DART GROUP PLC

Interim Results 2019

DART GROUP plc

Interim Results

Dart Group plc, the Leisure Travel and Distribution & Logistics Group ("the Group"), announces its unaudited interim results for the half year ended 30 September 2019. These results are presented under International Financial Reporting Standards ("IFRS"), as adopted by the EU.

Group financial highlights	**Half year ended 30 September 2019**	Half year ended 30 September 2018 Restated	*Change*
Revenue	**£2,615.2m**	£2,247.1m	*16%*
Operating profit	**£365.0m**	£354.4m	*3%*
Operating profit margin	**14.0%**	15.8%	*(1.8ppts)*
Profit before FX revaluation & taxation	**£349.8m**	£340.2m	*3%*
Profit before FX revaluation & taxation margin	**13.4%**	15.1%	*(1.7ppts)*
Profit before taxation	**£339.7m**	£331.7m	*2%*
Profit before taxation margin	**13.0%**	14.8%	*(1.8ppts)*
Basic earnings per share	**187.0p**	183.0p	*2%*
Interim dividend per share	**3.0p**	2.8p	*7%*

Figures shown for the half year ended 30 September 2018 have been restated to reflect the adoption of IFRS 16 in the current year. Further information can be found in Notes 3 & 11.

- In what has proven to be a satisfactory first half of the financial year, Group operating profit increased by 3% to £365.0m (2018: £354.4m) and Group profit before foreign exchange revaluation and taxation increased by 3% to £349.8m (2018: £340.2m).
- The modest increase in overall Group profitability reflected a later customer booking pattern in our Leisure Travel business, with customer demand strengthening throughout the summer season.
- As is typical for the business, losses are still to be expected in the second half, as we continue to invest in readiness for further flying programme expansion at several of our UK operating bases in the summer 2020 season.
- Pleasingly, profitability in our Distribution & Logistics business grew by 23% to £2.7m (2018: £2.2m), as the strategy of generating margin-enhancing new business opportunities plus improved operational effectiveness paid dividends.
- With Leisure Travel bookings continuing to strengthen and notwithstanding the important post-Christmas booking period that is still to come, the Board now expects current market expectations for Group profit before FX revaluation and taxation for the year ending 31 March 2020 to be significantly exceeded.
- In view of the outlook for the full year, the Board has decided to pay an increased interim dividend of 3.0p per share (2018: 2.8p).
- Looking further ahead, whether the currently encouraging consumer demand for our products remains buoyant in the medium term is unclear, as we believe that much will depend on the UK Government securing a pragmatic and balanced Brexit agreement with the EU. In addition, the Travel industry in general continues to be subject to a range of cost pressures in relation to fuel, foreign exchange, carbon and other operating charges. These, together with the necessary continued investment in our own products and operations, including that required to attract and retain colleagues, are headwinds that our Leisure Travel business faces.
- Our strategy for the long term remains consistent - to grow both our flight-only and package holiday products. With our Customer focused approach and clear market positioning, we continue to have confidence in the resilience of both our Leisure Travel and Distribution & Logistics businesses.

Chairman's Statement

I am pleased to report on the Group's trading performance for the half year ended 30 September 2019 in our two businesses, "Leisure Travel" - incorporating ***Jet2.com***, our award-winning airline and ***Jet2holidays***, our acclaimed ATOL licensed package holidays operator - together with "Distribution & Logistics", comprising **Fowler Welch**, one of the UK's leading logistics providers.

In what has proven to be a satisfactory first half of the financial year, Group operating profit increased by 3% to £365.0m (2018: £354.4m) and Group profit before foreign exchange revaluation and taxation increased by 3% to £349.8m (2018: £340.2m).

The modest increase in profitability reflected a later customer booking pattern in our Leisure Travel business, as customer demand strengthened throughout the course of the summer season.

Pleasingly, profitability in our Distribution & Logistics business grew by 23% to £2.7m (2018: £2.2m), as the strategy of generating margin-enhancing new business opportunities plus improved operational effectiveness paid dividends.

In the first half, the Group generated increased net cash flow from operating activities of £512.5m (2018: £442.9m), predominantly driven by the Leisure Travel trading performance. Total capital expenditure of £72.1m (2018: £132.1m) included additional aircraft, continued investment in the long-term maintenance of our existing aircraft fleet, together with technology and infrastructure projects across the Group. Property, plant and equipment additions also includes the establishment of non-cash right of use assets of £18.9m under the recently implemented IFRS16 - *Leases*.

As a result, the Group's cash and money market deposit balances increased in the first half by £381.4m (2018: £389.0m) to £1,655.7m (2018: £1,397.6m). Net cash stated after borrowings and lease liabilities of £1,200.5m (2018: £1,095.5m), was £455.2m (2018: £302.1m), an increase of 51%.

As is typical for the business, losses are still to be expected in the second half, as we continue to invest in additional aircraft and their associated infrastructure, together with the increasing cost of retaining and attracting colleagues in readiness for further flying programme expansion at several of our UK operating bases in the summer 2020 season.

