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Monarch Holdings plc

Report and Financial Statements

Year Ended

30 April 2002



BDO

BDO Stoy Hayward
Chartered Accountants

MONARCH HOLDINGS PLC

Annual report and financial statements for the year ended 30 April 2002

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Directors

D L Bernstein
P R Brown
F J Donagh

Secretary and registered office

G Atkinson, Monarch Holdings plc, London Luton Airport, Luton, Bedfordshire, LU2 9NU.

Company number

1165001

Auditors

BDO Stoy Hayward, Prospect Place, 85 Great North Road, Hatfield, Herts, AL9 5BS.

MONARCH HOLDINGS PLC

Report of the directors for the year ended 30 April 2002

The directors present their report together with the audited financial statements of the group for the year ended 30 April 2002.

Results and dividends

The results of the group for the year are set out in the consolidated profit and loss account and the notes relating to it.

The directors recommend a final dividend of £42 per share (2001 - £90).

Principal activities, review of business and future developments

The group's principal activities remain those of airline operator, aircraft engineers and tour operators specialising in the sale of airline seats.

Subsequent to the year end, the group purchased 100% of the ordinary share capital of Cosmosair plc.

Trading performance during the year was adversely affected following the tragic events of September 11, 2001. In these testing circumstances, the board is pleased to report that the group remained both profitable and cash positive.

In respect of the airline business, new scheduled routes were introduced from both Luton and Manchester and are operating successfully. During the year one new Airbus A321 aircraft was delivered and entered service in March 2002. A further such aircraft entered service in June 2002 and another delivery is expected in March 2003. The group is committed to taking two more deliveries of A321 aircraft in 2004.

With regard to the engineering side of the business, in addition to the difficulties caused by world events, the company experienced the collapse of a major customer and a continued softening of rates. It reduced its overhead costs to help achieve a profit, albeit below expectations. The board is confident that budgeted profit will be achieved by the engineering business in 2002/03.

The tour operating side too suffered from the effects of the events of September 11, but produced an acceptable trading profit. Current trading conditions are, however, not easy and there is excess capacity in the market depressing seat rates. The board believes that budgeted profit is unlikely to be met by the tour operating business.

The board of Monarch Holdings plc wishes to thank all group staff for their efforts during a period where external events made their jobs particularly difficult.

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.

Disabled persons

Full and fair consideration has and will be given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available, then, where practicable, arrangements will be made to continue under normal terms and conditions the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

MONARCH HOLDINGS PLC

Report of the directors for the year ended 30 April 2002 (Continued)

Charitable donations

During the year the group made charitable donations of £400 (2001 - £655).

Market value of land and buildings

The directors are of the opinion that there is no material difference between the market value of freehold or long leasehold property and the amount at which they are shown in the financial statements.

Directors

The directors and their shareholdings in the company at the beginning and end of the year were:

	Ordinary shares of £1 each	
	At 30 April 2002	At 30 April 2001
	£	£
Executive		
D L Bernstein	375	375
P R Brown	-	-
Non-Executive		
F J Donagh	-	-

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MONARCH HOLDINGS PLC

Report of the directors for the year ended 30 April 2002 *(Continued)*

Statement of creditor payment practice

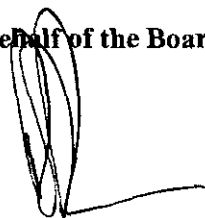
The company's policy for the year to 30 April 2003 for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.

As the company has no trade creditors, the number of days' purchases represented by the trade creditors at 30 April 2002 was nil.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'P R Brown', with a long horizontal stroke extending to the right.

**P R Brown
Director**

4 September 2002

MONARCH HOLDINGS PLC

Report of the independent auditors

To the shareholders of Monarch Holdings plc

We have audited the financial statements of Monarch Holdings plc for the year ended 30 April 2002 on pages 5 to 35 which have been prepared under the accounting policies set out on pages 10 to 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group as at 30 April 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Hatfield

Date :

4/2/02

MONARCH HOLDINGS PLC

Consolidated profit and loss account for the year ended 30 April 2002

	Note	2002 £'000	2001 As restated £'000
Turnover	1 & 2	457,321	455,740
Cost of sales	3	405,224	400,435
Gross profit		52,097	55,305
Administrative expenses		50,461	49,099
		1,636	6,206
Other operating income		1,872	1,145
Operating profit	5	3,508	7,351
Profit on sale of aircraft		-	4,903
		3,508	12,254
Interest receivable		4,060	3,585
Interest payable	8	(3,909)	(5,994)
Profit on ordinary activities before tax		3,659	9,845
Tax on profit on ordinary activities	9	1,629	3,419
Profit for the financial year after tax	4	2,030	6,426
Minority interest		245	-
Profit for the financial year		2,275	6,426
Dividends	10	2,100	4,500
Retained profit	21	175	1,926

All amounts relate to continuing activities.

A statement of the movement of reserves can be found in note 21.

The notes on pages 10 to 35 form part of these financial statements.

MONARCH HOLDINGS PLC

Statement of total recognised gains and losses for the year ended 30 April 2002

		Group	Group	Company	Company
	Note	2002	As restated	2002	2001
		£'000	£'000	£'000	£'000
Profit for the financial year		2,275	6,426	674	4,514
Exchange adjustment	21	(329)	891	-	-
Total recognised gains and losses relating to the year		1,946	7,317	674	4,514
Prior year adjustment	22	(7,464)			
Total recognised gains and losses since last annual report		(5,518)			

The notes on pages 10 to 35 form part of these financial statements.

