

# ***Jet2.com* Limited**

## **Report and Accounts**

31 March 2012

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COMPANIES HOUSE

**DIRECTORS**

Philip Meeson	Executive Chairman
Stephen Heapy	(appointed 4 July 2011)
Ian Doubtfire	
Ashley Cowen	
Richard Chambers	
Ian Du Cros	(appointed 8 August 2012)
Robin Evans	
Paul Humphreys	(resigned 17 April 2012)
Christopher Hubbard	(appointed 12 June 2012)
Stephen Lee	
Andrew Menzies	
Andrew Merrick	
Antony Sainthill	
Philip Ward	

**SECRETARY**

Paul Forster

**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 International Airport  
Leeds  
West Yorkshire  
LS19 7TU

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2012

The results for the year are set out in the Profit and Loss Account and show a profit before taxation of £12,542,000 (2011 £17,102,000) Profit after taxation of £9,258,000 compares to a profit after taxation of £12,094,000 in 2011

During the year, the directors declared a final dividend of £40 00 per ordinary share (2011 £nil)

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

*Jet2.com* Limited ("the Company") is a subsidiary of Dart Group PLC and a sister company to *Jet2holidays* Limited, the Group's package holiday operator *Jet2.com* undertakes significant, and growing, intercompany trading with *Jet2holidays*, which purchases flights for its ATOL-protected package holidays exclusively from *Jet2.com*

The Company operates flights to a range of leisure destinations, during the year it operated twelve Boeing 757-200 aircraft (of which nine were leased from Dart Group PLC), 24 Boeing 737-300 aircraft (of which 21 were leased from Dart Group PLC), 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 The Company continued the careful expansion of its scheduled airline network adding Glasgow airport as a new base and extending flying at East Midlands, Newcastle and Manchester airports, largely by adding flights to tried and trusted *Jet2.com* destinations Two leased Boeing 737-300, and two leased Boeing 737-800 aircraft were added to the fleet towards the end of the financial year to enable the further development of these operations

We operated a total of 145 routes in the year, adding the new destinations of Bodrum and Krakow Overall scheduled airline seat capacity was increased by 23%, despite this significant expansion, careful route scheduling and capacity management, coupled with some improvement in customer demand, resulted in load factors increasing to 87% (2011 85%) Load factor performance was underpinned by further development of the airline's yield management system and by the sale of seats both to *Jet2holidays* and third party tour operators Seat sales to *Jet2holidays* represented 10% of total scheduled flying in the year Net ticket revenue reduced slightly to £51 47 from £52 42 Retail revenue per passenger increased to £27 86 from £25 84, which was generated from a number of sources including hold baggage charges for a sector leading 22kg weight allowance, online seat assignment, extra leg room seats, onboard sales and commissions on car hire and insurance New developments in the year included a re-developed travel insurance product - the best value in the market - and further development of dynamic pricing for retail revenues

Pre-tax profitability declined to £12 5m from £17 1m in the previous year principally as a result of cost increases which we were unable to pass on to our customers

In order both to improve customer service and increase efficiency, we brought passenger handling in-house at Blackpool airport and Newcastle airport for summer 2011 Faro airport followed in summer 2012, becoming the fifth overseas base at which we self handle

The business devotes great effort to knowing and better understanding its customers, their needs and their future travel intentions Using a bespoke data management system, a single customer view has been created that enables targeted and personalised direct marketing campaigns, which are timely and relevant Using the latest e-mail and print technology, as well as a programme of intelligent data mining and modelling, the business has enhanced all of its direct customer communications to ensure they resonate, the success of this investment is demonstrated by much improved conversion rates And, whilst a customer's previous travel history is always a great indicator of what they may do next, *Jet2.com* has gone a step further by enriching its data with a robust insight programme This captures customer feedback on their booking, ground and in-flight experience, as well as destinations and future travel plans, all of which is used to help us further refine and enhance our customer proposition

Revenues in *Jet2.com*'s passenger and Royal Mail charter operations were up on the previous year The passenger charter activity provides flights for many different end users, including tour operators, specialist holiday providers, the UK Government, and in support of promotional, sporting and other events, enabling the business to improve utilisation of aircraft outside peak periods We operated approximately 600 passenger charter flights during the year including a series of regular flights during the winter months for the Emirate of Ras al-Khaimah, flying German holiday makers into this relatively new resort We continue to undertake significant flying for Royal Mail, for whom night mail flights are undertaken every weekday from six UK airports, performed with industry leading punctuality levels, enabling Royal Mail to meet its universal service obligation Our last flight under the present contract is in October 2014 Royal Mail is tendering the contract during this financial year, with the result expected in the first quarter of 2013

## DIRECTORS' REPORT (continued)

During 2012 *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 ("the Scheme"). The Company supports the aims of the Scheme, which include a reduction of greenhouse gas emissions by 20% in 2020, compared to 1990 levels.