At the reporting date, the Group had received payments in advance of travel from its Leisure Travel customers amounting to £643.5m (2018: £520.7m), had no cash restricted by its merchant acquirers and had no cash placed with counterparties in the form of margin calls to cover out-of-the-money hedge instruments (2018: £nil). In addition, the Group continues to comfortably exceed the UK Civil Aviation Authority's 'liquidity threshold test'.

Basic earnings per share increased to 187.0p (2018: 183.0p). In view of the outlook for the full year, the Board has decided to pay an increased interim dividend of 3.0p per share (2018: 2.8p). The dividend will be paid on 3 February 2020 to shareholders on the register at 27 December 2019.

Leisure Travel

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

Despite customer booking trends being later than in previous years, overall passenger volumes for Summer 2019 have been pleasing. Our important flight-only product was enjoyed by 4.75m passengers (2018: 4.38m), a growth of 8%, whilst demand for our ***Real Package Holidays™*** strengthened, with ***Jet2holidays*** taking 2.71m customers on package holidays (2018: 2.31m), an increase of 17%, representing 53% (2018: 51%) of overall flown customers.

Jet2.com flew a total of 10.07m flight-only and package holiday passengers (one-way passenger sectors) (2018: 8.93m) to and from sun, city and ski destinations, including the new destinations of Chania in Crete, Izmir in Turkey and Bourgas in Bulgaria. The passenger increase of 13% was slightly behind the seat capacity increase of 14% and as a result, average load factors were a healthy 93.1% as compared to the prior year of 94.4%.

Average flight-only ticket yield per passenger sector at £88.87 (2018: £88.02) was 1% higher than the prior year, reflecting the strong late booking trend and associated pricing, offset by increased levels of promotional pricing required to remain front of customers' minds earlier in the summer season. The average price of a ***Jet2holidays*** package holiday grew by 2% to £702 (2018: £689).

Non-ticket retail revenue per passenger sector increased by 3% to £24.62 (2018: £23.83) primarily as a result of a strong in-flight retail performance. This revenue stream, which is primarily discretionary in nature, continues to be optimised through our customer contact programme as we focus on continually developing our customer services.

As a result, overall Leisure Travel revenue grew by 17% to £2,528.8m (2018: £2,158.2m).

Though revenue growth was strong, operating profit margin reduced to 14% (2018: 16%), as cost headwinds (fuel; the weakness of sterling against the Euro and US dollar; and real wage increases) were not fully passed on to the customer. Resultant operating profit increased 3% to £361.5m (2018: £351.4m).

The aircraft fleet expanded to 100 for summer 2019 (summer 2018: 90) with commensurate increases in pilots, engineers and cabin crew and we will continue to develop our holiday focused flying programme into Summer 2020.

Key Performance Indicators	**Half year ended 30 September 2019**	Half year ended 30 September 2018	*Half year end change*	Year ended 31 March 2019
Number of routes operated during the period	**325**	304	*7%*	329
Leisure Travel sector seats available (capacity)	**10.82m**	9.47m	*14%*	13.81m
Leisure Travel passenger sectors flown	**10.07m**	8.93m	*13%*	12.82m
Leisure Travel average load factor	**93.1%**	94.4%	*(1.3ppts)*	92.8%
Flight-only passenger sectors flown	**4.75m**	4.38m	*8%*	6.49m
Package holiday customers	**2.71m**	2.31m	*17%*	3.17m
Average flight-only ticket yield per passenger sector (excl. taxes)	**£88.87**	£88.02	*1%*	£81.79
Average package holiday price	**£702**	£689	*2%*	£669
Non-ticket revenue per passenger sector	**£24.62**	£23.83	*3%*	£24.07
Advance sales made as at the reporting date	**£1,206.3m**	£991.2m	*22%*	£1,734.5m

Distribution & Logistics

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

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

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

In addition, **Fowler Welch** has a joint venture fruit ripening and packing business, **Integrated Service Solutions (ISS)**, located at its Teynham facility, which packs in excess of 50 different fruit types which are imported by its customers from over 65 countries. The company's strong service delivery has resulted in it continuing to win additional fruits and salads volume over the last year.

In the reporting period, **Fowler Welch** revenue reduced by 3% to £86.4m (2018: £88.9m), primarily due to the closure of its ambient operation at Desborough, Northamptonshire, but with no associated impact to ongoing profitability. Encouragingly, new business secured in the previous year, plus operational efficiency improvements, led to increases in depot gross margin performance. Additionally, the performance of **Integrated Service Solutions (ISS), Fowler Welch**'s joint venture operation remained positive as it again contributed an encouraging share of profit. As a result, the business achieved a 23% increase in first half profit before taxation to £2.7m (2018: £2.2m).

