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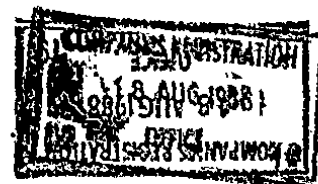
REGISTRAR'S COPY

COMPANY NUMBER

1165001

COSMOS TOURS (U.K.) LIMITED

Financial statements
30 November 1987



COSMOS TOURS (U.K.) LIMITED

DIRECTORS' REPORT
30 November 1987

The directors submit their report and financial statements for the year ended 30 November 1987.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company did not trade during the year and does not intend to trade in the foreseeable future.

DIRECTORS

The directors of the company who served during the year were:

M. Austin
F. Mantegazza

Neither director has any interest in shares which falls to be disclosed in this report.

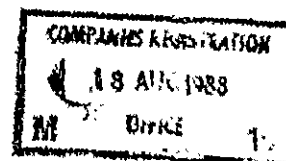
AUDITORS

A resolution proposing the reappointment of Finnie & Co., Chartered Accountants, as auditors to the company will be put to the annual general meeting.

By order of the board

P.S. ALBERTINI
Secretary

15 July 1988



COSMOS TOURS (U.K.) LIMITED

REPORT OF THE AUDITORS

To the members of Cosmos Tours (U.K.) Limited

We have audited the financial statements on pages 3 to 6, 11 to 25, and 29 to 40 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of financial affairs of the company and of the group insofar as it concerns members of the company at 30 November 1987 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



FINNIE & CO.

Chartered Accountants

LONDON

15 July 1988

COSMOS TOURS (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 30 November 1987

	note	1987 £	1986 £
Fees receivable		500	500
Administrative expenses		(500)	(500)
PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAX	1	=====	=====

COSMOS TOURS (U.K.) LIMITED

BALANCE SHEET
30 November 1987

	note	£	1987	£	1986	£
FIXED ASSETS						
Investments	2		1,149,967		1,149,967	
CURRENT ASSETS						
Cash at bank		849		4,871		
CREDITORS: amounts falling due within one year	3	757		379		
NET CURRENT ASSETS			92		4,492	
TOTAL ASSETS LESS CURRENT LIABILITIES			1,150,059		1,154,459	
CREDITOR: amount falling due after more than one year	4		1,150,000		1,154,400	
			59		59	
CAPITAL AND RESERVES						
Called up share capital	5		100		100	
Reserves	7		(41)		(41)	
			59		59	

Directors:

M. AUSTIN

F. MANTEGAZZA

The financial statements were approved by the board on
15 July 1988

NOTES ON THE FINANCIAL STATEMENTS
Year ended 30 November 1987

1	PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAX	1987 £	1986 £
	is stated after charging:		
	Auditors' remuneration	350 =====	350 =====

2 INVESTMENTS

Cost

Monarch Airlines Limited

75.2% of the issued share capital, comprising:

73,200 'A' ordinary shares of £1 each
(representing 91.5% of the issued
'A' ordinary shares)

331,684 331,684

2,000 'B' ordinary shares of £1 each
(representing 10% of the issued 'B'
ordinary shares)

20,200 20,200

351,884 351,884

Monarch Aircraft Engineering Limited

88.04% of the issued share capital

88,040 ordinary shares of £1 each

798,083 798,083

1,149,967 1,149,967
=====

Subsidiary

Principal Activity

Country of incorporation

Monarch Airlines Limited

Airline operator

UK

Monarch Aircraft Engineering
Limited

Aircraft engineering

UK

In the opinion of the directors, the preparation of consolidated accounts would not give better information to the shareholders. In accordance with Section 22 of the Companies Act 1985, the financial statements of Monarch Airlines Limited and Monarch Aircraft Engineering Limited are included on pages 7 to 25, and 26 to 40 respectively.

3	CREDITORS	1987 £	1986 £
	Amounts falling due within one year:		
	Other creditors	757 =====	379 =====

NOTES ON THE FINANCIAL STATEMENTS (continued)
Year ended 30 November 1987

4	CREDITOR	1987 £	1986 £
	Amount falling due after one year:		
	Interest free loan from ultimate holding company	1,150,000 =====	1,154,400 =====
	There are no terms for the repayment of the loan but the ultimate holding company has indicated that it will not demand repayment of the loan before 1 December 1988.		
5	CALLED UP SHARE CAPITAL	1987 £	1986 £
	Authorised 200 ordinary shares of £1 each	200 =====	200 =====
	Issued and fully paid 100 ordinary shares of £1 each	100 =====	100 =====
6	ULTIMATE HOLDING COMPANY		
	In the opinion of the directors the ultimate holding company is Cosmos Guide Holding International N.V., a company registered in Curacao, Netherlands Antilles.		
7	PROFIT AND LOSS ACCOUNT	1987 £	1986 £
	Balance at 1 December 1986	(41)	(41)
	Profit for the year	-	-
	Balance at 30 November 1987	(41) =====	(41) =====

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MONARCH AIRLINES LIMITED

Financial statements
30 November 1987

CONTENTS
30 November 1987

	Page
Directors' report	8 - 9
Report of the auditors	10
Consolidated profit and loss account	11
Consolidated balance sheet	12
Balance sheet	13
Notes on the financial statements	14 - 24
Consolidated statement of source and application of funds	25

MONARCH AIRLINES LIMITED

DIRECTORS' REPORT 30 November 1987

The directors submit their report and financial statements for the year ended 30 November 1987.

PRINCIPAL ACTIVITIES

The group's principal activities remain that of airline and tour operators and seat brokers.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account and the notes relating to it. The directors do not propose the payment of a dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The increase in both turnover and profit after tax reflects the higher sales volume generated by the larger fleet of aircraft. This improvement is expected to continue in 1988 with the delivery of two additional 757 aircraft. Further details of these additions and other significant events which have taken place after the year end are given in note 23 to the financial statements.

