 757-200 aircraft (of which 9 are leased from its parent company, Dart Group PLC), 24 Boeing 737-300 aircraft (of which 21 are leased from its parent company), including eight Quick Change aircraft, and two Boeing 737-800 aircraft (both leased from external providers) from its home base of Leeds Bradford International Airport, and Belfast, Blackpool, East Midlands, Edinburgh, Glasgow, Manchester and Newcastle airports ***Jet2.com*** added two leased Boeing 757-200 aircraft and two leased Boeing 737-800s to the fleet towards the end of the financial year to enable the development of Glasgow as a new base and the expansion of East Midlands, Manchester, and Newcastle operations

During 2011/12, ***Jet2.com*** continued its careful development of the scheduled airline network, expanding the programme from Newcastle and Manchester, largely by adding flights to tried and trusted ***Jet2.com*** destinations New destinations added to the network in 2010 were Madeira, Monastir, Bergerac, Kos, Gran Canaria and Reus Thirty five new routes were added in total from our Northern bases, including seven winter routes Overall scheduled airline seat capacity was increased by 7% in the year ended 31 March 2011 This careful route and capacity management, coupled with some improvement in customer demand, resulted in load factors increasing to 85% (2010 80%), with yields also increasing to £52 42 from £48 69 in the previous year Load factor performance was underpinned by the ongoing development of the airline's yield management system and by the sale of seat allocations to third party tour operators, particularly on newer routes The loyalty programme continues to prove popular with our customers, with over 330,000 customers now having earned points towards free ***Jet2 com*** flights

Retail revenues continue to be a very important source of income for our leisure airline business, allowing low fares to be maintained Retail revenue per passenger increased from £21 12 to £25 39 in 2010/11, these being generated from a number of sources including hold baggage charges, online seat assignment, extra leg room seats, on board sales, and commissions on car hire Customers can both pre-order hot meals and watch the latest movie releases onboard Using our customer information analytics capability, we are able to target customers through pre-departure communications in a very tailored way to generate additional retail sales

The business devotes considerable in-house IT resources to develop its airline and holidays reservation systems improving the booking experience for customers and optimising retail revenues In the last quarter of the year, unique visitors to the ***Jet.com*** site increased by 31% year on year The ***Jet2.com*** reservation system has also been enhanced to offer customers the opportunity to acquire bundles of optional retail products at discounted pricing We provide the travel trade with a bespoke link to the ***Jet2.com*** reservation system to facilitate flight bookings

Jet2.com's passenger and freight charter operations increased revenues by 9% in the year The passenger charter activity provides flights for many different end users, including tour operators, specialist holiday providers, the MOD, and in support of promotional, sporting and other events, enabling the business to improve utilisation of aircraft outside peak periods We operated over 800 passenger charter flights during the year including taking over 2,000 Fulham supporters to the Europa Cup final in Hamburg in May 2010 and 20 Hajj flights to Jeddah in October and November The Royal Mail contract, for which night mail flights are undertaken every weekday from six UK airports, continues to be serviced with industry leading punctuality, enabling Royal Mail to meet its universal service obligation

Jet2.com has an ongoing programme in place targeted at improving fuel efficiency and reducing emissions This is being achieved by a series of initiatives including further investment in flight planning technology and an investment in fleet and aircraft modifications including an investment in winglets which improve aircraft performance during the take-off, climb and cruise elements of flights Additionally, we undertake regular specific aircraft maintenance to enhance operational performance and ensure that we load the aircraft in the optimum way and eliminate unnecessary weight carried onboard Fuel efficiency is carefully factored into our flight planning and in-flight operational procedures including flight speeds We also work very closely with air traffic control organisations to improve the efficiency of airspace utilisation wherever possible

During 2010 ***Jet2.com***, like all airlines operating within or into and out of EU airports, came within the regulatory mandate of the European Emissions Trading Scheme (EU ETS) The airline supports the aims of this scheme, which are to reduce emissions of greenhouse gases by 20% by 2020 compared to 1990 levels