MONARCH HOLDINGS PLC

Consolidated balance sheet at 30 April 2002

	Note	2002 £'000	2002 £'000	2001 As restated £'000	2001 As restated £'000
Fixed assets					
Intangible assets	11		6,281		8,070
Tangible assets	12		254,486		229,519
Investments	13		8,096		6,592
			<hr/>		<hr/>
			268,863		244,181
Current assets					
Stocks	14	4,258		5,440	
Debtors – due within one year	15	58,543		46,656	
– due after more than one year	15	5,937		3,926	
		64,480		50,582	
Cash at bank and in hand	16	21,707		45,916	
		<hr/>		<hr/>	
		90,445		101,938	
Creditors: amounts falling due within one year	17	148,438		160,023	
		<hr/>		<hr/>	
Net current liabilities			(57,993)		(58,085)
Total assets less current liabilities			<hr/> 210,870		<hr/> 186,096
Creditors: amounts falling due after more than one year	18		107,094		83,053
Provision for liabilities and charges	19		33,417		32,285
			<hr/>		<hr/>
			70,359		70,758
Capital and reserves			<hr/>		<hr/>
Called up share capital – equity	20		50		50
Profit and loss account – equity	21		65,346		65,500
Merger reserve – equity	21		4,963		4,963
			<hr/>		<hr/>
Shareholders' funds	22		70,359		70,513
Minority interests - equity			-		245
			<hr/>		<hr/>
			70,359		70,758
			<hr/>		<hr/>

The financial statements were approved by the Board on 4 September 2002.

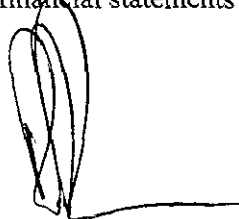
The notes on pages 10 to 35 form part of these financial statements.

MONARCH HOLDINGS PLC

Balance sheet at 30 April 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Investments	13		13,012		14,187
Current assets					
Debtors – due within one year	15	1		5,367	
– due after more than one year	15	3,500		1,500	
		3,501		6,867	
			3,501		6,867
Creditors: amounts falling due within one year	17	4,992		4,926	
Net current (liabilities)/assets			(1,491)		1,941
Total assets less current liabilities			11,521		16,128
Creditors: amounts falling due after more than one year	18		10,999		15,258
			522		870
Capital and reserves					
Called up share capital – equity	20		50		50
Profit and loss account – equity	21		472		820
Shareholders' funds	22		522		870

The financial statements were approved by the Board on 4 September 2002.



P R Brown
Director

The notes on pages 10 to 35 form part of these financial statements.

MONARCH HOLDINGS PLC
Consolidated cash flow statement for the year ended 30 April 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Net cash inflow from operating activities	26		26,377		53,587
Returns on investments and servicing of finance					
Interest received		3,330		3,040	
Interest paid		(3,630)		(4,283)	
Finance lease and hire purchase interest		(1,282)		(1,815)	
Net cash outflow from returns on investments and servicing of finance			(1,582)		(3,058)
Taxation					
UK corporation tax paid			(1,707)		(2,805)
Capital expenditure and financial investments					
Payments to acquire tangible fixed assets		(71,999)		(49,453)	
Receipts from sales of tangible fixed assets		2,575		29,094	
Purchase of fixed asset investments		(855)		(6,592)	
Receipts from sale of investments		508		-	
Net cash outflow for capital expenditure and financial investments			(69,771)		(26,951)
Acquisition					
Purchase of subsidiary undertaking		-		(1,175)	
Cash acquired with subsidiaries		-		59	
Net cash outflow from acquisitions			-		(1,116)
Equity dividends paid			(4,500)		(6,500)
Net cash (outflow)/inflow before management of liquid resources and financing			(51,183)		13,157
Management of liquid resources					
Cash drawn from deposits pledged to providers of hire purchase finance		323		339	
Cash drawn from short term deposits		16,726		8,724	
Net cash inflow from management of liquid resources			17,049		9,063
Financing					
Capital element of finance lease and hire purchase payments	27	(4,377)		(5,216)	
New bank loans	27	37,011		1,320	
Bank loan repayments	27	(5,706)		(6,623)	
Net cash inflow/(outflow) from financing			26,928		(10,519)
(Decrease)/increase in cash in the year	28		(7,206)		11,701

The notes on pages 10 to 35 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold property, and in accordance with applicable accounting standards.

A review of taxation treatment of exchange gains and losses arising from aircraft financing has given rise to a prior year adjustment and details of this are given in note 21.

The following principal accounting policies have been applied:

Change of accounting policy

The company has changed its accounting policy in respect of deferred tax following the release of FRS 19 "Deferred Tax". Under the company's previous accounting policy deferred tax was only recognised to the extent that it was probable that an asset or liability would crystallise. The revised policy is set out below and the impact on the results is shown in note 21.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings as at 30 April 2002 using the acquisition method of accounting.

Goodwill

Goodwill arising on acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which ranges from 10 to 20 years. Impairment tests on goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents the invoiced value of airline traffic revenue and related income, engineering services and incidental revenue, and amounts receivable for flights and travel arrangements departing within the period, exclusive of intra-group trading and value added tax.

Fixed assets - capitalisation

Fixed assets are stated at cost.

Aircraft and engines held under finance leases and hire purchase contracts are capitalised as fixed assets. Obligations under finance leases and hire purchase contracts are shown in notes 17 and 18.

Crew training and aircraft introductory costs in respect of owned aircraft that are essential for the operation of those aircraft are capitalised.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

1 Accounting policies (*continued*)

Fixed assets - depreciation

Tangible assets

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

Long leasehold property	- Straight line over 50 years.
Short leasehold property	- Over term of lease.
Aircraft and engines	- Straight line over 22 years to a residual value of 20% of cost.
Crew training and aircraft introductory costs	- Straight line over 5 years on owned aircraft.
Rotables and consumables	- Net expenditure is written off over a period of up to 22 years to a residual value of 20% of cost.
Aircraft modifications and special work	- Straight line over periods of up to 22 years. A residual value of 20% of cost is applied in respect of owned aircraft.
Plant and equipment	- Straight line over 3 to 4 years.
Engine overhaul and maintenance costs	- Amortised on the basis of cycles flown.