EMPLOYMENT POLICY

It is the policy of the group that training, career development and promotion opportunities should be available to all employees. The directors are committed to encouraging employee involvement in the business.

DIRECTORS

The directors who have served during the year together with their interests in the shares of the company are as follows:

	30 November 1986 and 1987	
	'A' Ordinary	'B' Ordinary
W.H. Hodgson (see below)	-	1,000
A.J.A. Snudden (Chairman)	-	2,000
J.M. Rainbow	-	-
P.C. Dorrington	-	-
D.D. McAngus	-	-
M.C. McKee (retired 31 March 1988)	-	-

It is with deep regret that the directors report the death of the former chairman, Mr. W.H. Hodgson on 17 October 1987. Mr. Hodgson was one of the founder members of the company and will be sorely missed, both for his personal qualities and for the advice and assistance that he always gave so freely.

FIXED ASSETS

The basis for accounting for fixed assets and the changes in the year are set out in note 1 and notes 10 and 11 respectively.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The group contributed £1,000 (1986: £Nil) to the Conservative Party in the year.

MONARCH AIRLINES LIMITED

DIRECTORS' REPORT (continued)
30 November 1987

AUDITORS

The reappointment as auditors of Finnie & Co., Chartered Accountants, will be proposed at the annual general meeting.

By order of the board

M.J. ELLINGHAM

Secretary

3 May 1988

MONARCH AIRLINES LIMITED

10

REPORT OF THE AUDITORS

To the members of Monarch Airlines Limited

We have audited the financial statements on pages 11 to 25 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and the group at 30 November 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

FINNIE & CO.

Chartered Accountants

LONDON

3 May 1988

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 November 1987

	note	1987 £	1986 £
TURNOVER	1 & 3	131,410,851	107,751,516
Costs and overheads less other income	5	128,035,503	106,263,033
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3 & 6	3,375,348	1,488,483
Tax on profit on ordinary activities	7	1,347,600	400,000
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		2,027,748	1,088,483
Extraordinary item	8	-	5,511,722
PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	19	2,027,748	6,600,205

MONARCH AIRLINES LIMITED

12

CONSOLIDATED BALANCE SHEET
30 November 1987

	note	£	1987	£	£	1986	£
FIXED ASSETS							
Intangible assets	10	1,166,995			887,614		
Tangible assets	11	94,633,589			71,819,060		
Investments	12	26,250			26,250		
				95,826,834			72,732,924
CURRENT ASSETS							
Stocks	13	366,477			227,960		
Debtors	14	8,279,724			7,745,728		
Cash at bank and in hand		14,462,675			11,521,426		
				23,108,876			19,495,114
CREDITORS: amounts falling due within one year	15	31,346,083			26,075,393		
NET CURRENT LIABILITIES				(8,237,207)			(6,580,279)
TOTAL ASSETS LESS CURRENT LIABILITIES				87,589,627			66,152,645
CREDITORS: amounts falling due after more than one year	16			(72,765,138)			(53,653,904)
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred tax	17			(3,303,000)			(3,005,000)
				11,521,489			9,493,741
CAPITAL AND RESERVES							
Called up share capital	18			100,000			100,000
Profit and loss account	19			11,421,489			9,393,741
				11,521,489			9,493,741

Directors:

A.J.A. SNUDDEN

P.C. DORRINGTON

MONARCH AIRLINES LIMITED

13

BALANCE SHEET
30 November 1987

	note	£	1987	£	£	1986	£
FIXED ASSETS							
Intangible assets	10	1,166,995			887,614		
Tangible assets	11	94,581,047			71,752,915		
Investments	12	61,350			41,350		
				95,809,392			72,681,879
CURRENT ASSETS							
Stocks	13	366,477			227,960		
Debtors	14	8,025,010			7,425,125		
Cash at bank and in hand		14,380,409			11,503,325		
				22,771,896			19,156,410
CREDITORS: amounts falling due within one year	15	30,695,141			25,510,330		
NET CURRENT LIABILITIES				(7,923,245)			(6,353,920)
TOTAL ASSETS LESS CURRENT LIABILITIES							
				87,886,147			66,327,959
CREDITORS: amounts falling due after more than one year	16			(72,765,138)			(53,653,904)
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred tax	17			(3,301,000)			(2,995,000)
				11,820,009			9,679,055
CAPITAL AND RESERVES							
Called up share capital	18			100,000			100,000
Profit and loss account	19			11,720,009			9,579,055
				11,820,009			9,679,055

Directors:

A.J.A. SNUDDEN

P.C. DORRINGTON

NOTES ON THE FINANCIAL STATEMENTS
30 November 1987

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

CONSOLIDATION

The group financial statements consolidate the financial statements of Monarch Airlines Limited and its subsidiary companies.

FIXED ASSETS - CAPITALISATION

Aircraft and engines held under finance leases are capitalised as fixed assets. The company's obligations under finance leases are shown in note 16.

Other principal fixed assets are capitalised on the basis of orders placed.

Intangible assets represent aircraft introduction and initial crew training costs. Subsequent training costs are charged to revenue as incurred.

FIXED ASSETS - DEPRECIATION

Tangible assets

Fixed assets are depreciated from the date when brought into use at rates estimated to reduce them to their residual values over the shorter of their estimated useful lives and the periods of the leases. The principal bases used are as follows:

Short leasehold improvements	15% on a reducing balance basis
Aircraft and engines	Straight line over 10-12 years to a residual value of 45 per cent of cost
Finance leases	
Rotables and consumables	Expenditure net of disposals is written off over periods of between eight and twelve years.
Aircraft modifications and special work	Straight line basis on varying periods ending between April 1988 and November 1995.
Plant and equipment	Principally on a straight line basis at varying rates of between 15% and 33 1/3%.

No depreciation is provided on freehold and long leasehold property.