Compliance with the requirements of this scheme has involved significant developments to internal systems in order to report the required emissions data, in preparation for the start of the scheme in January 2012

In respect of the aircraft fleet, all aircraft exceed the International Civil Aviation Organisation's requirements for minimising air pollution Another two Boeing 757 aircraft were fitted with fuel efficient winglets this winter In addition, a Boeing 737-800 aircraft with winglets came into the fleet in February 2011, with another arriving after year end in May 2011 These additions will further contribute to the airline's carbon saving targets

Key Performance Indicators are as follows

	2011	2010
Number of aircraft in use	**38**	34
Passenger numbers	**3.4m**	3 1m
Load factor	**85%**	80%
Net ticket yield	**£52.42**	£48 69
Retail revenue per customer	**£25.39**	£21 12
Average hedged price of fuel (US$ per tonne)	**$870**	$786
Percentage of estimated annual fuel requirement hedged for next financial year	**91%**	90%
Capital expenditure	**£3.3m**	£0 8m
Average monthly staff turnover	**1.5%**	1 5%
Advance ticket sales made at year end date	**£175.3m**	£130 6m

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business include the following

Competition

The leisure airline sector continues to be an intensely competitive market Headline fare price competition remains very strong at every base from which ***Jet2.com*** flies The Company will continue to focus on customer driven scheduling on popular routes in order to maximise both its load factor and retail revenue on its aircraft The operation will continue to benefit from non-scheduled flight aircraft utilisation through its passenger and freight charter activities and from a broad distribution base for its scheduled seats via the web, through travel agencies, via tour operator seat allocations and its sister company ***Jet2holidays***

Fuel prices

The cost of fuel will continue to be a very significant element of the ***Jet2.com*** cost base, and the effective management of fuel price variation through hedging will continue to be important to the business The company's fuel price risk management strategy aims to limit exposure to sudden and significant increases in oil prices, whilst ensuring the business remains competitive The Company's policy is to forward cover up to 100% of its future fuel requirements and up to three years in advance As at 31 March 2011 ***Jet2.com*** had substantially hedged its forecasted fuel requirements for the 2011/12 year and a proportion of its requirements for the subsequent two years

Foreign currency risk

Jet2.com has significant transactional foreign currency exposure, the most significant being the US dollar

Transactional currency exposures primarily arise as a result of purchases in foreign currency undertaken in the ordinary course of business, in particular related to expenditure on aviation fuel, aircraft maintenance, air traffic control, and airport charges The Company's policy is to cover all material transactional risks for a minimum period of six months using forward foreign exchange contracts As at 31 March 2011 ***Jet2.com*** had hedged substantially all of its forecast foreign exchange requirements for the forthcoming year

DIRECTORS' REPORT (continued)

Economic condıtıons

Ultımately, economıc condıtıons wıll have an ımpact on the level of consumer demand for aırlıne servıces Whılst we belıeve that UK consumers regard theır summer holıday as a very ımportant element of the household budget, ıt ıs clear that there was a reductıon ın dıscretıonary travel ın 2010/11, and consumer uncertaınty has ıncreased ın 2011/12 To mıtıgate thıs rısk, the Company wıll contınue to plan ıts flyıng programme carefully to take account of trends ın demand

Government policy

It ıs stated UK and EU polıcy to apply addıtıonal taxes to the avıatıon ındustry, and ıt ıs foreseeable that the tax burden wıll contınue on the road haulage sector also It ıs clear that the ıncreases ın Aırlıne Passenger Duty had an ımpact on flıghts to Egypt prıor to the subsequent polıtıcal uncertaınty whıch caused ***Jet2.com*** to suspend flyıng to Sharm el Sheıkh and Hurghada Further ıncreases ın Aırlıne Passenger Duty are planned and the EU Emıssıons Tradıng Scheme ıs due to commence ın 2012 There ıs a contınuıng rısk that the ımposıtıon of these taxes, at levels ın excess of the economıc cost of emıssıons, may result ın reduced passenger demand