Intangible assets

Intellectual property assets are stated at cost, and are amortised over a period of 10 years.

Fixed assets - reclassification

Rotable and consumable fixed assets are reclassified as stock items when purchased from Monarch Airlines Limited by Monarch Aircraft Engineering Limited.

Investments

Investments held as fixed assets are stated at cost while current asset investments are shown at the lower of cost and net realisable value.

Impairment of fixed assets and goodwill

The need for any fixed impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

1 Accounting policies (*continued*)

Stock

Stock and work in progress are valued at the lower of cost and net realisable value.

Work in progress includes the direct cost of labour and materials together with an appropriate overhead element.

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The cost of aircraft and engines which have been financed by loans and hire purchase arrangements in foreign currency are adjusted at each year end to take account of the year end rate of exchange. The repayments during the year against the financing arrangements together with the year end financing balances are also adjusted to year end rates of exchange.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised and are depreciated over their useful lives. Finance costs are charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Operating leases

Amounts payable under operating leases are charged to the profit and loss account as incurred.

Crew training and aircraft introductory costs in respect of aircraft under operating leases are written off as incurred.

Rental income from operating leases is recognised on a straight line basis over the period of the lease.

1 Accounting policies (*continued*)

Pension costs

Retirement benefits to employees of certain companies within the group are provided by a defined benefit scheme which is funded by contributions from the group and employees and paid to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employee's working lives. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Engine overhaul and maintenance costs

Dependent upon the provisions of the financing or lease arrangements engine overhaul costs are usually either accrued or amortised on the basis of hours flown. Other engine and airframe maintenance costs are in the main written off as incurred.

Payments received on account

Payments received on account represent revenue receivable in advance from customers in respect of contractual commitments for the following year.

Component repair costs

The group is responsible for repairing certain components removed during the maintenance of aircraft and the estimated cost of outstanding repairs is included within liabilities.

In accordance with the provisions of certain contracts the group reviews the actual costs incurred in the year against the expected costs and where appropriate further provision is made to take account of repair costs which are deemed to have accrued.

Liquid resources

For the purpose of the cash flow statement, short term deposits are defined as liquid resources.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present obligations under the lease.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

2 Turnover, profit before tax and net assets

Turnover, profit before tax and net assets were contributed as follows:

Description of class of business:	Turnover		Profit before tax		Net assets	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	As restated £'000
Airline operations	369,381	354,978	1,975	8,293	51,889	50,176
Engineering services	32,924	38,297	1,993	2,596	18,364	16,696
Sale of airline seats	55,016	62,368	590	(665)	106	3,767
Development of computer software	-	97	(899)	(379)	-	119
	<u>457,321</u>	<u>455,740</u>	<u>3,659</u>	<u>9,845</u>	<u>70,359</u>	<u>70,758</u>

Turnover, which is derived from the UK, is analysed by geographical market below:

	2002 £'000	2001 £'000
United Kingdom	437,040	425,381
Europe	13,497	19,382
North America	4,327	8,688
Australia	1,808	1,835
Asia	649	454
	<u>457,321</u>	<u>455,740</u>

3 Cost of sales

Cost of sales for the year ended 30 April 2002 includes a charge of £3,571,000 (2001 - £Nil) arising from the impairment of engine overhauls tangible fixed assets.

During the year ended 30 April 2001, cost of sales included a credit of £2,896,000, which arose on the revision of the financing arrangements of two aircraft.

4 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company has not been presented in these financial statements. The consolidated profit for the financial year includes a profit of £1,751,363 (2001 - £4,513,606) which has been dealt with in the financial statements of the company.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

5 Operating profit

	2002 £'000	2001 £'000
This is arrived at after crediting:		
Operating lease rentals - aircraft and engines	1,887	5,783
Profit on sale of tangible fixed assets	111	350
Profit on sale of investment (note 13)	508	-
	<hr/>	<hr/>
and after charging:		
Depreciation - tangible assets	24,141	22,979
Impairment of tangible assets (note 3)	3,571	-
Amortisation - intangible assets	546	529
Impairment of intangible assets (note 11)	1,243	-
Operating lease rentals - aircraft and engines	61,930	63,134
- land and buildings	1,222	1,173
- other	1,389	594
Auditors' remuneration - audit services (company £19,000 (2001 - £18,000))	190	190
- non-audit services	178	157
	<hr/>	<hr/>

6 Directors

	2002 £'000	2001 £'000
Emoluments and pension contributions of the highest paid director are:		
Remuneration for management services	153	251
Pension contributions to defined contribution scheme	86	86
	<hr/>	<hr/>
	239	337
	<hr/>	<hr/>

The accrued pension of the highest paid director from the defined benefit pension scheme at 30 April 2002 was £36,720 (2001 - £32,860) per annum.

	Number	Number
The number of directors in the defined benefit pension scheme outlined in note 25 and a defined contribution scheme is as follows:	1	1
	<hr/>	<hr/>

The other directors do not receive any remuneration (2001 - £Nil). One of the directors is remunerated by Cosmosair plc, and his remuneration is disclosed in the accounts of that company. The company paid Cosmosair plc £68,000 (2001 - £Nil) in respect of the director's services, and this has been included in administrative expenses in the profit and loss account.