Intangible assets

Aircraft introduction and initial crew training costs are depreciated over the shorter of the estimated useful lives of the aircraft and the periods of the aircraft leases. The principal bases used are as follows:

Boeing 757	Straight line to November 1995.
Boeing 737	Straight line to April 1991.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

1 ACCOUNTING POLICIES (continued)

INVESTMENTS

Investments held as fixed assets are stated at cost.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

OPERATING LEASES

Amounts payable under operating leases are charged to revenue as incurred.

ENGINE OVERHAUL PROVISIONS

General aircraft and engine maintenance costs are written off as they are incurred.

TURNOVER

Turnover represents the invoiced value of airline traffic revenue and related income.

FOREIGN EXCHANGE

Foreign currency transactions are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into sterling at market rates ruling at the balance sheet date. Any gains or losses arising are included as an exchange gain or loss in the profit and loss account.

DEFERRED TAX

Deferred tax in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

2 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 3 May 1988.

3 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

The turnover and profit on ordinary activities before tax are attributable to the principal activities, those of operating an airline, tour operating and seat broking.

4 PARENT COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 228(7) of the Companies Act 1985, the separate profit and loss account of Monarch Airlines Limited has not been included in these financial statements.

The amount of profit attributable to the parent company for the year is £2,406,873 (1986: £6,874,228).

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

5	COSTS AND OVERHEADS LESS OTHER INCOME	1987 £	1986 £
	Cost of sales	124,566,392	102,373,748
	Administrative expenses	4,855,009	4,626,390
	Other operating income	(57,361)	-
	Profit on sale of fixed assets	(4,146)	(14,788)
	Interest receivable	(1,379,759)	(805,358)
	Interest payable on loans	55,368	83,041
		<u>128,035,503</u>	<u>106,263,033</u>
		=====	=====
6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX is stated after crediting:		
	Operating lease rentals receivable	2,271,132	1,547,066
		<u>=====</u>	<u>=====</u>
	and after charging:		
	Auditors' remuneration	25,000	22,600
	Operating lease rentals - aircraft and engines	21,775,489	15,760,445
	- land and buildings	170,627	153,695
	Finance lease charges	4,591,136	4,053,650
	Depreciation - tangible assets	6,462,789	5,728,305
	- intangible assets	215,165	279,705
		<u>=====</u>	<u>=====</u>
	Directors' emoluments:		
	As managers	240,757	171,935
	Directors' pension fund contributions	22,034	115,417
		<u>262,791</u>	<u>287,352</u>
		=====	=====
	Emoluments (excluding pension fund contributions):		
	Chairman to 17 October 1987	-	-
	Chairman from 18 October 1987 and highest paid director	106,182	119,637
		<u>=====</u>	<u>=====</u>
	Other directors:	Number	Number
	£0 - £ 5,000	1	1
	£10,001 - £15,000	-	2
	£20,001 - £25,000	-	1
	£35,001 - £40,000	1	-
	£45,001 - £50,000	2	-
		<u>=====</u>	<u>=====</u>
	The number of employees whose emoluments exceeded £30,000 was as follows:		
	£30,001 - £35,000	36	33
	£35,001 - £40,000	20	9
	£40,001 - £45,000	9	4
	£45,001 - £50,000	2	-
		<u>67</u>	<u>46</u>
		=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge is based on the profit for the year before tax and consists of:

	1987 £	1986 £
Corporation tax at 35% (1986: 37%)	1,049,600	60,000
Deferred tax	298,000	340,000
	<u>1,347,600</u>	<u>400,000</u>
	=====	=====

8 EXTRAORDINARY ITEM

Surplus on disposal of aircraft	-	7,671,722
Less: taxation	-	2,160,000
	<u>-</u>	<u>5,511,722</u>
	=====	=====

9 STAFF COSTS

Wages and salaries	8,763,439	6,981,884
Social security costs	803,712	633,780
Other pension costs	729,955	691,849
	<u>10,297,106</u>	<u>8,307,513</u>
	=====	=====

The average number of employees during the year was made up as follows:

	Number	Number
Flight deck crew	159	131
Cabin crew	390	306
Traffic and operations	112	100
Administrative	140	147
	<u>801</u>	<u>684</u>
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

10 INTANGIBLE FIXED ASSETS

Group and Company

Crew Training and
Aircraft Introductory
Costs
£

Cost	
At 1 December 1986	1,167,319
Additions	494,546
At 30 November 1987	<u>1,661,865</u>
Amortisation	
At 1 December 1986	279,705
Charge for the year	215,165
At 30 November 1987	<u>494,870</u>
Net book value:	
At 30 November 1987	<u>1,166,995</u> =====
At 30 November 1986	<u>887,614</u> =====

MONARCH AIRLINES LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

11 TANGIBLE FIXED ASSETS

The Group	Short leasehold improvements £	Freehold & long leasehold property £	Aircraft and engines £	Rotables and consumables £	Aircraft modifications & special work £	Plant and equipment £	Total £
Cost							
At 1 December 1986	106,394	111,544	66,295,936	15,506,858	3,331,250	794,473	86,146,455
Additions	-	509,698	25,580,315	3,671,890	851,266	279,321	30,892,490
Disposals	-	-	-	(1,610,905)	-	(74,059)	(1,684,964)
At 30 November 1987	106,394	621,242	91,876,251	17,567,843	4,182,516	999,735	116,353,931
Depreciation							
At 1 December 1986	74,926	-	8,438,234	3,598,155	1,804,003	412,077	14,327,395
Charge for the year	3,686	-	4,141,916	1,825,514	341,875	149,798	6,462,789
Disposals	-	-	-	(29,834)	-	(39,958)	(69,792)
At 30 November 1987	78,612	-	12,580,150	5,393,835	2,145,878	521,917	20,720,392
Net book value:							
At 30 November 1987	27,782	621,242	79,296,101	12,174,008	2,036,638	477,818	94,633,589
At 30 November 1986	31,468	111,544	57,857,702	11,908,703	1,527,247	382,396	71,819,060

The aircraft and engines cost includes £88,389,014 (1986: £63,239,014) in respect of assets which are subject to finance lease arrangements. The accumulated depreciation of these assets is £11,353,702 (1986: £7,467,419).