Compliance with the requirements of the 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.

The Company has an ongoing "efficient flying" programme in place targeted at improving fuel efficiency and reducing emissions. This is being achieved by a series of initiatives, including continuing investment in flight planning technology, and careful attention to aircraft loading, to optimise fuel burn, as well as to our program to 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, and have developed our links to, air traffic control organisations to improve the efficiency of airspace utilisation wherever possible. The combined effects of all the elements of this programme are estimated to have saved the airline over 34,000 tonnes of carbon emissions in the year.

Our fleet exceeds the International Civil Aviation Organisation's requirements for minimising air pollution, with seven of our aircraft now fitted with winglets.

Key Performance Indicators are as follows:

	2012	2011
Number of owned aircraft at 31 March	35	30
Number of leased aircraft at 31 March	7	8
Passenger numbers	4.3m	3.4m
Load factor	87%	85%
Net ticket yield	£51.47	£52.42
Retail revenue per customer	£27.86	£25.39
Average hedged price of fuel (US\$ per tonne)	\$927	\$870
Percentage of estimated annual fuel requirement hedged for next financial year	100%	91%
Capital expenditure	£2.7m	£3.3m
Advance ticket sales made at year end date	£223.0m	£175.3m

## 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 its load factor, yield, 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 - in winter months mostly - 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 is a significant element of the *Jet2.com* cost base, and the effective management of fuel price variation through hedging continues 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 up to three years in advance. As at 31 March 2012 *Jet2.com* had fully hedged its forecast fuel requirements for the 2012/13 year and hedged 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 2012 *Jet2.com* had hedged substantially all of its forecast foreign exchange requirements for the forthcoming year.

## **DIRECTORS' REPORT (continued)**

### **Economic conditions**

Ultimately, economic conditions will have an impact on the level of consumer demand for airline services. Whilst we believe that UK consumers regard their summer holiday as a very important element of the household budget, it is clear that there has been a reduction in discretionary travel in recent years due to continuing economic uncertainty. To mitigate this risk, the Company will continue to plan its flying programme carefully to take account of trends in demand.

### **Political Risks**

The Company can be impacted by political uncertainty, both directly through reduced demand for travel to countries to which *Jet2.com* flies, and indirectly through the impact of such political uncertainty on fuel prices and exchange rates. This risk is mitigated through careful management of the route network and through the Company's approach to hedging fuel and foreign exchange risk.

### **Government policy**

It is stated UK and EU policy to apply additional taxes to the aviation industry. It is clear that the increases in Airline Passenger Duty had an impact on flights to Egypt, prior to the subsequent political uncertainty which caused *Jet2.com* to suspend flying to Sharm el Sheikh and Hurghada. The EU Emissions Trading Scheme commenced in 2012, while further increases in Airline Passenger Duty were also experienced during the year. There is a continuing risk that the imposition of these taxes, at levels in excess of the economic cost of emissions, may result in reduced passenger demand.

## **DIRECTORS AND THEIR INTERESTS**

The details of directors, who held office during the year and after the year end, are set out below.

Philip Meeson	Executive Chairman
Stephen Heapy	(appointed 4 July 2011)
Ian Doubtfire	
Ashley Cowen	
Richard Chambers	
Ian Du Cros	(appointed 8 August 2012)
Robin Evans	
Paul Humphreys	(resigned 17 April 2012)
Christopher Hubbard	(appointed 12 June 2012)
Stephen Lee	
Andrew Menzies	
Andrew Merrick	
Antony Sainthill	
Philip Ward	

None of the directors had any interest in the ordinary share capital of the Company other than Philip Meeson, who holds one ordinary share as trustee of the ultimate parent undertaking, Dart Group PLC. Philip Meeson and Andrew Merrick were also directors of the ultimate parent undertaking, Dart Group PLC, during the year. Their interests in the share capital of Dart Group PLC are disclosed in the accounts of that Company.