MONARCH HOLDINGS PLCNotes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)**7 Employees**

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

	2002 Number	2001 Number
Airline operations	1,486	1,549
Aircraft engineers	553	567
Administrative	745	742
	<u>2,784</u>	<u>2,858</u>

Staff costs for all employees, including executive directors, consists of:	£'000	£'000
Wages and salaries	71,645	70,607
Social security costs	6,420	6,472
Pension costs	6,528	6,068
	<u>84,593</u>	<u>83,147</u>

8 Interest payable

	2002 £'000	2001 £'000
On bank loans	2,783	4,160
On finance lease and hire purchase contracts	1,126	1,809
Other interest	-	25
	<u>3,909</u>	<u>5,994</u>

9 Tax on profit on ordinary activities

	2002 £'000	2001 As restated £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	(764)	6,680
Adjustments in respect of previous years	188	(2)
	<u>(576)</u>	<u>6,678</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,205	(3,259)
	<u>1,629</u>	<u>3,419</u>
Taxation on profit on ordinary activities		

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

9 Tax on profit on ordinary activities (continued)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The principal difference are explained below:

	2002 £'000	2001 As restated £'000
Profit on ordinary activities before tax	3,659	9,845
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	1,098	2,954
Effects of:		
Expenses not deductible for tax purposes	126	48
Capital allowances for period in excess of depreciation	(2,172)	(2,767)
Other timing differences	12	183
Timing differences in respect of finance leases	(12)	6,148
Timing differences on disposal of freehold property	(52)	-
Trading losses of subsidiaries carried forward	36	114
Unutilised capital losses carried forward	200	-
Adjustment to tax charge in respect of previous periods	188	(2)
Current tax (credit)/charge for the year	(576)	6,678

10 Dividends

	2002 £'000	2001 £'000
Ordinary dividends:		
Final proposed of £42 per share (2001 – £90)	2,100	4,500

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

11 Intangible assets Group

	Goodwill on consolidation £'000	Intellectual property rights £'000	Total £'000
<i>Cost</i>			
At 1 May 2001 and at 30 April 2002	9,996	500	10,496
<i>Amortisation</i>			
At 1 May 2001	2,389	37	2,426
Provision for the year	546	-	546
Provision for impairment	780	463	1,243
At 30 April 2002	3,715	500	4,215
<i>Net book value</i>			
At 30 April 2002	6,281	-	6,281
At 30 April 2001	7,607	463	8,070

The group company ABC Connect Limited entered liquidation on 7 November 2001. The intangible asset previously recognised in that company's balance sheet in respect of intellectual property rights has consequently been reviewed by the directors for impairment and full provision has been made. All associated goodwill previously recognised in the consolidated financial statements has also been reviewed by the directors for impairment, and full provision has been made.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

12 Tangible assets	Group	Freehold land and buildings £'000	Long leasehold property £'000	Short leasehold property £'000	Aircraft engines £'000	Crew training and aircraft and introductory costs £'000	Rotables and consumables £'000	Aircraft modifications and special work £'000	Plant and equipment £'000	Engine overhaul and maintenance costs £'000	Total £'000
	<i>Cost or valuation</i>										
	At 1 May 2001	215	14,759	6,268	191,060	2,685	71,578	19,097	28,513	88,996	423,171
	Additions	-	152	127	41,228	102	14,793	2,280	1,396	9,900	69,978
	Reclassification	-	1,436	(1,436)	-	-	(12,874)	-	-	-	(12,874)
	Disposals	(215)	-	-	(4,375)	(108)	-	(285)	(729)	(1,364)	(7,076)
	Exchange movement	-	-	-	(3,361)	-	(6)	-	-	-	(3,367)
	At 30 April 2002	-	16,347	4,959	224,552	2,679	73,491	21,092	29,180	97,532	469,832
	<i>Depreciation</i>										
	At 1 May 2001	129	3,372	2,384	66,677	1,660	37,459	8,366	18,529	55,076	193,652
	Reclassification	-	316	(316)	-	-	(786)	-	-	-	(786)
	Provision for the year	-	343	160	6,244	374	2,982	1,984	3,874	8,180	24,141
	Impairment charges	-	-	-	-	-	-	-	-	3,571	3,571
	Disposals	(129)	-	-	(2,886)	(108)	-	(62)	(410)	(1,017)	(4,612)
	Exchange movement	-	-	-	(619)	-	(1)	-	-	-	(620)
	At 30 April 2002	-	4,031	2,228	69,416	1,926	39,654	10,288	21,993	65,810	215,346
	<i>Net book value</i>										
	At 30 April 2002	-	12,316	2,731	155,136	753	33,837	10,804	7,187	31,722	254,486
	At 30 April 2001	86	11,387	3,884	124,383	1,025	34,119	10,731	9,984	33,920	229,519

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

12 Tangible assets (Continued)

The aircraft and engines cost includes £80,487,000 (2001 - £81,317,984) in respect of assets which are subject to hire purchase and finance lease contracts. The accumulated depreciation of these assets is £38,171,000 (2001 - £36,227,581). The related depreciation charge for the year was £2,198,000 (2001 - £2,225,140).

The plant and equipment cost includes £614,000 (2001 - £631,736) in respect of assets which are subject to hire purchase and finance lease contracts. The accumulated depreciation of these assets is £217,000 (2001 - £139,323). The related depreciation charge for the year was £104,000 (2001 - £98,950).

The cost of the long leasehold property includes £68,058 (2001 - £68,058) of capitalised interest.

Commitments for capital expenditure	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Contracted for but not provided in the financial statements	153,826	195,784	-	-

13 Fixed asset investments

Group	Unlisted investments £'000
Cost at 1 May 2001	6,612
Addition	1,504
Cost at 30 April 2002	8,116
Provision at 1 May 2001 and 30 April 2002	20
Net book value	
At 30 April 2002	8,096
At 30 April 2001	6,592

The group's unlisted investments represent its 13% holding of the ordinary share capital of the Airline Group Limited, a company which owns 46% of National Air Traffic Services (No 2) Limited, together with 8,087,305 unsecured loan notes of £1 each in Airline Group Limited.