The Company

The cost and accumulated depreciation of the tangible fixed assets of the company differ by £108,787 and £56,245 respectively from the group tangible fixed assets representing those owned by Monarch Air Travel Limited (formerly Luton Handling Company Limited) and Sureflights Limited

Net book value:	Short leasehold improvements £	Freehold property £	Aircraft and engines £	Rotables and consumables £	Aircraft modifications & special work £	Plant and equipment £	Total £
At 30 November 1987	27,782	621,242	79,296,101	12,174,008	2,036,638	425,276	94,581,047
At 30 November 1986	31,468	111,544	57,857,702	11,908,703	1,527,247	316,251	71,752,915

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

12 INVESTMENTS HELD AS FIXED ASSETS

	The Group		The Company	
	1987	1986	1987	1986
	£	£	£	£
Shares in subsidiary companies	-	-	35,100	15,100
Other investment	26,250	26,250	26,250	26,250
	<u>26,250</u>	<u>26,250</u>	<u>61,350</u>	<u>41,350</u>
	=====	=====	=====	=====

All of the above investments are unlisted.

Additional information in respect of investments for which there have been movements during the year:

Shares in group companies	£
At 1 December 1986	15,100
Investment in new subsidiary company	20,000
	<u>35,100</u>
At 30 November 1987	=====

Subsidiaries

The company owns 100% of the called up share capital of the following companies which are incorporated in England:

Principal activities

Monarch Airlines Retirement Benefits
Plan Limited

Trustee of company pension scheme

Monarch Air Travel Limited

Tour operators and seat broker

Monarch Airlines Leasing Limited

Leasing

Sureflights Limited

Tour operator

Luton Handling Company Limited

Dormant

Other investment

In the opinion of the directors the value of the investment is not less than its book value.

13 STOCKS

	Group and Company	
	1987	1986
	£	£
Consumables	82,451	67,200
Goods for resale	284,026	160,750
	<u>366,477</u>	<u>227,950</u>
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

14	DEBTORS	The Group		The Company	
		1987	1986	1987	1986
		£	£	£	£
	Amounts falling due within one year:				
	Trade debtors	4,138,902	3,042,330	4,120,094	2,942,327
	Amounts owed by group companies	437,874	-	465,414	-
	Other debtors	2,923,174	4,004,525	2,922,434	4,004,525
	Prepayments	779,774	698,873	517,068	478,273
		<u>8,279,724</u>	<u>7,745,728</u>	<u>8,025,010</u>	<u>7,425,125</u>
		=====	=====	=====	=====

15	CREDITORS	The Group		The Company	
		1987	1986	1987	1986
		£	£	£	£
	Amounts falling due within one year:				
	Bank loan (secured)	101,894	40,177	101,894	40,177
	Obligations under finance leases	5,495,083	3,890,127	5,495,083	3,890,127
	Trade creditors	16,292,455	12,848,100	16,035,529	12,568,056
	Payments received on account	3,234,778	3,289,427	2,897,894	2,938,431
	Corporation tax	1,109,600	60,000	1,109,600	60,000
	Other taxes and social security costs	309,221	373,410	309,221	373,410
	Amounts owed to group companies	712,610	941,939	712,382	1,065,732
	Other creditors	1,234,652	2,624,309	1,234,752	2,624,409
	Accruals	2,855,790	2,007,904	2,798,786	1,949,988
		<u>31,346,083</u>	<u>26,075,393</u>	<u>30,695,141</u>	<u>25,510,330</u>
		=====	=====	=====	=====

16 CREDITORS

Amounts falling due after more than one year:

This comprises amounts payable more than twelve months after the balance sheet date in respect of aircraft finance and lease agreements and other loans.

Amounts payable within twelve months totalling £5,596,977 (1986: £3,930,304) are included in creditors falling due within one year.

	Group and Company	
	1987	1986
	£	£
Obligations under finance leases	70,055,398	51,016,328
Bank loans (secured)	209,740	137,576
Loan	2,500,000	2,500,000
	<u>72,765,138</u>	<u>53,653,904</u>
	=====	=====

These amounts are payable in the following periods from the balance sheet date:

In the second to fifth year inclusive	30,420,417	22,514,440
Over five years	42,336,721	31,139,464
	<u>72,765,138</u>	<u>53,653,904</u>
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

16 CREDITORS (continued)

The terms of the principal loan of £2,500,000 are as follows:

Repayments - Over a period of five years with repayments commencing 1 January 1989 in twenty equal quarterly instalments

Interest - Interest free until 1 January 1989 and thereafter at 10% per annum

The obligations under finance leases are effectively secured on the assets held under those leases.

The bank loans are secured by way of a floating charge over the company's rotatable and consumable fixed assets (see also note 21).

17 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

The total potential amount of deferred tax on timing differences and the amount for which provision at 35% has been made is:

The Group

	Provided		Potential	
	1987	1986	1987	1986
	£	£	£	£
Accelerated capital allowances	2,356,000	2,460,000	3,141,000	3,390,000
Assets subject to finance leases	492,000	420,000	492,000	420,000
Other timing differences	455,000	350,000	455,000	350,000
Trading losses	-	(225,000)	-	(225,000)
	<u>3,303,000</u>	<u>3,005,000</u>	<u>4,088,000</u>	<u>3,935,000</u>
	=====	=====	=====	=====

The Company

	Provided		Potential	
	1987	1986	1987	1986
	£	£	£	£
Accelerated capital allowances	2,354,000	2,450,000	3,139,000	3,380,000
Assets subject to finance leases	492,000	420,000	492,000	420,000
Other timing differences	455,000	350,000	455,000	350,000
Trading losses	-	(225,000)	-	(225,000)
	<u>3,301,000</u>	<u>2,995,000</u>	<u>4,086,000</u>	<u>3,925,000</u>
	=====	=====	=====	=====

If full provision had been made, the tax charge for the year would have been reduced by £145,000 (Company £145,000).