## **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 2012, the Company's creditor days were 8 (2011: 13 days).

## **GOING CONCERN**

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 facilities, the forecasts of future trading and the support provided by its parent company, Dart Group PLC ("the Group"). 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, cost management, working capital management and treasury risks. A number of these are subject to market uncertainty and impact financial covenants of the Group. 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.

## **DIRECTORS' REPORT (continued)**

On the basis of the current liquidity position, the Company's forward booking profile, the forecasts and these considerations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have concluded that it is appropriate for the financial statements for the year ended 31 March 2012 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

## **EMPLOYEE INVOLVEMENT**

The directors are committed to a full and open dialogue with all employees throughout the business, recognising the contribution this makes to improved personal performance, and achievement of the overall company's business objectives. Internal communication processes and procedures ensure employees and their representatives are updated on corporate objectives, trading performance, economic conditions and other relevant matters

A comprehensive internal communications programme has been developed to ensure that information is disseminated effectively across the company. Regular channels of communication include internal bulletins, notice boards, and department briefings

Employees have biannual performance reviews and a comprehensive annual calendar of internal development programmes is delivered to support employee performance improvement

## **EQUALITY AND DIVERSITY**

The Company is committed to promoting diversity and ensuring equality of opportunity for all within the workplace, regardless of race, sex, age, sexual orientation, marital or civil partnership status, pregnancy, religion, belief or disability. The Company is also committed to ensuring that its procedures and selection processes in respect of 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

## **DISCLOSURE OF INFORMATION TO AUDITOR**

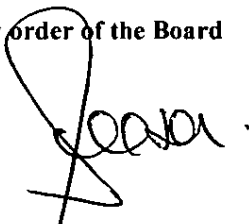
Each of the persons who are Directors at the date of approval of this Annual Report confirms that

- 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

## **AUDITOR**

In accordance with s489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board



**Philip Meeson**  
**Director**  
**8 October 2012**  
**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 2012 set out on pages 9 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 7, 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](http://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 2012 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

8 October 2012



**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 2012

	Notes	2012 Total £000	2011 Total £000
<b>TURNOVER</b>	2	461,343	369,502
Net operating expenses	3	(449,372)	(352,695)
<b>OPERATING PROFIT</b>	4	11,971	16,807
Net interest receivable	6	571	295
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		12,542	17,102
Taxation on profit on ordinary activities	7	(3,284)	(5,008)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18	9,258	12,094

There are no recognised gains or losses other than the profit for the year of £9,258,000 (2011 £12,094,000)

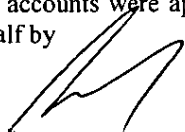
A statement of the movement on reserves is given in note 18 to the accounts

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 2012*

	Notes	2012 £000	2011 £000
<b>FIXED ASSETS</b>			
Intangible assets	8	-	-
Tangible assets	9	7,945	7,317
		7,945	7,317
<b>CURRENT ASSETS</b>			
Stock	10	8,913	7,972
Debtors	11	187,842	139,292
Cash at bank and in hand	12	161,318	137,744
		358,073	285,008
<b>CREDITORS: amounts falling due within one year</b>	13	(265,991)	(213,900)
		92,082	71,108
<b>NET CURRENT ASSETS</b>			
<b>CREDITORS: amounts falling due within one year</b>			
Loans	14	(463)	-
Provisions	15	(45,305)	(33,624)
		54,259	44,801
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	250	250
Profit and loss account	18	54,009	44,551
<b>SHAREHOLDER'S FUNDS</b>			
	19	54,259	44,801

The accounts were approved by the Board of Directors at a meeting held on 8 October 2012 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 2015.

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 the financial covenants of the Group. 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 a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have concluded that it is appropriate for the financial statements for the year ended 31 March 2012 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 manufacturers' 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, and paid for, 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 annually, or more frequently, is 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:

- 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

## NOTES TO THE ACCOUNTS (continued)

### 1 ACCOUNTING POLICIES (continued)

- 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 £200,000 (2011: £320,000).