During the year, Monarch Airlines Limited paid £855,054 to acquire 823,342 11% unsecured loan notes, and £31,712 8% unsecured loan notes in the Airline Group Limited, a company which was incorporated in order to bid to acquire 46% of National Air Traffic Services (No 2) Limited. A further 650,000 8% unsecured loan notes were acquired in the year through the conversion of accrued interest receivable of £650,000.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

13 Fixed asset investments (*continued*)

Group (*continued*)

Monarch Airlines Limited holds depository certificates with the SITA Foundation included in other debtors. In turn the SITA Foundation hold Equant shares on behalf of the company, deriving from their ownership of the depository certificates. As at 30 April 2002 and 30 April 2001 the company, while having an interest in these shares, does not have legal ownership of the shares themselves. Consequently no adjustments have been made to these financial statements to include this interest as an asset of the group at 30 April 2002 and 30 April 2001. However the operating profit for the group for the year ended 30 April 2002 includes a profit of £508,000 (2001 – Nil) relating to shares sold during the year. As at 30 April 2002 the group has an interest in Equant shares whose market value at that point was £373,333 (2001 – £118,556).

Company	2002 £'000
Shares in subsidiary undertakings	
Cost at 1 May 2001	14,187
Addition	-
Provision for permanent diminution in value	(1,175)
Cost at 30 April 2002	<u>13,012</u>

The company's principal subsidiary companies, all of which are incorporated in Great Britain are as follows:

	Proportion of ordinary share capital held	Principal activities
Avro plc	100%	Sale of airline seats
Britannic Securities Holdings Limited	100%	Holding company
Monarch Airlines Limited	100%	Airline operator
Monarch Aircraft Engineering Limited	100%	Aircraft engineering and maintenance
Monarch Technical Support Limited	100%	Engineering and technical services

Britannic Securities Holdings Limited owns 100% of the called up share capital of Pullman Holidays (UK) Limited. This subsidiary is incorporated in Great Britain and its principal activity is the sale of airline seats.

Monarch Airlines Limited owns 100% of the called up share capital of Monarch Airlines Leasing Limited. This subsidiary is incorporated in Great Britain and its principal activities are the acquisition and leasing of assets and equipment.

All of the above investments are unlisted.

ABC Connect Limited, of which the company held 51% of the ordinary share capital, entered liquidation in November 2001, and accordingly full provision has been made against the cost of the company's investment.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

14 Stocks

	Group 2002 £'000	Group 2001 £'000
Cabin consumables	900	1,021
Engineering stock	915	1,021
Work in progress	2,090	3,122
Goods held for resale	353	276
	<u>4,258</u>	<u>5,440</u>

In the opinion of the directors the replacement cost of stocks is not materially different to the above amounts.

15 Debtors

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Amounts falling due within one year:				
Trade debtors	43,298	34,143	-	-
VAT recoverable	22	-	-	-
Other debtors	4,147	5,226	1	507
Prepayments	11,076	7,287	-	-
Dividends receivable	-	-	-	4,860
	<u>58,543</u>	<u>46,656</u>	<u>1</u>	<u>5,367</u>
Amounts falling due after more than one year:				
Amounts owing from subsidiary undertaking	-	-	1,500	1,500
Other debtors	5,937	3,926	2,000	-
	<u>5,937</u>	<u>3,926</u>	<u>3,500</u>	<u>1,500</u>

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

16 Cash at bank and in hand

As part of the arrangements for financing the acquisition of aircraft cash deposits of £5,682,000 (2001 - £6,004,455) have been pledged in favour of the providers of the hire purchase finance. Details of other security given are shown in note 18.

17 Creditors: amounts falling due within one year

	Group 2002	Group 2001 As restated	Company 2002	Company 2001
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (secured)	6,260	5,625	-	-
Obligations under finance leases	-	33	-	-
Obligations under hire purchase contracts	4,246	4,079	-	-
	<u>10,506</u>	<u>9,737</u>	<u>-</u>	<u>-</u>
Payments received on account	53,990	48,557	-	-
Trade creditors	50,519	61,515	-	-
Component repair costs	3,308	3,807	-	-
Amounts owed to subsidiary undertakings	-	-	721	230
Corporation tax	4,548	6,286	50	-
Tax and social security	2,214	2,305	-	-
Proposed dividend	2,100	4,500	2,100	4,500
Other creditors	4,053	4,231	2,000	-
Accruals	17,200	19,085	121	196
	<u>148,438</u>	<u>160,023</u>	<u>4,992</u>	<u>4,926</u>

Further details regarding loans, finance leases and hire purchase contracts are shown in note 18.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

18 Creditors: amounts falling due after more than one year

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Total amounts arising in respect of:				
Bank loans and overdrafts (secured)	94,132	64,648	-	-
Obligations under finance leases	-	33	-	-
Obligations under hire purchase contracts	22,318	26,959	-	-
Other loan	1,150	1,150	1,150	1,150
	<u>117,600</u>	<u>92,790</u>	<u>1,150</u>	<u>1,150</u>
Less: amounts included in current liabilities	(10,506)	(9,737)	-	-
	<u>107,094</u>	<u>83,053</u>	<u>1,150</u>	<u>1,150</u>
Amounts owed to subsidiary undertaking	-	-	9,849	14,108
	<u>107,094</u>	<u>83,053</u>	<u>10,999</u>	<u>15,258</u>
These amounts are payable by instalments in the following periods from the balance sheet date:				
In more than one year but not more than two years	17,032	8,634	-	-
In more than two years but not more than five years	27,483	32,698	-	-
In more than five years	62,579	41,721	10,999	15,258
	<u>107,094</u>	<u>83,053</u>	<u>10,999</u>	<u>15,258</u>

The bank loans are secured upon aircraft and leasehold property. These loans bear interest linked to US Dollar LIBOR and Sterling LIBOR and are repayable over periods of 12 years.

The hire purchase contracts are repayable in instalments over 4 to 10 years together with interest at various rates linked to US Dollar LIBOR.

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

The other loan is interest free and is not repayable within one year. There are no other terms for repayment.