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

18 CALLED UP SHARE CAPITAL

	Group and Company 1987 £	1986 £
Authorised, allotted, called up and fully paid		
80,000 'A' ordinary shares of £1 each	80,000	80,000
20,000 'B' ordinary shares of £1 each	20,000	20,000
	<u>100,000</u>	<u>100,000</u>
	=====	=====

19 RESERVES

	The Group £	The Company £
Profit and loss account		
At 1 December 1986	9,393,741	9,579,055
Retained profit for year	2,027,748	2,140,954
At 30 November 1987	<u>11,421,489</u>	<u>11,720,009</u>
	=====	=====

20 CAPITAL COMMITMENTS

	Group and Company 1987 £	1986 £
Authorised and contracted for	-	-
Authorised but not contracted for	1,380,000	1,100,000
	=====	=====

21 CONTINGENT LIABILITIES

The company has given a cross guarantee for a sterling term facility of £2,400,000 made available to Monarch Aircraft Engineering Limited to enable that company to finance the construction of a hangar. The total amount outstanding at 30 November 1987 was £2,229,426 (1986: £2,285,505).

The company has a sterling credit facility of £2,600,000 (1986: £2,600,000) of which £311,625 (1986: £177,573) had been drawn down as loans at 30 November 1987. The loans and the facility are both secured by way of a floating charge over the company's rotatable and consumable fixed assets, and a fixed charge over the hangar.

The company has guaranteed the bank overdraft of Monarch Aircraft Engineering Limited up to a maximum of £200,000, of which £109,325 (1986: £Nil) had been drawn down at 30 November 1987.

The company has a contingent liability of £629,779 (1986: £522,408) in respect of a counter-indemnity given in favour of The Royal Bank of Scotland Plc in connection with the Civil Aviation Authority bonding arrangement with Monarch Air Travel Limited. In addition, the company has given a guarantee to the Civil Aviation Authority in respect of liabilities of Monarch Air Travel Limited to third parties. At 30 November 1987 these liabilities amounted to £715,000 (1986: £716,487).

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

At 30 November 1987, the company had commitments under forward exchange contracts entered into in the ordinary course of business amounting to £43,204,000 (1986: £36,922,000).

At 30 November 1987, there were other contingent liabilities and commitments of the company arising in the ordinary course of business. The directors are of the opinion that no material loss will arise under these arrangements.

22 OPERATING LEASE COMMITMENTS

As at 30 November 1987 the company had annual commitments under operating leases as set out below:

	Aircraft engines & office equipment £	Land and buildings £
Operating leases the commitment for which expires:		
Within one year	2,000,000	40,000
In the second to fifth year inclusive	9,700,000	65,000
Over five years	7,100,000	-
	<u>18,800,000</u> =====	<u>105,000</u> =====

23 POST BALANCE SHEET EVENTS

Since the balance sheet date the company has amended its financial commitments in respect of aircraft as follows:

Terminated certain operating leases and entered into a lease arrangement for a new aircraft which results in a reduction in annual lease rentals of £322,000.

Purchased an aircraft and spares at an approximate cost of US \$45,000,000.

24 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Cosmos Guide Holdings International N.V., incorporated in Curacao N.A.

MONARCH AIRLINES LIMITED

25

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year ended 30 November 1987

	note	£	1987	£	1986	£
SOURCE OF FUNDS						
Generated from operations	1		10,049,156		7,633,032	
OTHER SOURCES						
Finance leases		25,150,000		-		
Proceeds from disposals of tangible fixed assets		1,619,318		20,891,667		
Loan		200,000		187,049		
Decrease in working capital	2	1,881,904		3,435,269		
			28,851,222		24,513,985	
			38,900,378		32,147,017	
APPLICATION OF FUNDS						
Purchase of investments		-		26,250		
Purchase of fixed assets						
- intangible		494,546		578,929		
- tangible		30,892,490		6,951,687		
Loans repaid		66,119		9,295		
Finance leases		4,505,974		14,439,703		
			35,959,129		22,005,864	
INCREASE IN CASH RESOURCES			2,941,249		10,141,153	
NOTES						
1 Generated from operations:						
Profit before tax			3,375,348		1,488,483	
Depreciation						
- intangible fixed assets			215,165		279,705	
- tangible fixed assets			6,462,789		5,728,305	
Profit on sale of tangible fixed assets			(4,146)		(14,566)	
Intangible assets written off			-		151,105	
			10,049,156		7,633,032	
2 Decrease in working capital						
Stocks			(138,517)		(82,303)	
Debtors			(533,996)		(3,637,063)	
Creditors			2,554,417		7,154,535	
			1,881,904		3,435,269	

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MONARCH AIRCRAFT ENGINEERING LIMITED

**Financial statements
30 November 1987**

FINANCIAL STATEMENTS
30 November 1987

CONTENTS	page
Directors' report	27
Report of the auditors	28
Consolidated profit and loss account	29
Consolidated balance sheet	30
Balance sheet	31
Notes on the financial statements	32 - 39
Consolidated statement of source and application of funds	40

DIRECTORS' REPORT
30 November 1987

The directors submit their report and financial statements for the year ended 30 November 1987.

PRINCIPAL ACTIVITIES

The group's principal activities remain those of aircraft engineering and maintenance.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account and the notes relating to it. The directors do not propose the payment of a dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Turnover rose by 25% during the year due to the new hanger being in use for its first full year. The directors feel that the company is now in a good position to take advantage of any opportunities that may arise.

FIXED ASSETS

Changes in fixed assets are set out on in notes 8, 9 and 10.

EMPLOYMENT POLICY

It is the policy of the group that training, career development and promotion opportunities should be available to all employees. The directors are committed to encouraging employee involvement in the business.