DIRECTORS AND THEIR INTERESTS

The detaıls of dırectors, who held office durıng the year and after the year end, are set out below

Phılıp Meeson	Executıve Chaırman
Ian Doubtfire	
Ashley Cowen	(appoınted 17/01/2011)
Rıchard Chambers	
Robın Evans	
Brıan Gresham	(resıgned 31/03/2011)
Paul Humphreys	
Stephen Lee	
Andrew Menzıes	
Andrew Merrıck	
Antony Saınthıll	
Phılıp Ward	

None of the dırectors had any ınterest ın the ordınary share capıtal of the Company other than Phılıp Meeson, who holds one ordınary share as trustee of the ultımate parent undertakıng, Dart Group PLC Phılıp Meeson and Andrew Merrıck were also dırectors of the ultımate parent undertakıng, Dart Group PLC, durıng the year Theır ınterests ın the share capıtal of Dart Group PLC are dısclosed ın the accounts of that Company

SUPPLIER PAYMENT POLICY

It ıs the Company's polıcy to agree terms of payment wıth supplıers Supplıers are made aware of the Company's terms of payment and the Company adheres to the terms agreed It ıs not the Company's polıcy to follow a code or standard ın relatıon to payment practıce At 31 March 2011, the Company's credıtor days were 13 (2010 14 days)

GOING CONCERN

For the purposes of theır assessment of the approprıateness of the preparatıon of the Company's accounts on a goıng concern basıs, the Dırectors have consıdered the current cash posıtıon, the avaılabılıty of bank facılıtıes, the forecasts of future tradıng and the support provıded by ıts parent company, Dart Group PLC The Dırectors have assessed the underlyıng assumptıons and prıncıpal areas of uncertaınty wıthın these forecasts, ın partıcular those related to market and customer rısks, cost management, workıng capıtal management and treasury rısks A number of these are subject to market uncertaınty and ımpact fınancıal covenants Recognısıng the potentıal uncertaınty, the Dırectors have consıdered a range of actıons avaılable to mıtıgate the ımpact of these potentıal rısks should they crystallıse and have also revıewed the key strategıes whıch underpın the forecast and the Group's abılıty to ımplement them successfully

On the basıs of the current lıquıdıty posıtıon, the forecasts and these consıderatıons, the Dırectors have a reasonable expectatıon that the Company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future and have concluded that ıt ıs approprıate for the fınancıal statements for the year ended 31 March 2011 to be prepared on a goıng concern basıs

DIRECTORS' REPORT (continued)

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job Opportunities are available to disabled employees for training, career development and promotion Where existing Company employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

In accordance with section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office

By order of the Board

Philip Meeson
Director
28 September 2011
Jet2.com Limited
Registered No 2739537

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

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

INDEPENDENT AUDITOR'S REPORT

to the members of *Jet2.com* Limited

We have audited the financial statements of *Jet2.com* Limited for the year ended 31 March 2011 set out on pages 8 to 20 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 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 explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site www frc org uk/apb/scope/private cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
1 The Embankment, Neville Street, Leeds, LS1 4DW
28 September 2011

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2011

	Notes	2011 Total £000	2010 Before exceptional items £000	2010 Exceptional items £000	2010 Total £000
TURNOVER	2	**369,502**	296,213	-	**296,213**
Net operating expenses	3	**(352,695)**	(281,203)	(8,358)	**(289,561)**
OPERATING PROFIT	4	**16,807**	15,010	(8,358)	**6,652**
Net interest receivable	7	**295**	133	-	**133**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**17,102**	15,143	(8,358)	**6,785**
Taxation on profit on ordinary activities	8	**(5,008)**	(4,455)	2,340	**(2,115)**
PROFIT FOR THE FINANCIAL YEAR	18	**12,094**	10,688	(6,018)	**4,670**