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

	2012 £000	2011 £000
Turnover arising		
Within the United Kingdom and the Channel Islands	43,563	44,689
Between the United Kingdom and Mainland Europe	387,899	290,899
Other	29,881	33,914
	<b>461,343</b>	<b>369,502</b>

**3. NET OPERATING EXPENSES**

	2012 £000	2011 £000
Direct operating costs	337,453	268,328
Staff costs (note 5)	70,760	56,285
Depreciation – owned assets	2,103	1,778
Loss / (profit) on disposal of fixed assets	2	(2)
Other operating charges	39,054	26,306
	<b>449,372</b>	<b>352,695</b>

**4. OPERATING PROFIT**

	2012 £000	2011 £000
Operating profit is stated after charging		
Auditor's remuneration		
- audit services	60	60
- taxation services to the company	36	36
Depreciation	2,103	1,778
Operating lease rentals		
- land and buildings	1,161	853
- plant and machinery	8,776	1,750
- aircraft rentals payable to parent undertaking	16,471	17,375

**NOTES TO THE ACCOUNTS (continued)**

**5. STAFF COSTS**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>61,955</b>	49,462
Social security costs	<b>6,900</b>	5,029
Other pension costs (note 21)	<b>1,705</b>	1,474
Share based payment charge (note 19)	<b>200</b>	320
	<b>70,760</b>	56,285

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

	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No</b>
Operations	<b>1,672</b>	1,179
Administration	<b>269</b>	313
	<b>1,941</b>	1,492

The comparative has been restated to reflect the impact of seasonal employment. As a result, the comparative Operations and Administration headcounts have been reduced from 1,906 and 315 respectively

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<i>Directors' remuneration</i>		
Emoluments	<b>1,428</b>	1,768
Pension contributions	<b>140</b>	144
	<b>1,568</b>	1,912
<i>Highest paid director</i>		
Emoluments	<b>206</b>	302
Pension contributions	<b>21</b>	21
	<b>227</b>	323

The number of directors accruing benefits under the Company pension scheme was 13 (2011 13) The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was 13 (2011 13)

**6. NET INTEREST RECEIVABLE**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group undertakings	<b>117</b>	117
Bank interest receivable	<b>454</b>	178
	<b>571</b>	295

**NOTES TO THE ACCOUNTS (continued)**

**7. TAXATION**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Current taxation		
UK corporation tax based upon the profit for the year	<b>3,383</b>	4,902
Adjustments in respect of previous periods	<b>1</b>	15
	<hr/>	<hr/>
Current tax charge for the year	<b>3,384</b>	4,917
	<hr/>	<hr/>
Deferred taxation		
Origination and reversal of timing differences		
- current year	<b>(41)</b>	113
- prior year	<b>(68)</b>	(35)
- rate changes	<b>9</b>	13
	<hr/>	<hr/>
Deferred tax (credit) / charge for the year	<b>(100)</b>	91
	<hr/>	<hr/>
Tax charge for the year	<b>3,284</b>	5,008
	<hr/>	<hr/>

During the period the Company has reflected the change in the enacted tax rate from 26% to 24%, which is effective from 1 April 2012. The Government has also indicated that it intends to enact future reductions in the standard corporation tax rate of 1% each year, down to 22% by 1 April 2015. The future 1% standard tax rate reductions are not expected to have a material impact on the financial statements.

The tax assessed for the year is higher than the standard rate of corporation tax in the UK 26% (2011: 28%). The differences are explained below -

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation	<b>12,542</b>	17,102
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011: 28%)	<b>3,261</b>	4,789
<i>Effects of</i>		
Expenses not deductible for tax purposes	<b>78</b>	90
Capital allowances for the year in excess of depreciation	<b>44</b>	23
Adjustments to tax charge in respect of previous periods	<b>1</b>	15
	<hr/>	<hr/>
Current tax charge for year (see above)	<b>3,384</b>	4,917
	<hr/>	<hr/>



NOTES TO THE ACCOUNTS (continued)

8. INTANGIBLE FIXED ASSETS

	Goodwill £000
<i>Cost</i>	
At 1 April 2011 and at 31 March 2012	1,299
<i>Amortisation</i>	
At 1 April 2011 and at 31 March 2012	1,299
<i>Net book value</i>	
At 1 April 2011 and at 31 March 2012	-