DIRECTORS

The directors who have served during the year together with their interests in the ordinary shares of the company are as follows:

	At 30 November 1987	At 30 November 1986
W.H. Hodgson (see below)	1,000	50
A.J.A. Snudden (Chairman)	-	-
J.M. Rainbow	-	-
M.C. McKee	-	-

It is with deep regret that the directors report the death of the former chairman, W.H. Hodgson, on 17 October 1987. Mr. Hodgson was one of the founder members of the company and will be sorely missed, both for his personal qualities and for the advice and assistance that he always gave so freely.

SHARE CAPITAL

On 31 July 1987 the authorised share capital was increased by an ordinary resolution to £100,000 by the creation of 95,000 £1 ordinary shares. On the same day 95,000 £1 ordinary shares were issued by way of a 19 for 1 bonus issue to the existing shareholders, the new shares ranking pari passu with the existing shares.

AUDITORS

The reappointment as auditors of Finnie & Co., Chartered Accountants, will be proposed at the annual general meeting.

By order of the board

A.D. JONES

Secretary

3 May 1988

REPORT OF THE AUDITORS

To the members of Monarch Aircraft Engineering Limited

We have audited the financial statements on pages 29 to 40 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and the group at 30 November 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

FINNIE & CO.
Chartered Accountants
LONDON

3 May 1988

MONARCH AIRCRAFT ENGINEERING LIMITED

29

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 November 1987

	note	1987 £	1986 £
TURNOVER	1 & 4	20,649,487	16,492,092
Cost of sales		15,488,666	12,375,762
GROSS PROFIT		5,160,821	4,116,330
Administrative expenses		4,588,045	3,604,511
		572,776	511,819
Interest receivable		21,743	14,342
Other operating income		18,540	6,937
		613,059	533,098
Interest payable	3	336,134	239,755
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4 & 5	276,925	293,343
Tax on profit on ordinary activities	6	98,000	55,121
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	22	178,925	238,222
Minority interests		(47)	80
PROFIT ON ORDINARY ACTIVITIES ATTRIBUTABLE TO THE MEMBERS OF MONARCH AIRCRAFT ENGINEERING LIMITED AND TRANSFERRED TO RESERVES	17	178,972 =====	238,142 =====

CONSOLIDATED BALANCE SHEET
30 November 1987

	note	1987		1986	
		£	£	£	£
FIXED ASSETS					
Intangible assets	8	81,155		153,409	
Tangible assets	9	4,041,588		3,884,517	
Investments	10	1		1	
			4,122,744		4,037,927
CURRENT ASSETS					
Stocks	11	1,459,056		1,359,611	
Debtors	12	2,122,615		1,756,904	
Cash at bank and in hand		1,695		193,275	
		3,583,366		3,309,790	
CREDITORS: amounts falling due within one year	13	3,805,842		3,581,575	
NET CURRENT LIABILITIES			(222,476)		(271,785)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,900,268		3,766,142
CREDITORS: amounts falling due after more than one year	14		(2,179,707)		(2,236,506)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred tax	15		(192,000)		(180,000)
			1,528,561		1,349,636
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	16		100,000		5,000
Profit and loss account	17		1,428,079		1,344,107
			1,528,079		1,349,107
Minority interest			482		529
			1,528,561		1,349,636
			=====		=====

Directors:

J.M. RAINBOW

A.J.A. SNUDDEN

BALANCE SHEET
30 November 1987

	note	£	1987	£	£	1986	£
FIXED ASSETS							
Intangible assets	8	81,155				153,409	
Tangible assets	9	4,030,620				3,871,098	
Investments	10	81				81	
				<u>4,111,856</u>		<u>4,024,588</u>	
CURRENT ASSETS							
Stocks	11	1,459,056				1,359,611	
Debtors	12	2,111,934				1,704,920	
Cash at bank and in hand		1,550				183,395	
				<u>3,572,540</u>		<u>3,247,926</u>	
CREDITORS: amounts falling due within one year	13	3,794,075				3,517,303	
NET CURRENT LIABILITIES				<u>(221,535)</u>		<u>(269,377)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES				3,890,321		3,755,211	
CREDITORS: amounts falling due after more than one year	14			(2,179,707)		(2,236,506)	
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred tax	15			(192,000)		(180,000)	
				<u>1,518,614</u>		<u>1,338,705</u>	
				=====		=====	
CAPITAL AND RESERVES							
Called up share capital	16			100,000		5,000	
Profit and loss account	17			1,418,614		1,333,705	
				<u>1,518,614</u>		<u>1,338,705</u>	
				=====		=====	

Directors:

J.M. RAINBOW

A.J.A. SNUDDEN

NOTES ON THE FINANCIAL STATEMENTS
30 November 1987

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of the holding company, Monarch Aircraft Engineering Limited and its subsidiary, The Aeronautical Training Group Limited.

GOODWILL

Purchased goodwill arising on consolidation is written off direct to reserves in the year in which it arises.

STOCK AND WORK IN PROGRESS

Stock is stated at the lower of cost and net realisable value.

Work in progress is stated at direct cost of labour and materials together with an appropriate overhead element.

TANGIBLE FIXED ASSETS

Capitalisation

The company's policy is to capitalise fixed assets on the basis of orders placed.

Depreciation

Fixed assets are depreciated from the date when brought into use, at rates estimated to reduce them to their residual value over their useful lives. The bases used are as follows:

Long and short leasehold property	Over terms of leases
Plant and equipment	Principally on a reducing balance basis at varying rates from 15% to 25%.

INTANGIBLE FIXED ASSETS

Training costs

The initial training costs for ground engineers relating to the Boeing 757 and 737-300 series aircraft are written off over three years, other such costs being written off as incurred.

DEFERRED TAX

Deferred tax in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

GROUP TURNOVER

Turnover represents amounts receivable in the normal course of business from engineering services and incidental revenue, exclusive of value added tax and intra-group sales.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

2 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 3 May 1988.