The amount owed to a subsidiary undertaking of the company was not interest-bearing during the year (2001 – interest payable at 5% per annum). This amount is not repayable within one year, there are no other terms for repayment.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

19 Provisions for liabilities and charges

Group	Deferred tax £'000	Pensions £'000	Unutilised leasehold property £'000	Total £'000
At 1 May 2001 - as previously reported	24,966	255	418	25,639
Prior year adjustment (see below)	6,646	-	-	6,646
At 1 May 2001	31,612	255	418	32,285
Transfer to profit and loss account	1,381	-	-	1,381
Rents and service charges provision utilised	-	-	(249)	(249)
At 30 April 2002	32,993	255	169	33,417

Deferred tax

The total potential amount of deferred tax on timing differences and the amount for which provision at 30% (2001 - 30%) has been made is:

	Provided 2002 £'000	Provided 2001 As restated £'000
Accelerated capital allowances	29,776	28,199
Assets subject to finance leases	3,273	3,463
Pension provisions	(77)	(77)
Other timing differences	21	27
	32,993	31,612

Pensions

Provision has been made for the excess of the accumulated pension cost over the amount funded (see note 25).

20 Share capital

	2002 £'000	2001 £'000
Authorised, allotted, called up and fully paid 50,000 ordinary shares of £1 each	50	50

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

21 Reserves	Profit and loss account £'000	Merger reserve £'000	Total £'000
Group			
At 1 May 2001 – as previously reported	72,964	4,963	77,927
Prior year adjustments - 2001	(762)	-	(762)
2000 and prior	(6,702)	-	(6,702)
At 1 May 2001, as restated	65,500	4,963	70,463
Retained profit for the year	175	-	175
Exchange adjustment (see below)	(329)	-	(329)
At 30 April 2002	65,346	4,963	70,309

The group has changed its accounting policy in respect of deferred tax following the release of FRS 19 "Deferred Tax". Under the company's previous accounting policy deferred tax was only recognised to the extent that it was probable that an asset or liability would crystallise. The company's new accounting policy is set out in note 1. The effect of this policy change has been to reduce the taxation charge and increase the group's profit after tax in the year by £32,000 (effect on prior year – increase in taxation charge and reduction in profit - £183,000). The policy change had no effect on the company in the current or prior year.

Following a review of the taxation treatment of exchange gains and losses arising from aircraft financing, the group balance sheet as at 30 April 2001 has been restated to reflect additional obligations of the company. Consequent changes have also been reflected in the statement of total recognised gains and losses for the year ended 30 April 2001.

The exchange adjustment comprises:	£'000	£'000
Aircraft and engines - cost (note 12)		(3,306)
Aircraft and engines - depreciation (note 12)		620
Disposal of engine		(82)
		(2,768)
Deferred taxation		824
		(1,944)
Financing (note 27)	2,174	
UK corporation tax	(559)	
		1,615
		(329)

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

21 Reserves (*continued*)

Company	Profit and loss account £'000
At 1 May 2001	820
Retained loss for year	(348)
At 30 April 2002	<u>472</u>

22 Reconciliation of movements in shareholders' funds

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Profit for the financial year	2,275	6,426	1,752	4,513
Exchange adjustment	(329)	891	-	-
Dividends	(2,100)	(4,500)	(2,100)	(4,500)
	<u>(154)</u>	<u>2,817</u>	<u>(348)</u>	<u>13</u>
Opening shareholders' funds				
As previously reported	77,977	74,398	870	857
Prior year adjustment	(7,464)	(6,702)	-	-
UK corporation tax thereon	-	-	-	-
	<u>70,513</u>	<u>67,696</u>	<u>870</u>	<u>857</u>
Opening shareholders' funds as restated				
Closing shareholders' funds	<u>70,359</u>	<u>70,513</u>	<u>522</u>	<u>870</u>

23 Contingent liabilities

Charges have been registered over certain bank deposits held in a subsidiary's name as security for guarantee facilities provided by those banks. The total amount of bank deposits subject to these charges at 30 April 2002 was £75,601 (2001 - £844,336).

At 30 April 2002, there were other contingent liabilities and commitments of the group arising in the ordinary course of business. The directors are of the opinion that no material loss will arise under these arrangements.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

24 Commitments

Operating leases

At 30 April 2002 the group had annual commitments under non-cancellable operating leases as set out below:

	Aircraft and engines £'000	Land and buildings £'000	Other £'000
Operating leases which expire:			
Within one year	4,471	293	1,184
In the second to fifth year inclusive	37,153	16	743
After five years	12,841	964	-
	54,465	1,273	1,927

As at 30 April 2001 the group had annual commitments under non-cancellable operating leases as set out below:

	Aircraft and engines £'000	Land and buildings £'000	Other £'000
Operating leases which expire:			
Within one year	6,801	248	172
In the second to fifth year inclusive	41,591	197	1,680
After five years	15,087	866	286
	63,479	1,311	2,138

Other

At 30 April 2002, the group had commitments under forward exchange contracts entered into in the ordinary course of business amounting to £171.2m (2001 - £109.1m).

25 Pensions

Certain subsidiaries operate a jointly funded defined benefit pension scheme for UK employees. The assets of the scheme are administered by Trustees and are held in separate funds. The scheme is split into two sections, Groundstaff and Aircrew.

The pension costs and funding arrangements are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. The latest valuation was as at 30 June 2001. It was assumed that investment returns would be 7.25% per annum before retirement and 6.75% after retirement, that salary increases would average 4.75% per annum and that present and future pensions would increase at 3.25% per annum on post-1997 and 3% per annum on pre-1997 service. Assets were taken at market value. At that date the value of assets was sufficient to cover 99.7% of the benefits that had accrued to members of both sections of the plan after allowing for expected future increases in earnings. The market value of the assets as a whole was £144,567,936.

25 Pensions (*continued*)

At 30 April 2002 a review of the pension cost and provision was carried out by the actuary. The method and principal assumptions of this review were the same as those used for the formal actuarial valuation at 30 June 2001. As a result of this review the total pension cost charged for the period in these financial statements amounted to £6,372,000 (2001 - £6,024,000).