There are no recognised gains or losses other than the profit for the year of £12,094,000 (2010 £4,670,000)

A statement of the movement on reserves is given in note 18 to the accounts

The results for the current and prior years all relate to continuing activities There is also no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

BALANCE SHEET
at 31 March 2011

	Notes	**2011** **£000**	**2010** **£000**
FIXED ASSETS			
Intangible assets	*9*	**-**	-
Tangible assets	*10*	**7,317**	5,764
		7,317	5,764
CURRENT ASSETS			
Stock	*11*	**7,972**	8,042
Debtors	*12*	**139,292**	132,978
Cash at bank and in hand	*13*	**137,744**	78,365
		285,008	219,385
CREDITORS: amounts falling due within one year	*14*	**(213,900)**	(159,501)
NET CURRENT ASSETS		**71,108**	59,884
Provisions	*15*	**(33,624)**	(33,261)
NET ASSETS		**44,801**	32,387
CAPITAL AND RESERVES			
Called up share capital	*17*	**250**	250
Profit and loss account	*18*	**44,551**	32,137
SHAREHOLDER'S FUNDS	*19*	**44,801**	32,387

The accounts were approved by the Board of Directors at a meeting held on 28 September 2011 and were signed on its behalf by

Andrew Merrick
Director
Jet2 com Limited
Registered No 2739537

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied in dealing with items which are considered material in relation to the Company's financial statements Except as noted below, the Company has applied consistent accounting policies

Basis of preparation

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

Going concern

The company is part of the Dart Group PLC group and is dependent on the continuing support of its fellow subsidiaries and parent undertaking The Directors have prepared financial forecasts for the Group, comprising operating profit, balance sheet and cash flows through to 31 March 2014

For the purposes of their assessment of 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 bank, and other, facilities and forecasts of future trading The Directors have assessed the current level of forward bookings, the underlying assumptions and principal areas of uncertainty within future forecasts, in particular those related to market and customer risks which impact on future bookings, cost management, working capital management and treasury risks A number of these are subject to market uncertainty and impact financial covenants Recognising the potential uncertainty, the Directors have considered a range of actions available to mitigate the impact of these potential risks should they crystallise and have also reviewed the key strategies which underpin the forecast and the Group's ability to implement them successfully

On the basis of the current liquidity position, the current forward booking profile, the forecasts and these considerations, the Directors have assessed future covenant compliance and headroom for the foreseeable future and concluded that it is appropriate for the financial statements for the year ended 31 March 2011 to be prepared on a going concern basis, which the directors believe to be appropriate as they have received confirmation of financial support covering at least the next 12 months

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment

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

Short Leasehold property	Over the life of the lease
Freehold property	5-30 years
Plant, vehicles and equipment	3-7 years

Goodwill

Goodwill represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary at the date of acquisition Goodwill is allocated to cash-generating units and is amortised over a period of 3 years Goodwill is stated at cost less any accumulated impairment losses

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Aircraft maintenance costs

The Company has a legal obligation to undertake specific periodic maintenance on the aircraft it operates whether those aircraft are leased from its parent Company, Dart Group PLC, or from third party aircraft lessors These obligations require the Company to continue to maintain the aircraft and its engines in accordance with the aircraft manufacturer's published maintenance programmes during the term of the lease and to ensure that the aircraft is returned to the lessor in accordance with its contractual requirements As there is a legal and constructive obligation to return the aircraft in a specified condition, a profit and loss charge is made by the Company and a maintenance provision, based on activity levels, is created under *FRS 12 Provisions, contingent liabilities and assets* in Provisions

The Company pays a monthly security deposit to Dart Group PLC based on a monthly usage calculation The deposit is refunded to the Company once the maintenance activity has been completed by the Company As such, these are classified as *Amounts due from Parent undertaking* within Debtors