3 INTEREST PAYABLE

	1987 £	1986 £
On bank loans and overdraft	333,770	239,552
Finance charges - finance leases and hire purchase contracts	2,364	203
	<u>336,134</u> =====	<u>239,755</u> =====

4 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Turnover and profit on ordinary activities before tax are attributable to the principal activities of aircraft engineering and maintenance. All turnover arose within the United Kingdom.

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX
is stated after crediting:

	1987 £	1986 £
Profit on sale of fixed assets	-	2,912
	=====	=====
and after charging:		
Loss on sale of fixed assets	539	-
Auditors' remuneration	23,500	20,839
Depreciation and amortisation	502,898	360,498
Hire of equipment	44,905	28,176
Operating lease rentals - land and buildings	185,550	116,845
- other	18,416	-
	=====	=====
Directors' emoluments:		
As managers - salaries and other emoluments	38,097	32,396
Directors' pension fund contributions	24,540	4,207
	<u>62,637</u> =====	<u>36,603</u> =====
Emoluments (excluding pension contributions):		
Chairman to 17 October 1987	Nil	Nil
Chairman from 18 October 1987	5,670	-
Highest paid director	32,427	26,446
	=====	=====
Other directors:	Number	Number
£0 - £5,000	1	2
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

6	TAX ON PROFIT ON ORDINARY ACTIVITIES	1987 £	1986 £
	The charge is based on the profit for the year:		
	Corporation tax at 35% (1986: 30%)	86,000	5,121
	Deferred tax	12,000	50,000
		<u>98,000</u>	<u>55,121</u>
		=====	=====

7	STAFF COSTS		
	Wages and salaries	6,717,708	5,549,503
	Social security costs	528,156	446,498
	Other pension costs	500,306	396,452
		<u>7,746,170</u>	<u>6,392,453</u>
		=====	=====

The average number of employees during the year was made up as follows:

	Number	Number
Engineers	266	236
Stores and drivers	29	31
Administrative and technical	189	158
	<u>484</u>	<u>425</u>
	===	===

8	INTANGIBLE FIXED ASSETS	757 and 737-300 series initial training costs £
	THE GROUP AND THE COMPANY	
	Cost	
	At 1 December 1986 and 30 November 1987	478,359
		=====
	Depreciation	
	At 1 December 1986	324,950
	Charge for the year	72,254
		<u>397,204</u>
		=====
	At 30 November 1987	
	Net book value:	
	At 30 November 1987	81,155
		=====
	At 30 November 1986	153,409
		=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

9	TANGIBLE FIXED ASSETS THE GROUP	Leasehold property long lease £	short lease £	Plant and equipment £	Total £
	Cost				
	At 1 December 1986	2,593,380	483,340	2,231,663	5,308,383
	Additions	-	153,158	444,746	597,904
	Disposals	-	-	(17,485)	(17,485)
	At 30 November 1987	2,593,380	636,498	2,658,924	5,888,802
	Depreciation				
	At 1 December 1986	45,308	208,874	1,169,684	1,423,866
	Charge for the year	26,542	92,124	311,978	430,644
	Disposals	-	-	(7,296)	(7,296)
	At 30 November 1987	71,850	300,998	1,474,366	1,847,214
	Net book value:				
	At 30 November 1987	2,521,530	335,500	1,184,558	4,041,588
	At 30 November 1986	2,548,072	274,466	1,061,979	3,884,517
	THE COMPANY				
	Cost				
	At 1 December 1986	2,593,380	420,598	2,206,012	5,219,990
	Additions	-	153,158	442,660	595,818
	Disposals	-	-	(17,485)	(17,485)
	At 30 November 1987	2,593,380	573,756	2,631,187	5,798,323
	Depreciation				
	At 1 December 1986	45,308	151,597	1,151,987	1,348,892
	Charge for the year	26,542	90,244	309,321	426,107
	Disposals	-	-	(7,296)	(7,296)
	At 30 November 1987	71,850	241,841	1,454,012	1,767,703
	Net book value:				
	At 30 November 1987	2,521,530	331,915	1,177,175	4,030,620
	At 30 November 1986	2,548,072	269,001	1,054,025	3,871,098

The cost of the long leasehold property includes £68,058 (1986: £68,058) of capitalised interest.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

10 INVESTMENTS HELD AS FIXED ASSETS

Subsidiary company

At 30 November 1987 and 30 November 1986 the company owned 95.2% of the issued share capital of The Aeronautical Training Group Limited a company incorporated in England.

Associate company

At 30 November 1987 and 30 November 1986 the company owned 50% of M D Engineering Limited, a dormant company incorporated in England.

	The Group		The Company	
	1987	1986	1987	1986
	£	£	£	£
Shares in group company - subsidiary	-	-	80	80
Shares in associate company	1	1	1	1
	<u>1</u>	<u>1</u>	<u>81</u>	<u>81</u>
	===	===	===	===

All the above investments are unlisted.

The principal activity of the subsidiary continued to be the provision of education and training facilities to employees of the Civil Air Transport Industry.

11 STOCKS

	The Group		The Company	
	1987	1986	1987	1986
	£	£	£	£
Aircraft consumables	534,447	385,843	534,447	385,843
Aircraft rotables	100,671	339,802	100,671	339,802
Work in progress	1,131,409	633,966	1,131,409	633,966
Payments received on account	(307,471)	-	(307,471)	-
	<u>1,459,056</u>	<u>1,359,611</u>	<u>1,459,056</u>	<u>1,359,611</u>
	=====	=====	=====	=====

12 DEBTORS

Amounts falling due within one year:

Trade debtors	1,988,404	1,246,376	1,958,969	1,180,417
Amount owed by group companies	-	384,750	21,463	400,760
Other debtors	5,407	36,320	2,698	34,285
Prepayments	128,804	89,458	128,804	89,458
	<u>2,122,615</u>	<u>1,756,904</u>	<u>2,111,934</u>	<u>1,704,920</u>
	=====	=====	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

13 CREDITORS	The Group		The Company	
	1987	1986	1987	1986
	£	£	£	£
Amounts falling due within one year:				
Bank overdraft	100,364	-	109,325	-
Bank loan (note 14)	70,847	63,805	70,847	63,805
Trade creditors	1,283,970	1,679,662	1,262,867	1,615,511
Amount owed to group company	455,674	17,800	458,434	17,800
Corporation tax	91,000	5,121	91,000	5,000
Other taxes and social security costs	210,534	189,277	208,149	189,277
Other creditors	1,389,727	1,518,539	1,389,727	1,518,539
Accruals	201,145	107,371	201,145	107,371
Hire purchase agreement (note 14)	2,581	-	2,581	-
	<u>3,805,842</u>	<u>3,581,575</u>	<u>3,794,075</u>	<u>3,517,303</u>
	=====	=====	=====	=====

The bank overdraft is secured by a guarantee given by Monarch Airlines Limited.