Key Performance Indicators	**Half year ended 30 September 2019**	Half year ended 30 September 2018	*Half year end change*	Year ended 31 March 2019
Distribution Centre space (square feet)	**897,000**	897,000	-	897,000
Number of tractor units in operation	**484**	533	*(9%)*	530
Number of trailer units in operation	**634**	802	*(21%)*	764
Miles per gallon	**10.0**	9.8	*2%*	9.7
Total fleet mileage	**22.7m**	25.6m	*(11%)*	49.9m

Outlook

With Leisure Travel bookings continuing to strengthen and notwithstanding the important post-Christmas booking period that is still to come, the Board now expects current market expectations for Group profit before FX revaluation and taxation for the year ending 31 March 2020 to be significantly exceeded.

Looking further ahead, whether the currently encouraging consumer demand for our products remains buoyant in the medium term is unclear as we believe that much will depend on the UK Government securing a pragmatic and balanced Brexit agreement with the EU. In addition, the Travel industry in general continues to be subject to a range of cost pressures in relation to fuel, foreign exchange, carbon and other operating charges. These, together with the necessary continued investment in our own products and operations, including that required to attract and retain colleagues, are headwinds that our Leisure Travel business faces.

Our strategy for the long term remains consistent - to grow both our flight-only and package holiday products. With our Customer focused approach and clear market positioning, we continue to have confidence in the resilience of both our Leisure Travel and Distribution & Logistics businesses.

Philip Meeson
Executive Chairman
21 November 2019

For further information, please contact:

Dart Group plc	**Tel:**	**0113 239 7817**
Philip Meeson, Executive Chairman		
Gary Brown, Group Chief Financial Officer		
Cenkos Securities plc	**Tel:**	**020 7397 8900**
Nominated Adviser		
Katy Birkin / Azhic Basirov		
Canaccord Genuity - Joint Broker	**Tel:**	**020 7523 8000**
Adam James		
Arden Partners - Joint Broker	**Tel:**	**020 7614 5900**
Paul Shackleton / Daniel Gee-Summons		
Buchanan - Financial PR	**Tel:**	**020 7466 5000**
Richard Oldworth		

Dart Group plc

Condensed Consolidated Income Statement (Unaudited)

for the half year ended 30 September 2019

	Note	**Half year ended 30 September 2019 £m**	Half year ended 30 September 2018 £m Restated	Year ended 31 March 2019 £m Restated
Revenue	4	**2,615.2**	2,247.1	3,143.1
Net operating expenses		**(2,250.2)**	(1,892.7)	(2,932.9)
Operating profit	4	**365.0**	354.4	210.2
Finance income		**8.1**	5.2	10.7
Finance expense		**(23.7)**	(20.9)	(43.5)
Net FX revaluation losses		**(10.1)**	(8.5)	(9.1)
Net financing expense		**(25.7)**	(24.2)	(41.9)
Profit on disposal of property, plant and equipment		**0.4**	1.5	2.3
Profit before taxation		**339.7**	331.7	170.6
Taxation	7	**(61.1)**	(59.7)	(30.7)
Profit for the period *(all attributable to equity shareholders of the parent)*		**278.6**	272.0	139.9
Earnings per share	5			
- basic		**187.0p**	183.0p	94.1p
- diluted		**186.6p**	182.4p	93.8p

Figures shown for the period ended 30 September 2018 and the year ended 31 March 2019 have been restated as detailed in Note 11.

Dart Group plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

for the half year ended 30 September 2019

	Half year ended 30 September 2019 £m	Half year ended 30 September 2018 £m Restated	Year ended 31 March 2019 £m Restated
Profit for the period	**278.6**	272.0	139.9
Other comprehensive income / (expense)			
Cash flow hedges:			
Fair value gains / (losses)	**25.7**	109.2	(37.9)
Add back gains transferred to income statement	**(4.4)**	(21.7)	(23.6)
Related taxation (charge) / credit	**(4.1)**	(16.9)	11.4
Revaluation of foreign operations gains / (losses)	**0.4**	0.8	(1.3)
	17.6	71.4	(51.4)
Total comprehensive income for the period	**296.2**	343.4	88.5
(all attributable to equity shareholders of the parent)			

Figures shown for the period ended 30 September 2018 and the year ended 31 March 2019 have been restated as detailed in Note 11.

Dart Group plc

Condensed Consolidated Statement of Financial Position (Unaudited)