9. TANGIBLE FIXED ASSETS

	Freehold property £000	Short leasehold property £000	Plant, vehicles and equipment £000	Total £000
<i>Cost:</i>				
At 1 April 2011	1,477	468	19,243	21,188
Additions	476	-	2,262	2,738
Disposals	-	-	(22)	(22)
<b>At 31 March 2012</b>	<b>1,953</b>	<b>468</b>	<b>21,483</b>	<b>23,904</b>
<i>Depreciation.</i>				
At 1 April 2011	1,011	447	12,413	13,871
Provided during the year	151	-	1,952	2,103
Disposals	-	-	(15)	(15)
<b>At 31 March 2012</b>	<b>1,162</b>	<b>447</b>	<b>14,350</b>	<b>15,959</b>
Net book value at 31 March 2011	466	21	6,830	7,317
<b>Net book value at 31 March 2012</b>	<b>791</b>	<b>21</b>	<b>7,133</b>	<b>7,945</b>

10. STOCK

	2012 £000	2011 £000
Aircraft parts	8,913	7,972

**NOTES TO THE ACCOUNTS (continued)**

**11. DEBTORS**

	2012 £000	2011 £000
Trade debtors	17,419	11,333
Amounts due from parent undertaking	103,690	96,409
Amounts due from group undertakings	39,297	990
Other debtors and prepayments	27,273	30,497
Deferred taxation (note 16)	163	63
	<b>187,842</b>	<b>139,292</b>

Included in amounts due from parent undertaking are maintenance security deposits repayable to the Company of £53,464,000 (2011 £46,800,000)

**12. CASH AND CASH EQUIVALENTS**

Included within cash is £96,304,000 (2011 £81,100,000) 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.

**13. CREDITORS: amounts falling due within one year**

	2012 £000	2011 £000
Trade creditors	5,205	10,267
Other taxes and social security costs	7,215	7,557
Amounts owed to group undertakings	11,546	3
Loan	150	-
Other creditors and accruals	18,902	20,782
Deferred income	222,973	175,291
	<b>265,991</b>	<b>213,900</b>

**14. CREDITORS: amounts falling due greater than one year**

	2012 £000	2011 £000
Loan	463	-

**15. PROVISIONS**

	2012 £000	2011 £000
At 1 April	33,624	33,261
Additional provision in the period	34,367	26,069
Utilisation in the period	(22,686)	(25,706)
At 31 March	<b>45,305</b>	<b>33,624</b>

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

	2012 £000	2011 £000
Deferred taxation arising from		
<b>Accelerated capital allowances</b>		
Deferred tax asset at start of year	63	31
Deferred tax credit in profit and loss account	100	32
	<u>163</u>	<u>63</u>
<b>Disallowable redundancy provisions</b>		
Deferred tax asset at start of year	-	123
Deferred tax charge in profit and loss account	-	(123)
	<u>-</u>	<u>-</u>
<b>Deferred tax asset at end of year</b>	<u>163</u>	<u>63</u>

There are no unrecognised deferred taxation balances at 31 March 2012 (2011 £nil)

17. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2012 No	2011 No	2012 £000	2011 £000
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>	<u>250</u>	<u>250</u>

18. RESERVES

	Profit and loss account £000
At 1 April 2011	44,551
Profit for the year	9,258
Reserves movement arising from share-based payment charge	200
<b>At 31 March 2012</b>	<u><b>54,009</b></u>

# NOTES TO THE ACCOUNTS (continued)

## 19. RECONCILIATION OF SHAREHOLDER'S FUNDS

	2012 £000	2011 £000
Profit for the year	9,258	12,094
Reserves movement arising from share-based payment charges	200	320
Net increase in shareholder's funds	9,458	12,414
Opening shareholder's funds	44,801	32,387
Closing shareholder's funds	54,259	44,801

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 £200,000 (2011: £320,000).

## 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.

## 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 5).

## 22. OTHER FINANCIAL COMMITMENTS

At 31 March 2012 the Company had annual commitments under non-cancellable operating leases as set out below:

	2012 Land and Buildings £000	2012 Plant and Machinery £000	2011 Land and Buildings £000	2011 Plant and Machinery £000
Operating leases which expire				
- within one year	74	460	418	18,258
- within two to five years	703	19,345	538	4,216
- over five years	161	5,295	650	1,843
	938	25,100	1,606	24,317

## 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 International Airport, Leeds, West Yorkshire, LS19 7TU.