14 CREDITORS	Group and Company	
	1987	1986
	£	£
Amounts falling due after more than one year:		
Bank loan	2,166,268	2,229,425
Hire purchase agreement	13,439	7,081
	<u>2,179,707</u>	<u>2,236,506</u>
	=====	=====
Repayable within 5 years	446,257	385,528
Repayable after 5 years	1,806,878	1,914,783
	<u>2,253,135</u>	<u>2,300,311</u>
Included in current liabilities (note 13)	73,428	63,805
	<u>2,179,707</u>	<u>2,236,506</u>
	=====	=====

The loan, which is secured by way of a charge on the long leasehold land and buildings, bears interest at the rate of 2 1/2% above sterling LIBOR and is repayable over a period of eight years commencing 1 May 1986.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

15 PROVISION FOR LIABILITIES AND CHARGES

Deferred tax

The total potential amount of deferred tax on timing differences and the amount for which provision at 35% has been made is:

	Group and Company		Potential	
	Provided			
	1987	1986	1987	1986
	£	£	£	£
Accelerated capital allowances	164,000	193,000	469,000	498,000
Losses	-	(67,000)	-	(67,000)
Other timing differences	28,000	54,000	28,000	54,000
	<u>192,000</u>	<u>180,000</u>	<u>497,000</u>	<u>485,000</u>
	=====	=====	=====	=====

If full provision had been made the tax charge for the year would have been increased by £Nil (1986: £55,000).

16 CALLED UP SHARE CAPITAL

	1987	1986
	£	£
Authorised, issued and fully paid		
100,000 (1986: 5,000) ordinary shares of £1 each	100,000	5,000
	=====	=====

On 31 July 1987 the authorised share capital was increased by an ordinary resolution to £100,000 by the creation of 95,000 £1 ordinary shares. On the same day 95,000 £1 ordinary shares were issued by way of a 19 for 1 bonus issue to the existing shareholders, the new shares ranking pari passu with the existing shares.

17 RESERVES

	The Group		The Company	
	1987	1986	1987	1986
	£	£	£	£
Profit and loss account				
At 1 December 1986				
- company	1,333,705	1,097,146	1,333,705	1,097,146
- share of subsidiary	14,269	12,686	-	-
Goodwill written off	(3,867)	(3,867)	-	-
	<u>1,344,107</u>	<u>1,105,965</u>	<u>1,333,705</u>	<u>1,097,146</u>
At 1 December 1986	1,344,107	1,105,965	1,333,705	1,097,146
Profit for year	178,972	238,142	179,909	236,559
Bonus issue of fully paid shares	(95,000)	-	(95,000)	-
	<u>1,428,079</u>	<u>1,344,107</u>	<u>1,418,614</u>	<u>1,333,705</u>
At 30 November 1987	=====	=====	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1987

18 CAPITAL COMMITMENTS

	Group and Company 1987 £	1986 £
Expenditure contracted for but not provided in the financial statements	Nil =====	Nil =====
Expenditure authorised but not contracted for	835,000 =====	700,000 =====

19 CONTINGENCIES

The company has given a cross guarantee, secured on the long leasehold land and buildings, for a loan facility up to a maximum amount of £2,600,000 made available to Monarch Airlines Limited, a group company. At 30 November 1987 the amount drawn under this facility was £311,625 (1986: £177,753).

20 OPERATING LEASE COMMITMENTS

At 30 November 1987 the company had annual commitments under operating leases as set out below:

	Group and company 1987		
	Land and buildings £	Other £	Total £
Operating leases the commitment for which expires:			
Within one year	-	-	-
In the second to fifth year inclusive	10,090	18,416	28,416
Over five years	162,406 =====	- =====	162,406 =====

21 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Cosmos Guide Holdings International N.V., incorporated in Curacao N.A.

22 PROFIT OF MONARCH AIRCRAFT ENGINEERING LIMITED

As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit for the financial year includes £179,909 (1986: £236,559) which is dealt with in the financial statements of the parent company.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year ended 30 November 1987

	note	£	1987	£	£	1986	£
SOURCE OF FUNDS							
Generated from operations	1		780,362			650,929	
OTHER SOURCES							
Proceeds from sale of tangible fixed assets		9,650			35,347		
Loans		16,600			15,970		
Decrease in working capital		-			534,747		
			26,250			586,064	
			806,612			1,236,993	
APPLICATION OF FUNDS							
Purchase of fixed assets							
- intangible		-			152,221		
- tangible		597,904			823,143		
Increase in working capital	2	436,755			-		
Loans repaid		63,776			115,140		
Tax paid		121			119		
			1,098,556			1,090,623	
(DECREASE)/INCREASE IN CASH RESOURCES			(291,944)			146,370	

NOTES:

1 Generated from operations:

Profit before tax	276,925	293,343
Depreciation	502,898	360,498
Loss/(profit) on sale of tangible fixed assets	539	(2,912)
	780,362	650,929

2 Increase/(decrease) in working capital:

Stocks	99,445	8,795
Debtors	365,711	819,904
Creditors	(28,401)	(1,363,446)
	436,755	(534,747)