at 30 September 2019

	Note	**30 September 2019 £m**	30 September 2018 £m Restated	31 March 2019 £m Restated
Non-current assets				
Goodwill		**6.8**	6.8	6.8
Property, plant and equipment	8	**1,501.9**	1,318.4	1,499.9
Derivative financial instruments		**3.0**	19.3	4.1
		1,511.7	1,344.5	1,510.8
Current assets				
Inventories		**2.1**	1.9	1.6
Trade and other receivables		**235.3**	206.0	319.8
Derivative financial instruments		**51.5**	118.2	50.0
Money market deposits		**-**	485.2	50.0
Cash and cash equivalents		**1,655.7**	912.4	1,224.3
		1,944.6	1,723.7	1,645.7
Total assets		**3,456.3**	3,068.2	3,156.5
Current liabilities				
Trade and other payables		**495.3**	435.2	217.0
Deferred revenue		**661.7**	529.0	937.1
Borrowings		**78.1**	85.8	74.4
Lease liabilities		**83.3**	57.1	77.8
Provisions and liabilities		**75.3**	59.5	54.2
Derivative financial instruments		**22.9**	1.3	55.0
		1,416.6	1,167.9	1,415.5
Non-current liabilities				
Deferred revenue		**4.7**	2.6	2.8
Borrowings		**903.2**	851.6	908.7
Lease liabilities		**135.9**	101.0	149.5
Derivative financial instruments		**32.7**	8.3	21.5
Deferred taxation		**89.1**	91.2	80.6
		1,165.6	1,054.7	1,163.1
Total liabilities		**2,582.2**	2,222.6	2,578.6
Net assets		**874.1**	845.6	577.9
Shareholders' equity				
Share capital		**1.9**	1.9	1.9
Share premium		**12.8**	12.9	12.8
Cash flow hedging reserve		**(1.3)**	102.2	(18.5)
Other reserves		**(0.2)**	1.5	(0.6)
Retained earnings		**860.9**	727.1	582.3
Total shareholders' equity		**874.1**	845.6	577.9

Figures shown for the period ended 30 September 2018 and the year ended 31 March 2019 have been restated as detailed in Note 11.

Dart Group plc

Condensed Consolidated Statement of Cash Flows (Unaudited)

for the half year ended 30 September 2019

	Half year ended 30 September 2019 £m	Half year ended 30 September 2018 £m Restated	Year ended 31 March 2019 £m Restated
Profit on ordinary activities before taxation	**339.7**	331.7	170.6
Finance income	**(8.1)**	(5.2)	(10.7)
Finance expense	**23.7**	20.9	43.5
Net FX revaluation losses	**10.1**	8.5	9.1
Depreciation	**114.3**	91.0	172.8
Profit on disposal of property, plant and equipment	**(0.4)**	(1.5)	(2.3)
Equity settled share-based payments	**-**	-	0.4
Operating cash flows before movements in working capital	**479.3**	445.4	383.4
(Increase) / Decrease in inventories	**(0.5)**	(0.1)	0.2
Decrease / (increase) in trade and other receivables	**84.5**	52.2	(61.6)
Increase in trade and other payables	**225.3**	226.0	60.3
(Decrease) / increase in deferred revenue	**(273.5)**	(275.7)	132.6
Increase in provisions and liabilities	**16.6**	12.5	4.8
Cash generated from operations	**531.7**	460.3	519.7
Interest received	**8.1**	5.2	10.7
Interest paid	**(21.8)**	(18.8)	(39.6)
Income taxes paid	**(5.5)**	(3.8)	(7.8)
Net cash generated from operating activities	**512.5**	442.9	483.0
Cash flows used in investing activities			
Purchase of property, plant and equipment	**(72.1)**	(132.1)	(302.3)
Proceeds from sale of property, plant and equipment	**0.4**	1.6	3.5
Net decrease / (increase) in money market deposits	**50.0**	(265.0)	170.2
Net cash used in investing activities	**(21.7)**	(395.5)	(128.6)
Cash flows from financing activities			
Repayment of borrowings	**(37.7)**	(44.9)	(96.7)
Payment of lease liability	**(30.7)**	(19.1)	(42.1)
New loans advanced	**-**	132.7	228.3
Proceeds on issue of shares	**-**	-	0.1
Equity dividends paid	**-**	-	(13.1)
Net cash (used in) / from financing activities	**(68.4)**	68.7	76.5
Net increase in cash in the period	**422.4**	116.1	430.9
Cash and cash equivalents at beginning of period	**1,224.3**	788.4	788.4
Effect of foreign exchange rate changes	**9.0**	7.9	5.0
Cash and cash equivalents at end of period	**1,655.7**	912.4	1,224.3

Figures shown for the period ended 30 September 2018 and the year ended 31 March 2019 have been restated as detailed in Note 11.

Dart Group plc

Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the half year ended 30 September 2019

	Share capital £m	Share premium £m	Cash flow hedging reserve £m	Other reserves £m	Retained earnings £m	**Total shareholders' equity £m**
Balance at 31 March 2018- as originally reported	**1.9**	**12.7**	**31.6**	**0.7**	**466.9**	**513.8**
Effect of transition to IFRS 16	-	-	-	-	(11.8)	**(11.8)**
Balance at 31 March 2018- as restated	**1.9**	**12.7**	**31.6**	**0.7**	**455.1**	**502.0**
Total comprehensive income	-	-	70.6	0.8	276.7	**348.1**
Issue of share capital	-	0.2	-	-	-	**0.2**
IFRS 16 restatement	-	-	-	-	(4.7)	**(4.7)**
Balance at 30 September 2018 – as restated	**1.9**	**12.9**	**102.2**	**1.5**	**727.1**	**845.6**
Total comprehensive income	-	-	(120.7)	(2.1)	(131.1)	**(253.9)**
Dividends paid	-	-	-	-	(13.1)	**(13.1)**
Share-based payments	-	-	-	-	0.4	**0.4**
Issue of share capital	-	(0.1)	-	-	-	**(0.1)**
IFRS 16 restatement	-	-	-	-	(1.0)	**(1.0)**
Balance at 31 March 2019 – as restated	**1.9**	**12.8**	**(18.5)**	**(0.6)**	**582.3**	**577.9**
Total comprehensive income	-	-	17.2	0.4	278.6	**296.2**
Balance at 30 September 2019	**1.9**	**12.8**	**(1.3)**	**(0.2)**	**860.9**	**874.1**