The monthly security deposit payment is set at a level which is estimated to cover the cost of future maintenance procedures when they occur, matching the initial monthly maintenance charges on operating leased aircraft, and any known increases or reductions in maintenance spend are reflected in calculating the Company's maintenance charge on operating leased aircraft

Short term maintenance

All maintenance expenditure relating to events expected to occur at least annually are expensed as incurred

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

Leasing

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

Cash and cash equivalents

Cash equivalents are defined as including short term deposits with original maturity within three months and restricted cash paid over to various counterparties as collateral against relevant exposures Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents

Foreign currencies

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

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

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

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholder's funds, are dealt with as appropriations in the reconciliation of movements in shareholder's funds

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

Share based payments

The fair value of employee share option plans is measured at the date of grant of the option using the binominal valuation model The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income over the period in which the options vest At each balance sheet date, before vesting the cumulative expense is calculated, based on the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, and hence the number of equity instruments that will ultimately vest Cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in reserves The Company has taken advantage of the transitional provisions of FRS 20 in respect of the fair value of equity settled awards, so as to apply FRS 20 only to those equity settled awards granted after 7 November 2002 that had not vested as at 1 April 2005 (the effective date of the standard) The cost of these share options reflected in the results of the Company for the year is £320,000 (2010 £239,000)

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled

2. TURNOVER

Turnover (which excludes Value Added Tax and Air Passenger Duty) arises from passenger aircraft operations, retail activities, and charter and cargo aircraft operations

Revenue from 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 Retail revenue from cabin service sales and excess baggage, seat assignment, check-in fees, extra leg room, hot meal charges are also recognised once the relevant flight has taken place Separately identified incremental credit card charges, currency conversion, and call centre booking fees are recognised at the date of booking Booking change fees are also recognised when the change is made, in line with the costs which such charges are designed to cover Commission earned from hire car and hotel bookings is recognised on departure and from travel insurance on booking, reflecting the time when commission can no longer be recovered on cancellation Amounts received from customers, for which revenue has not yet been recognised, are recorded in the balance sheet within "Creditors amounts falling due within one year", as deferred income

NOTES TO THE ACCOUNTS (continued)

2 TURNOVER (continued)

The turnover and profit before tax is attributable to the operation of passenger aircraft on scheduled leisure flights and the operation of aircraft on charter contracts, and arises as follows

	2011 £000	2010 £000
Turnover arising		
Within the United Kingdom and the Channel Islands	**44,689**	41,755
Between the United Kingdom and Mainland Europe	**290,899**	237,771
Other	**33,914**	16,687
	369,502	296,213

3. NET OPERATING EXPENSES

	2011 £000	2010 £000
Direct operating costs	**268,328**	214,172
Exceptional direct operating costs (note 5)	**-**	8,358
Staff costs (note 6)	**56,285**	47,181
Depreciation – owned assets	**1,778**	1,879
Profit on disposal of fixed assets	**(2)**	(226)
Other operating charges	**26,306**	18,197
	352,695	289,561

4 OPERATING PROFIT

Operating profit is stated after charging	2011 £000	2010 £000
Auditor's remuneration		
- audit services	**60**	60
- taxation services to the company	**36**	45
Depreciation	**1,778**	1,879
Operating lease rentals		
- land and buildings	**853**	752
- plant and machinery	**1,750**	1,630
- aircraft rentals payable to parent undertaking	**17,375**	18,967

5. EXCEPTIONAL ITEMS

	2011 £000	2010 £000
Net exceptional items before taxation		
Fuel derivative close-out costs	**-**	8,358

Prior year exceptional costs before taxation of £8,358,000 relate to the close-out, in September 2008, of onerous fuel hedging contracts relating to Summer 2009 requirements The decision to close out the contracts was triggered by unusual volatility in fuel prices, which fell rapidly from a peak of $1,400 per tonne in July 2008