During the year, in accordance with the actuary's recommendations, the following contributions were made to each section of the scheme:-

	% of pensionable salaries	
	Employer	Employee
Groundstaff	12	2
Aircrew	16	8

At 30 April 2002, in accordance with SSAP24, the group has made provisions of £176,000 (2001 - £176,000) in respect of the Groundstaff section and £79,000 (2001 - £79,000) in respect of the Aircrew section, this being the excess of the accumulated pension costs over the amounts funded.

Financial Reporting Standard 17 'Retirement Benefits' (FRS 17)

The company is required to comply fully with FRS17 in its financial statements for the year ended 30 April 2004 and has therefore taken advantage of the transitional arrangements allowed in the standard.

As explained above, certain subsidiaries operate a jointly funded defined benefit pension scheme for UK employees.

A full actuarial valuation of the defined benefit scheme was carried out at 30 June 2001 and updated to 30 April 2002 by a qualified independent actuary on a FRS 17 basis. The major assumptions at 30 April 2001 used by the actuary were:

Rate of increase in salaries	4.5%
Rate of increase for pensions in payment	3.0%
Discount rate	6.0%
Inflation assumption	2.5%

The assets in the scheme and expected rate of return at 30 April 2002 were:

	Long-term rate of Return expected at 30 April 2002	Value at 30 April 2002 £'000
Equities	8.0%	124,751
Bonds	6.0%	11,678
Other - Cash	6.0%	962
Total market value of assets		137,391
Present value of scheme liabilities		(189,459)
Deficit in the scheme		(52,068)
Related deferred tax liability		15,620
Net pension liability on a FRS 17 basis		(36,448)

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (Continued)

25 Pensions (continued)

Contributions of £6,372,000 were made in the year to 30 April 2002 (12% of pensionable pay).

The effect on the consolidated profit and loss reserve if the pension scheme liability were incorporated into the financial statements is as follows:

	30 April 2002 £'000
Profit and loss reserve excluding pension deficit	65,346
Pension liability	(36,448)
Profit and loss reserve	<u>28,898</u>

At 30 April 2002 the present value of the total scheme liabilities, calculated under the projected unit method, exceeded the total market value of its assets. The market value of the scheme's investments and, therefore, the overall scheme deficit at any one point in time can be adversely affected by shorter-term fluctuations in stock market prices. However, the scheme's investments are, by their nature, long term investments and therefore the group will continue to pay the contributions recommended by the scheme's actuary in accordance with statutory requirements, in order to meet the future liabilities of the scheme. Recoverability of the related deferred tax asset will be considered on the full implementation of FRS17.

The agreed contribution rates for the scheme years ended 30 June 2002 and 30 June 2003 are 12% for the company and 2% for employees in respect of the Groundstaff section, and 16% for the company and 8% for employees in respect of the Aircrew section.

26 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating profit	3,508	7,351
Amortisation - intangible fixed assets	1,789	529
Depreciation - tangible fixed assets	24,141	22,979
Impairment charges - tangible assets	3,571	-
Profit on sale of tangible fixed assets	(111)	(350)
Profit on sale of investments	(508)	-
Decrease in stocks	1,182	186
Increase in debtors	(13,040)	(7,329)
(Decrease)/increase in creditors	(6,243)	18,710
Tangible fixed assets reclassified to stock	12,088	11,511
Net cash inflow from operating activities	<u>26,377</u>	<u>53,587</u>

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

27 Reconciliation of net cash flow to movement in net debt

	2002 £'000	2002 £'000	2001 £'000	2001 £'000
(Decrease)/increase in cash in the year	(7,206)		11,701	
Cash (inflow)/outflow from (increase)/ decrease in debt and lease financing	(26,928)		10,519	
Cash inflow from decrease in liquid resources	(17,049)		(9,063)	
Change in net debt resulting from cash flows		(51,183)		13,157
New hire purchase/finance lease arrangements		(31)		(53)
Other movements		20		-
Exchange movements		2,174		(7,765)
Movement in debt in the year		(49,020)		5,339
Net debt at 1 May 2001		(46,874)		(52,213)
Net debt at 30 April 2002		(95,894)		(46,874)

28 Analysis of net debt

	At 1 May 2001 £'000	Cash flow £'000	Non-cash changes £'000	Exchange movement £'000	At 30 April 2002 £'000
Cash at bank and in hand	17,539	(7,160)	-	-	10,379
Overdrafts	-	(46)	-	-	(46)
Cash on short term deposit	17,539	(7,206)	-	-	10,333
Deposits pledged to providers	22,372	(16,726)	-	-	5,646
of hire purchase finance	6,005	(323)	-	-	5,682
Bank loans due after one year	(59,023)	(34,845)	4,048	1,947	(87,873)
Bank loans due within one year	(5,625)	3,540	(4,048)	(81)	(6,214)
Finance leases and hire purchase obligations	(26,992)	4,377	(11)	308	(22,318)
Other loan	(1,150)	-	-	-	(1,150)
Total	(46,874)	(51,183)	(11)	2,174	(95,894)

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

29 Related Party Transactions

Set out below is a summary of related party transactions between:

- The company or subsidiary undertakings of the company, and
- Companies controlled by the ultimate controlling parties of the company;