Figures shown for the period ended 30 September 2018 and the year ended 31 March 2019 have been restated as detailed in Note 11.

Dart Group plc

Notes to the consolidated interim report

for the half year ended 30 September 2019 (Unaudited)

1. **General information**

   The Group's financial statements consolidate the financial statements of Dart Group plc and its subsidiaries and have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS"). Dart Group plc is a public limited company incorporated and domiciled in England and Wales.

   This interim financial report does not fully comply with IAS 34 Interim Financial Reporting, which is not currently required to be applied by AIM companies.

2. **Accounting policies**

   Basis of preparation of the interim report

   The unaudited consolidated interim financial report for the half year ended 30 September 2019 does not constitute statutory accounts as defined in s435 of the Companies Act 2006. The financial statements for the year ended 31 March 2019 were prepared in accordance with IFRS and have been delivered to the Registrar of Companies. The report of the auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s495(2) nor (3) of the Companies Act 2006. In this report, the comparative figures for the half year ended 30 September 2018 and the year ended 31 March 2019 have been restated for the impact of IFRS 16 - *Leases* (see notes 3 & 11 for further details).

   The financial statements have been prepared under the historical cost convention except for all derivative financial instruments, which have been measured at fair value.

   The Group's financial statements are presented in pounds sterling and all values are rounded to the nearest £100,000 except where indicated otherwise.

   Going concern

   The Directors have prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2022.

   For the purpose of assessing the appropriateness of the preparation of the Group's unaudited interim report on a going concern basis, the Directors have considered the current cash position, the availability of banking facilities, and sensitised forecasts of future trading through to 31 March 2022, including performance against financial covenants, the implications, including those considered remote, of Brexit and the assessment of principal areas of risk and uncertainty.

   Having considered the points above, the Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the unaudited interim report for the half year ended 30 September 2019.

   Derivative financial instruments and hedging

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

   Where a derivative financial instrument is designated as a hedge of a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument from the inception of the hedging relationship is recognised directly in the cash flow hedging reserve within equity and in other comprehensive income. Any ineffective portion is recognised within the Consolidated Income Statement.

2. Accounting policies (continued)

For the effective portion of the hedging instruments, amounts reported in other comprehensive income are reclassified to the Consolidated Income Statement in the same period in which the hedged transaction affects profit and loss.

3. New IFRS effective in the current year

The following amendments to IFRS became mandatorily effective in the current year.

International Financial Reporting Standards	Applying to accounting periods beginning after
IFRS 16 Leases	**January 2019**

The Group has adopted IFRS 16 in its interim report for the half year ended 30 September 2019. IFRS 16 replaces IAS 17 *Leases* and removes the requirement for lessees to report on finance and operating leases separately.

Under IFRS 16, the Group distinguishes between leases and service contracts based on whether there is an identified asset controlled by the Group. Control exists if the lessee has the right to obtain substantially all of the economic benefit from the use of the asset (the cash flows generated by that asset) and the right to direct the use of that asset as if it were their own. Where control exists, the Group is required to recognise a right of use asset and an opposing discounted lease liability, rather than accounting for operating lease payments through the Income Statement.

The Group has capitalised all aircraft and properties previously accounted for as operating leases under IAS 17. Operating lease expenses are replaced by depreciation charges on the right of use assets recognised, and interest expenses as the discount on the lease liability unwinds.

Under IFRS 16, the Group has recognised all contractual maintenance obligations which are not dependent on the use of the asset in the value of the right of use asset at inception, and these costs are depreciated over the lease term. Obligations associated with the maintenance condition on redelivery of aircraft are recognised as right of use assets with the associated liability held in provisions.

The lease term corresponds to the duration of the contracts signed, except in cases where the Group is reasonably certain that it will exercise contractual extension options. The Group has utilised the practical expedient in the standard not to recognise right of use assets and associated lease liabilities for either short-term leases of fewer than 12 months' duration or low-value assets.

The Group incurred foreign exchange gains / losses on its US dollar and euro denominated leases as a result of the implementation of IFRS 16. Lease liabilities and provisions have been treated as monetary items and retranslated at the period end exchange rate, whereas right of use assets are treated as non-monetary items and therefore remain at their translated values on inception.

The impact on the Group financial statements for the half year ended 30 September 2018 and for the year ended 31 March 2019 is shown in detail in Note 11 to this interim report.