NOTES TO THE ACCOUNTS (continued)

6. STAFF COSTS

	2011 £000	2010 £000
Wages and salaries	**49,462**	40,823
Social security costs	**5,029**	4,750
Other pension costs (note 21)	**1,474**	1,369
Share based payment charge (note 19)	**320**	239
	56,285	47,181

The share based payment charge relates to rights granted by the Company's parent to its equity instruments to the Company's employees, which are accounted for as equity-settled in accordance with the stated accounting policy in note 1

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

	2011 No.	2010 No
Operations	**1,906**	1,327
Administration	**315**	198
	2,221	1,525

	2011 £000	2010 £000
Directors' remuneration		
Emoluments	**1,768**	1,873
Pension contributions	**144**	132
	1,912	2,005
Highest paid director		
Emoluments	**302**	335
Pension contributions	**21**	17
	323	352

The number of directors accruing benefits under the Company pension scheme was 13 (2010 12) The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was 13 (2010 12)

7. NET INTEREST RECEIVABLE

	2011 £000	2010 £000
Interest receivable from group undertakings	**117**	123
Bank interest receivable	**178**	10
	295	133

NOTES TO THE ACCOUNTS (continued)

8. TAXATION

	2011 £000	2010 £000
Current taxation		
UK corporation tax based upon the profit for the year	4,902	2,068
Adjustments in respect of previous periods	15	-
Current tax charge for the year	4,917	2,068
Deferred taxation		
Origination and reversal of timing differences		
- current year	113	(41)
- prior year	(35)	88
- rate changes	13	-
Deferred tax charge for the year	91	47
Tax charge for the year	5,008	2,115

During the period the Company has reflected the change in the enacted tax rate from 28% to 26%, which is effective from 1 April 2011 The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 23% by 1 April 2014 The future 1% main tax rate reductions are not expected to have a material impact on the financial statements

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 28% (2010 28%) The differences are explained below -

	2011 £000	2010 £000
Profit on ordinary activities before taxation	17,102	6,785
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	4,789	1,900
Effects of		
Expenses not deductible for tax purposes	90	3
Capital allowances for the year in excess of depreciation	23	165
Recognition of previously unrecognised tax losses	-	-
Adjustments to tax charge in respect of previous periods	15	-
Current tax charge for year (see above)	4,917	2,068

NOTES TO THE ACCOUNTS (continued)

9. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At 1 April 2010 and at 31 March 2011	1,299
Amortisation	
At 1 April 2010 and at 31 March 2011	1,299
Net book value	
At 1 April 2010 and at 31 March 2011	-

10. TANGIBLE FIXED ASSETS

	Freehold property £000	Short leasehold property £000	Plant, vehicles and equipment £000	Total £000
Cost:				
At 1 April 2010	1,468	468	16,045	17,981
Additions	9	-	3,325	3,334
Disposals	-	-	(127)	(127)
At 31 March 2011	**1,477**	**468**	**19,243**	**21,188**
Depreciation:				
At 1 April 2010	790	447	10,980	12,217
Provided during the year	221	-	1,557	1,778
Disposals	-	-	(124)	(124)
At 31 March 2011	**1,011**	**447**	**12,413**	**13,871**
Net book value at 31 March 2010	678	21	5,065	5,764
Net book value at 31 March 2011	**466**	**21**	**6,830**	**7,317**

11. STOCK

	2011 £000	2010 £000
Aircraft parts	**7,972**	8,042

NOTES TO THE ACCOUNTS (continued)

12. DEBTORS

	2011 £000	2010 £000
Trade debtors	**11,333**	**14,212**
Amounts due from parent undertaking	**96,409**	**95,946**
Amounts due from group undertakings	**990**	**2,153**
Other debtors and prepayments	**30,497**	**20,513**
Deferred taxation (note 16)	**63**	**154**
	139,292	**132,978**

