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REGISTRAR'S COPY

COMPANY NUMBER

1165001/36

COSMOS TOURS (U.K.) LIMITED

Financial statements  
30 November 1985



COSMOS TOURS (U.K.) LIMITED

1

DIRECTORS' REPORT  
30 November 1985

The directors submit their report and financial statements for the year ended 30 November 1985.

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. During the year the company acquired 37.6% of the issued share capital of a fellow subsidiary, Monarch Airlines Limited. The company now owns 75.2% of the issued share capital of Monarch Airlines Limited.

DIRECTORS

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

M. Austin

F. Mantegazza (appointed 30 May 1985)

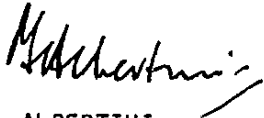
C.D. Smart (resigned 31 May 1985)

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

22 July 1986

COSMOS TOURS (U.K.) LIMITED

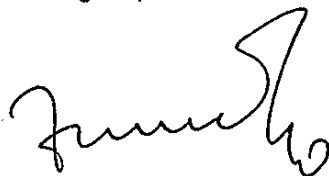
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REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 3 to 5 and 8 to 21 in accordance with approved Auditing Standards.

In our opinion the financial statements 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 1985 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

22 July 1986

## COSMOS TOURS (U.K.) LIMITED

3

BALANCE SHEET  
30 November 1985

	note	1985	1984
		£	£
<b>FIXED ASSETS</b>			
Investments	1	351,884	199,980
<b>CURRENT ASSETS</b>			
Amount due to fellow subsidiary		-	-
Cash at bank		-	-
<b>CREDITORS: amounts falling due within one year</b>	2	1,425	-
<b>NET CURRENT LIABILITIES</b>		(1,425)	-
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		350,459	199,980
<b>CREDITOR: amount falling due after one year</b>	3	350,400	200,000
		59	92
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	4	100	100
Reserves	6	(41)	(8)
		59	92
		=====	=====

Directors:

M. AUSTIN

F. MANTEGAZZA

The financial statements were approved by the  
board on 22 July 1986

NOTES ON THE FINANCIAL STATEMENTS  
Year ended 30 November 1985

## 1 INVESTMENTS

During the year the company acquired a further 37.6% of the issued share capital of Monarch Airlines Limited which carries on the business of an airline operator from the U.K. The company owns 75.2% of the issued share capital of Monarch Airlines Limited as follows:-

	1985 £	1984 £
Cost		
73,200 'A' ordinary shares of £1 each (representing 91.5% of the issued 'A' ordinary shares)	331,684	179,780
2,000 'B' ordinary shares of £1 each (representing 10% of the issued 'B' ordinary shares)	20,200	20,200
	<u>351,884</u> =====	<u>199,980</u> =====

In accordance with Section 229 of the 1985 Companies Act the financial statements of Monarch Airlines Limited are included on pages 6 to 21.

## 2 CREDITORS

	1985 £	1984 £
Amounts falling due within one year:		
Bank overdraft	1,396	-
Other creditors	29	-
	<u>1,425</u> =====	<u>-</u> =====

## 3 CREDITOR

Amount falling due after one year:

Interest free loan from ultimate holding company	350,400 =====	200,000 =====
--	------------------	------------------

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 1986.

## 4 CALLED UP SHARE CAPITAL

	1985 £	1984 £
Authorised		
200 ordinary shares of £1 each	200 ===	200 ===
Issued and fully paid		
100 ordinary shares of £1 each	100 ===	100 ===

NOTES ON THE FINANCIAL STATEMENTS (continued)  
Year ended 30 November 1985

## 5 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.

## 6 PROFIT AND LOSS ACCOUNT

	1985 £	1984 £
Balance at 1 December 1984	(8)	(3)
Loss for the year - (Administrative expenses)	(33)	(5)
Balance at 30 November 1985	<u>(41)</u> ===	<u>(8)</u> ===

CONTENTS  
30 November 1985

	Page
Directors' report	7
Consolidated profit and loss account	8
Consolidated balance sheet	9
Balance sheet	10
Notes on the financial statements	11 - 20
Consolidated statement of source and application of funds	21

DIRECTORS' REPORT  
30 November 1985

The directors submit their report and financial statements for the year ended 30 November 1985.