4. Segmental reporting

Business Segments

IFRS 8 *Operating segments* require operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM").

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

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

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

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

Given the different performance targets, customer bases and operating markets of each, it is not appropriate to aggregate these operating segments for reporting purposes and, therefore, both are disclosed as reportable segments for the half year ended 30 September 2019.

The Board assesses the performance of each segment based on operating profit, and profit before and after taxation. Revenue from reportable segments is measured on a basis consistent with the Consolidated Income Statement.

Revenue is principally generated from within the UK, the Group's country of domicile. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

No customer represents more than 10% of the Group's revenue. Segment revenue reported below represents revenue generated from external customers. There was no intersegment revenue in the current year (2018: £nil). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Dart Group plc

Notes to the consolidated interim report - continued

for the half year ended 30 September 2019 (Unaudited)

4. Segmental reporting (continued)

<u>Half year ended 30 September 2019</u>	Leisure Travel £m	Distribution & Logistics £m	Group eliminations £m	Total £m
Revenue	2,528.8	86.4	-	**2,615.2**
Operating profit	361.5	3.5	-	**365.0**
Finance income	8.1	-	-	**8.1**
Finance expense	(22.9)	(0.8)	-	**(23.7)**
Net FX revaluation losses	(10.1)	-	-	**(10.1)**
Net financing expense	(24.9)	(0.8)	-	**(25.7)**
Profit on disposal of property, plant and equipment	0.4	-	-	**0.4**
Profit before taxation	337.0	2.7	-	**339.7**
Taxation	(60.7)	(0.4)	-	**(61.1)**
Profit for the period	276.3	2.3	-	**278.6**
Assets and liabilities				
Segment assets	3,332.0	124.3	-	**3,456.3**
Segment liabilities	(2,520.5)	(61.7)	-	**(2,582.2)**
Net assets	811.5	62.6	-	**874.1**
Other segment information				
Property, plant and equipment additions	82.2	8.8	-	**91.0**
Of which right of use of asset additions	11.6	7.3	-	**18.9**
Depreciation, amortisation and impairment	(107.6)	(6.7)	-	**(114.3)**

Dart Group plc

Notes to the consolidated interim report - continued

for the half year ended 30 September 2019 (Unaudited)

4. Segmental reporting – (continued)

Half year ended 30 September 2018	Leisure Travel Restated £m	Distribution & Logistics Restated £m	Group eliminations £m	Total Restated £m
Revenue	2,158.2	88.9	-	**2,247.1**
Operating profit	351.4	3.0	-	**354.4**
Finance income	5.2	-	-	**5.2**
Finance expense	(20.1)	(0.8)	-	**(20.9)**
Net FX revaluation losses	(8.5)	-	-	**(8.5)**
Net financing expense	(23.4)	(0.8)	-	**(24.2)**
Profit on disposal of property, plant and equipment	1.5	-	-	**1.5**
Profit before taxation	329.5	2.2	-	**331.7**
Taxation	(59.3)	(0.4)	-	**(59.7)**
Profit for the period	270.2	1.8	-	**272.0**
Assets and liabilities				
Segment assets	2,949.2	123.4	(4.4)	**3,068.2**
Segment liabilities	(2,162.4)	(64.6)	4.4	**(2,222.6)**
Net assets	786.8	58.8	-	**845.6**
Other segment information				
Property, plant and equipment additions	131.2	2.3	-	**133.5**
Of which right of use of asset additions	0.5	0.9	-	**1.4**
Depreciation, amortisation and impairment	(84.9)	(6.1)	-	**(91.0)**

Year ended 31 March 2019	Leisure Travel Restated £m	Distribution & Logistics Restated £m	Group eliminations £m	Total Restated £m
Revenue	2,964.4	178.7	-	**3,143.1**
Operating profit	204.5	5.7	-	**210.2**
Finance income	10.7	-	-	**10.7**
Finance expense	(41.9)	(1.6)	-	**(43.5)**
Net FX revaluation losses	(9.1)	-	-	**(9.1)**
Net financing income	(40.3)	(1.6)	-	**(41.9)**
Profit on disposal of property, plant and equipment	2.3	-	-	**2.3**
Profit before taxation	166.5	4.1	-	**170.6**
Taxation	(29.9)	(0.8)	-	**(30.7)**
Profit for the period	136.6	3.3	-	**139.9**
Assets and liabilities				
Segment assets	3,035.8	120.7	-	**3,156.5**
Segment liabilities	(2,518.2)	(60.4)	-	**(2,578.6)**
Net assets	517.6	60.3	-	**577.9**
Other segment information				
Property, plant and equipment additions	389.1	9.2	-	**398.3**
Of which right of use of asset additions	89.7	6.3	-	**96.0**
Depreciation, amortisation and impairment	(160.2)	(12.6)	-	**(172.8)**
Share-based payments	(0.3)	(0.1)	-	**(0.4)**

5. Earnings per share

The calculation of earnings per share is based on the following:

	2019			2018			
	Earnings	**Weighted average number of shares**	**EPS**	Earnings Restated	Weighted average number of shares	EPS Restated	EPS As originally reported
	£m	**millions**	**Pence**	£m	millions	pence	pence
Basic EPS							
Profit attributable to ordinary shareholders	**278.6**	**149.0**	**187.0**	272.0	148.6	183.0	186.2
Effect of dilutive instruments							
Share options and deferred awards	**-**	**0.3**	**(0.4)**	-	0.5	(0.6)	(0.6)
Diluted EPS	**278.6**	**149.3**	**186.6**	272.0	149.1	182.4	185.6

6. Dividends

The declared interim dividend of 3.0p per share (2018: 2.8p) will be paid out of the Company's available distributable reserves on 3 February 2020, to shareholders on the register at 27 December 2019. In accordance with IAS 1, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge to the Income Statement.

7. Taxation

The taxation charge for the period of £61.1m (2018: £59.7m) reflects an estimated effective tax rate of approximately 18% (2018: 18%). The current UK corporation tax rate of 19% became effective on 1 April 2017. A reduction in the rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016.

8. Property, plant and equipment

	30 September 2019	**30 September 2018**	**31 March 2019**
Other Property, plant and equipment	1,299.0	1,176.4	1,285.7
Right of use assets	202.9	142.0	214.2
Total Property, plant and equipment	**1,501.9**	**1,318.4**	**1,499.9**

Dart Group plc

Notes to the consolidated interim report - continued

for the half year ended 30 September 2019 (Unaudited)

9. Reconciliation of net cash flow to movement in net cash

	At 31 March 2019 Restated £m	Cash flow £m	New Leases & interest accruals £m	Exchange differences £m	**At 30 September 2019 £m**	At 30 September 2018 Restated £m
Cash and cash equivalents	1,224.3	422.4	-	9.0	**1,655.7**	912.4
Money market deposits	50.0	(50.0)	-	-	**-**	485.2
Total	1,274.3	372.4		9.0	**1,655.7**	1,397.6
Borrowings due within one year	(74.4)	(1.3)	-	(2.4)	**(78.1)**	(85.8)
Borrowings due after one year	(908.7)	39.0	(1.8)	(31.7)	**(903.2)**	(851.6)
Lease Liabilities	(227.3)	30.7	(16.8)	(5.8)	**(219.2)**	(158.1)
Total	(1,210.4)	68.4	(18.6)	(39.9)	**(1,200.5)**	(1,095.5)
Net cash	63.9	440.8	(18.6)	(30.9)	**455.2**	302.1

Net cash has been restated at 30 September 2018 and 31 March 2019 to include lease liabilities on adoption of IFRS16.

10. Contingent liabilities

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

Dart Group plc

Notes to the consolidated interim report - continued

for the half year ended 30 September 2019 (Unaudited)

11. Impact of IFRS 16: *Leases*

The following tables summarise the impact of IFRS 16 on previously reported consolidated financial statements. The nature of these adjustments is described in more detail in Note 3 to this interim report.

Consolidated Income Statement
for the half year ended 30 September 2018

	Half year ended 30 September 2018 As restated	Half year ended 30 September 2018 IFRS 16 Adjustments	Half year ended 30 September 2018 As originally reported
	£m	£m	£m
Revenue	**2,247.1**	-	2,247.1
Net operating expenses	**(1,892.7)**	4.3	(1,897.0)
Operating profit	**354.4**	4.3	350.1
Finance income	**5.2**	-	5.2
Finance expense	**(20.9)**	(3.5)	(17.4)
Net FX revaluation losses	**(8.5)**	(6.5)	(2.0)
Net financing income	**(24.2)**	(10.0)	(14.2)
Profit on disposal of property, plant and equipment	**1.5**	-	1.5
Profit before taxation	**331.7**	(5.7)	337.4
Taxation	**(59.7)**	1.0	(60.7)
Profit for the period	**272.0**	(4.7)	276.7
Total comprehensive income for the period	**343.4**	(4.7)	348.1
Depreciation included in net operating expenses	(91.0)	(19.0)	(72.0)

Dart Group plc

Notes to the consolidated interim report - continued

for the half year ended 30 September 2019 (Unaudited)