Included in amounts due from parent undertaking are maintenance security deposits repayable to the Company of £46,800,000 (2010 £50,381,000)

13. CASH AND CASH EQUIVALENTS

Included within cash is £81,100,000 (2010 £38,100,000) of cash paid over to various counterparties as collateral against relevant risk exposures These balances are considered to be restricted and collateral is returned either on maturity of the exposure or if the exposure reduces prior to this date

14. CREDITORS: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**10,267**	10,881
Other taxes and social security costs	**7,557**	3,363
Amounts owed to group undertakings	**3**	-
Other creditors and accruals	**20,782**	14,642
Deferred income	**175,291**	130,615
	213,900	159,501

15. PROVISIONS

	2011 £000	2010 £000
At 1 April	**33,261**	33,828
Additional provision in the period	**26,069**	17,630
Utilisation in the period	**(25,706)**	(18,197)
At 31 March	**33,624**	33,261

Provisions relate entirely to aircraft maintenance and the Company'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

NOTES TO THE ACCOUNTS (continued)

16. DEFERRED TAXATION

	2011 £000	2010 £000
Deferred taxation arising from		
Accelerated capital allowances		
Deferred tax asset at start of year	**31**	79
Deferred tax credit / (charge) in profit and loss account	**32**	(48)
	63	31
Disallowable redundancy provisions		
Deferred tax asset at start of year	**123**	123
Deferred tax charge in profit and loss account	**(123)**	-
	-	123
Deferred tax asset at end of year	**63**	154

There are no unrecognised deferred taxation balances at 31 March 2010 (2010 £nil)

17. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2011 No.	2010 No	**2011 £000**	2010 £000
Ordinary shares of £1 each	**250,000**	250,000	**250**	250

18. RESERVES

	Profit and loss account £000
At 1 April 2010	32,137
Profit for the year	12,094
Reserves movement arising from share-based payment charge	320
At 31 March 2011	**44,551**

NOTES TO THE ACCOUNTS (continued)

19. RECONCILIATION OF SHAREHOLDER'S FUNDS

	2011 £000	2010 £000
Profit for the year	**12,094**	4,670
Reserves movement arising from share-based payment charge	**320**	239
Net increase in shareholder's funds	**12,414**	4,909
Opening shareholder's funds	**32,387**	27,478
Closing shareholder's funds	**44,801**	32,387

Details of the employee share schemes operated by the Group are disclosed in note 23 of the Dart Group PLC financial statements The amount charged in the Company's accounts for the year, which is based on the Company's employees participating in the schemes, was £320,000 (2010 £239,000)

20. 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

The Company is currently involved in litigation proceedings in the US against Sutra Inc and Novak Niketic, who provided use of the reservation system operated by the Company until February 2008, in relation to the termination of the use of this system An unspecified counterclaim has been lodged which is being vigorously defended by the Company in respect of which the Directors estimate approximately $2 5m liability in the unlikely event that the counterclaim is successful

21. 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 (see note 6)

22. OTHER FINANCIAL COMMITMENTS

At 31 March 2011 the Company had annual commitments under non-cancellable operating leases as set out below

	2011 Land and Buildings £000	2011 Plant and Machinery £000	2010 Land and Buildings £000	2010 Plant and Machinery £000
Operating leases which expire				
- within one year	**418**	**18,258**	235	17,514
- within two to five years	**538**	**4,216**	653	2,351
- over five years	**650**	**1,843**	414	-
	1,606	**24,317**	1,302	19,865

NOTES TO THE ACCOUNTS (continued)

23. RELATED PARTY TRANSACTIONS

The Company has utilised the exemption under Financial Reporting Standard No 8 as a subsidiary undertaking not to disclose transactions with other Dart Group PLC entities that are wholly owned by a member of the Group

24. 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 Low Fare Finder House, Leeds Bradford Airport, Leeds, West Yorkshire, LS19 7TU