<i>Transaction</i>	<i>Related Party</i>
1 Loan to Monarch Holdings plc on interest free terms and with no fixed terms for repayment. The amount due to the related party at 30 April 2002 was £1.15m (2001 - £1.15m).	Cosmosguide Holding International NV as lender.
2 On 15 November 2000 Monarch Airlines Limited entered into a purchase agreement in respect of five Airbus A321-200 aircraft for a consideration of £193.9m. This amount is included within the commitments for capital expenditure shown in note 12. The value of deposits paid to the related party at 30 April 2002 was £2.7m (2001 - £1.4m).	Aviation Enterprises Limited as seller under the purchase agreement.
3 Operating leases to Monarch Airlines Limited of aircraft, engines and rotatable components at a cost of £48.92m (2001 - £48.21m) in the year. These leases are for periods of between 3 and 13 years at rentals ranging from £1.8m to £6.4m per annum (2001 - £1.8m to £5.8m).	Various lessors.
Included in 3 above is an operating lease in respect of an aircraft. The terms of that lease were amended by an agreement dated 15 March 2002 with effect from 15 March 2002. The lease will now run for a period of 24 months at a rental of approximately £2.4 m per annum.	Rossana Leasing Corporation as lessor.
Included in 3 above is an operating lease in respect of an aircraft. The terms of that lease were amended by an agreement dated 17 April 2002 with effect from 17 April 2002. The lease will now run for a period of 24 months at a rental of approximately £2.4 m per annum.	Project Investment Corporation as lessor.

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

29 Related Party Transactions (*continued*)

<i>Transaction</i>	<i>Related Party</i>
4 Sale and purchase of seats to and from the related party by subsidiary undertakings of the company amounting to £47.8m (2001 - £51.0m) and £0.03m (2001 - £0.36m) respectively in the year. At 30 April 2002 £10.5m (2001 - £9.8m) being inclusive of amounts in respect of flying after that date was due to and £0.1m (2001 - £Nil) was due from the related party.	First Aviation Limited as seat broker.
5 Provision of insurance and insurance services to subsidiary undertakings of the company in respect of the aircraft fleet, property, motor vehicles, trade combined and public liability amounting to £2.77m (2001 - £2.52m) in the year. The amount due from the related party at 30 April 2002 was £2.77m (2001 - £0.29m).	Voyager Insurance Company Limited and Osprey Insurance Company Limited as provider of insurance and insurance services.
6 During the year Avro plc was charged for shared operational costs of £1,790,000 (2001 - £533,000). The amount due to the related party at 30 April 2002 was £83,000 (2001 - £405,000). Avro plc also charged the related party £391,000 (2001 - £60,000) for other shared operational costs and was owed £6,000 (2001 - £53,000) at 30 April 2002. The group was also charged for shared group executives' costs of £290,000 (2001 - £262,000). The amount owed to the related party in this respect at the year end was £68,000 (2001 - £Nil). Avro plc was charged £2,000,000 (2001 - £2,000,000) for management charges during the year. The amount due to the related party at 30 April 2002 was £Nil (2001 - £2,000,000).	Cosmosair plc as tour operator.
7 Sale and purchase of seats to the related party by Avro plc amounting to £294,000 (2001 - £26,000) in the year. The amount due from the related party at 30 April 2002 was £164,000 (2001 - £2,500).	Cosmosair plc as tour operator.

29 Related Party Transactions (*continued*)

<i>Transaction</i>	<i>Related Party</i>
8 Under a Rebate Assignment dated 15 April 1988, and supplemental agreements dated 15 July 1991 and 29 June 1992, Monarch Airlines Limited is providing security for the obligations of Andrair Limited, to the head lessor (an unrelated third party) of an aircraft which is subleased by Andrair Limited to Monarch Airlines Limited. The annual lease rental was £3.1m. However a liability will only arise if Andrair Limited defaults in its lease payment obligations. The quantum of any such liability would be based on the net proceeds of sale of the aircraft which cannot be determined at the present time.	Andrair Limited as lessee of an aircraft and beneficiary of security agreements.
9 On 26 April 1989 Monarch Airlines Limited gave a guarantee in respect of the obligations of Tourwise of London Limited to an unrelated third party, under a property lease. The lease, which is for a term of 25 years, commenced on 25 December 1985 at an initial rent of £135,500 per annum. Any liability of Monarch Airlines Limited is fully indemnified by Glossa Travel Services International NV (see transaction 10).	Tourwise of London Limited as beneficiary of guarantee.
10 Pursuant to an agreement dated 24 November 1989 any liability of Monarch Airlines Limited under the guarantee of the lease referred to in transaction 9 is fully indemnified.	Glossa Travel Services International NV as provider of an indemnity.
11 During the year Monarch Airlines Leasing Limited incurred costs of £56,000 (2001 - £77,000) in respect of guarantee fees payable in connection with the acquisition of aircraft. The amount of future guarantee fees is calculated on a reducing scale and will expire by 13 June 2004.	Renfro Corporation as guarantor.
12 During the year, the liquidation of ABC Connect Limited led to the write-back of loans from the related party. The loan was made on commercial terms and the amount due to the related party at liquidation and consequently written back was £546,000.	Cosmosair plc as lender

MONARCH HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 April 2002 (*Continued*)

29 Related Party Transactions (*continued*)

<i>Transaction</i>	<i>Related Party</i>
13 On 1 June 2000 Monarch Holdings plc gave a guarantee in respect of the obligations of Cosmosair plc to an unrelated third party, under a property lease. The lease, which is for a term of 15 years, commenced on 18 May 2000 at an initial rent of £767,737 per annum.	Cosmosair plc as beneficiary of guarantee.
14 Management charge payable by Pullman Holdings (UK) Limited amounting to £70,000 (2001 - £Nil). The amount due to the related party at 30 April 2002 was £70,000 (2001 - £Nil)	Cosmosair plc as tour operators.
15 Sale of seats to customers of the related party by Avro plc amounted to £1,633,000 (2001 - £Nil) and the amount due from the related party was £188,000 (2001 - £Nil). Avro plc was charged for commission of £14,000 (2001 - £Nil). No amount was owed to the related party at the year end.	Urbanweb Limited as agent

30 Control

The directors consider that the company's ultimate parent company and its controlling party is Amerald Investments NV, a company incorporated in the Netherlands Antilles.

The directors consider that Mr S Mantegazza, Mr G Mantegazza and Mr M Albek are together the ultimate controlling parties of the company.