11. Impact of IFRS 16: *Leases* (continued)

Consolidated Statement of Financial Position
at 30 September 2018

	30 September 2018 As restated £m	30 September 2018 IFRS 16 Adjustments £m	30 September 2018 As originally reported £m
Non-current assets			
Goodwill	**6.8**	-	6.8
Property, plant and equipment	**1,318.4**	142.0	1,176.4
Derivative financial instruments	**19.3**	-	19.3
	1,344.5	142.0	1,202.5
Current assets			
Inventories	**1.9**	-	1.9
Trade and other receivables	**206.0**	-	206.0
Derivative financial instruments	**118.2**	-	118.2
Money market deposits	**485.2**	-	485.2
Cash and cash equivalents	**912.4**	-	912.4
	1,723.7	-	1,723.7
Total assets	**3,068.2**	142.0	2,926.2
Current liabilities			
Trade and other payables	**435.2**	-	435.2
Deferred revenue	**529.0**	-	529.0
Borrowings	**85.8**	-	85.8
Lease liabilities	**57.1**	57.1	-
Provisions and liabilities	**59.5**	3.8	55.7
Derivative financial instruments	**1.3**	-	1.3
	1,167.9	60.9	1,107.0
Non-current liabilities			
Deferred revenue	**2.6**	-	2.6
Borrowings	**851.6**	-	851.6
Lease liabilities	**101.0**	101.0	-
Derivative financial instruments	**8.3**	-	8.3
Deferred taxation	**91.2**	(3.4)	94.6
	1,054.7	97.6	957.1
Total liabilities	**2,222.6**	158.5	2,064.1
Net assets	**845.6**	(16.5)	862.1
Shareholders' equity			
Share capital	**1.9**	-	1.9
Share premium	**12.9**	-	12.9
Cash flow hedging reserve	**102.2**	-	102.2
Other reserves	**1.5**	-	1.5
Retained earnings	**727.1**	(16.5)	743.6
Total shareholders' equity	**845.6**	(16.5)	862.1

11. Impact of IFRS 16: *Leases* (continued)

Consolidated Income Statement
for the year ended 31 March 2019

	Year ended 31 March 2019 As restated £m	Year ended 31 March 2019 IFRS 16 Adjustments £m	Year ended 31 March 2019 As originally reported £m
Revenue	**3,143.1**	-	3,143.1
Net operating expenses	**(2,932.9)**	6.8	(2,939.7)
Operating profit	**210.2**	6.8	203.4
Finance income	**10.7**	-	10.7
Finance expense	**(43.5)**	(7.2)	(36.3)
Net FX revaluation losses	**(9.1)**	(6.5)	(2.6)
Net financing expense	**(41.9)**	(13.7)	(28.2)
Profit on disposal of property, plant and equipment	**2.3**	-	2.3
Profit before taxation	**170.6**	(6.9)	177.5
Taxation	**(30.7)**	1.2	(31.9)
Profit for the period	**139.9**	(5.7)	145.6
Total comprehensive income for the period	**88.5**	(5.7)	94.2
Depreciation included in net operating expenses	(172.8)	(41.3)	(131.5)

Dart Group plc
Notes to the consolidated interim report - continued
for the half year ended 30 September 2019 (Unaudited)

11. Impact of IFRS 16: *Leases* (continued)

Consolidated Statement of Financial Position
at 31 March 2019

	31 March 2019	31 March 2019	31 March 2019
	As restated	IFRS 16 Adjustments	As originally reported
	£m	£m	£m
Non-current assets			
Goodwill	**6.8**	-	6.8
Property, plant and equipment	**1,499.9**	214.2	1,285.7
Derivative financial instruments	**4.1**	-	4.1
	1,510.8	214.2	1,296.6
Current assets			
Inventories	**1.6**	-	1.6
Trade and other receivables	**319.8**	-	319.8
Derivative financial instruments	**50.0**	-	50.0
Money market deposits	**50.0**	-	50.0
Cash and cash equivalents	**1,224.3**	-	1,224.3
	1,645.7	-	1,645.7
Total assets	**3,156.5**	214.2	2,942.3
Current liabilities			
Trade and other payables	**217.0**	-	217.0
Deferred revenue	**937.1**	-	937.1
Borrowings	**74.4**	-	74.4
Lease liabilities	**77.8**	77.8	-
Provisions and liabilities	**54.2**	7.9	46.3
Derivative financial instruments	**55.0**	-	55.0
	1,415.5	85.7	1,329.8
Non-current liabilities			
Deferred revenue	**2.8**	-	2.8
Borrowings	**908.7**	-	908.7
Lease liabilities	**149.5**	149.5	-
Derivative financial instruments	**21.5**	-	21.5
Deferred taxation	**80.6**	(3.5)	84.1
	1,163.1	146.0	1,017.1
Total liabilities	**2,578.6**	231.7	2,346.9
Net assets	**577.9**	(17.5)	595.4
Shareholders' equity			
Share capital	**1.9**	-	1.9
Share premium	**12.8**	-	12.8
Cash flow hedging reserve	**(18.5)**	-	(18.5)
Other reserves	**(0.6)**	-	(0.6)
Retained earnings	**582.3**	(17.5)	599.8
Total shareholders' equity	**577.9**	(17.5)	595.4

12. Other matters

This report will be posted on the Group's website, www.dartgroup.co.uk and copies are available from the Group Company Secretary at the registered office address: Low Fare Finder House, Leeds Bradford International Airport, Leeds, LS19 7TU.

13. Alternative performance measures

The Group's alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

Profit before FX revaluation and taxation

Profit before FX revaluation and taxation is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group excluding the impact of foreign exchange volatility.

Profit before FX revaluation and taxation is calculated as Profit before tax, adjusted to add back net FX revaluation losses.

14. Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.