## PRINCIPAL ACTIVITIES

The company's principal activity remains that of an airline operator. Its wholly owned trading subsidiary is engaged in the business of general travel agents.

## 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

Although turnover increased market pressures have resulted in reduced margins and a trading loss for the year. As explained more fully in note 21, since the year end the company has disposed of two Boeing 737-200 aircraft which will result in a cash inflow estimated at approximately £9 million and a profit of approximately £6.5 million. The company has also taken delivery of three Boeing 737-300 aircraft and in view of the level of bookings for the summer 1986 season, the directors are confident that the company is well placed to show much improved results in 1986 and to continue with the expansion of recent years.

## DIRECTORS

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

	30 November 1985		30 November 1984	
	'A' Ordinary	'B' Ordinary	'A' Ordinary	'B' Ordinary
W.H. Hodgson	-	1,000	-	1,000
A.J.A. Snudden	-	2,000	-	2,000
J.M. Rainbow	-	-	-	-
G.G. Carroll (deceased 1 April 1985)	-	-	-	-

## FIXED ASSETS

The basis for accounting for fixed assets and the changes in the year are set out in note 2 and notes 8 and 9 respectively.

## AUDITORS

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

By order of the board

R. GAFFEN  
Secretary

17 June 1986



## 8

1984  
\$  
76,116,338  
75,535,652  
580,686  
102,800  
683,486

## MONARCH AIRLINES LIMITED

9

CONSOLIDATED BALANCE SHEET  
30 November 1985

	note	£	1985 £
<b>FIXED ASSETS</b>			
Intangible assets	8	739,495	
Tangible assets	9	83,801,057	
Investment in subsidiary	10	100	
			84,540,652
<b>CURRENT ASSETS</b>			
Stocks	11	145,657	
Debtors	12	4,108,665	
Cash at bank and in hand		1,380,273	
		5,634,595	
<b>CREDITORS: amounts falling due within one year</b>	13	19,747,817	
<b>NET CURRENT LIABILITIES</b>			(14,113,222)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			70,427,430
<b>CREDITORS: amounts falling due after more than one year</b>	14		(67,028,894)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred tax	15		(505,000)
			2,893,536
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16		100,000
Profit and loss account	17		2,793,536
			2,893,536

Directors:

A.J.A. SNUDDEN

J.M. RAINBOW

1984

804,972

46,858,290

100

84,540,652

47,663,362

122,255

7,334,245

3,681,017

11,137,517

19,012,177

(7,874,660)

39,788,702

(32,720,717)

(200,000)

6,867,985

100,000

6,767,985

6,867,985

## MONARCH AIRLINES LIMITED

10

BALANCE SHEET  
30 November 1985

	note	£	1985	£
<b>FIXED ASSETS</b>				
Intangible assets	8	739,495		
Tangible assets	9	83,750,895		
Investments	10	15,100		
				<u>84,505,490</u>
<b>CURRENT ASSETS</b>				
Stocks	11	145,657		
Debtors	12	3,775,788		
Cash at bank and in hand		1,380,248		
				<u>5,301,693</u>
<b>CREDITORS: amounts falling due within one year</b>	13	19,478,462		
<b>NET CURRENT LIABILITIES</b>			(14,176,769)	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>70,328,721</u>	
<b>CREDITORS: amounts falling due after more than one year</b>	14		(67,028,894)	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Deferred tax	15		(495,000)	
			<u>2,804,827</u>	
			=====	
<b>CAPITAL AND RESERVES</b>				
Called up share capital	16	100,000		
Profit and loss account	17	2,704,827		
			<u>2,804,827</u>	
			=====	
<b>Directors:</b>				
<b>A.J.A. SNUDDEN</b>				
<b>J.M. RAINBOW</b>				

	1984	£	£
804,972			
146,851,284			
15,100			
147,671,356			
122,255			
7,528,824			
3,212,792			
10,863,871			
18,788,888			
(7,925,017)			
39,746,339			
(32,720,717)			
(200,000)			
6,825,622			
100,000			
6,725,622			
6,825,622			

NOTES ON THE FINANCIAL STATEMENTS  
30 November 1985

## 1 TURNOVER

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

## 2 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 trading subsidiary, Luton Handling Company Limited, made up to 30 November 1985.

The accounts of Monarch Airlines Retirement Benefits Plan Limited the non-trading subsidiary have not been consolidated.

## FIXED ASSETS

## Capitalisation

Finance leases relating to aircraft and engines are capitalised as fixed assets and depreciated over the shorter of the estimated useful lives of the assets and the periods of the leases. The company's obligations under finance leases are shown in note 14.

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

## 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 useful lives and the periods of the leases. The principal bases used are as follows:

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 either charged to revenue during the year or written off over periods of between ten and twelve years.
Aircraft modifications and special work	Straight line basis on varying periods ending between April 1986 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 property.

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

2 ACCOUNTING POLICIES (continued)

Depreciation - intangible assets

Boeing 757 initial training and introduction costs      Straight line to November 1995 with subsequent costs being charged to revenue as incurred.

Other training costs      Straight line to April 1986.

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.

CONVERSION OF FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are converted into sterling at market rates ruling on the balance sheet date.

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.

3 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

The turnover and (loss)/profit on ordinary activities before tax are attributable to the principal activity, that of operating an airline and a travel agency.

4 COSTS AND OVERHEADS LESS OTHER INCOME

	1985 £	1984 £
Cost of sales	88,123,711	74,468,133
Administrative expenses	3,424,727	2,627,240
Commission receivable	(730,083)	-
Profit on sale of fixed assets	(989,432)	(1,203,370)
Interest receivable	(358,830)	(543,157)
Interest payable	7,730	186,806
	<u>89,477,823</u>	<u>75,535,652</u>
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

5	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX is stated after charging:	1985 £	1984 £
	Auditors' remuneration	20,000	18,000
	Operating lease rentals - aircraft and engines	13,311,590	11,452,536
	- land and buildings	122,855	102,305
	Finance lease charges	4,201,189	2,107,883
	Depreciation - tangible assets	5,420,413	3,190,629
	- intangible assets	223,227	285,023
		=====	=====
	Directors' emoluments:		
	As managers	35,310	35,021
	Directors' pension fund contributions	4,900	4,900
		<u>40,210</u>	<u>39,921</u>
		=====	=====
	Emoluments (excluding pension fund contributions):		
	Chairman	-	-
	Highest paid director	31,939	31,946
		=====	=====
	Other directors:	Number	Number
	£0 - £25,000	2	2
	EMPLOYEES		
	The number of employees whose emoluments exceeded £30,000 was as follows:		
	£30,001 - £35,000	13	10
	£35,001 - £40,000	4	-
	£40,001 - £45,000	1	-
		<u>18</u>	<u>10</u>
		===	===

6	TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	Group		Company	
	The (charge)/credit is based on the (loss)/profit for the year:	1985 £	1984 £	1985 £	1984 £
	Group relief receipt	-	-	22,400	23,435
	Deferred tax	(305,000)	60,000	(295,000)	60,000
		<u>(305,000)</u>	<u>60,000</u>	<u>(272,600)</u>	<u>83,435</u>
	Adjustments relating to previous years:				
	Group relief receipt	-	42,800	-	42,800
		<u>(305,000)</u>	<u>102,800</u>	<u>(272,600)</u>	<u>126,235</u>
		=====	=====	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

7	STAFF COSTS	1985	1984
		£	£
	Wages and salaries	5,703,955	5,344,903
	Social security costs	398,061	381,549
	Other pension costs	488,885	475,365
		<u>6,590,901</u>	<u>6,201,817</u>
		=====	=====

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

	Number	Number
Flight deck crew	118	122
Cabin crew	245	254
Traffic and operations	114	102
Administrative	66	78
	<u>543</u>	<u>556</u>
	=====	=====

## 8 INTANGIBLE FIXED ASSETS

Group and Company  
Crew Training  
and Boeing 757 Introduction  
Costs  
£

Cost	1,427,599
At 1 December 1984	157,750
Additions	<u>1,585,349</u>
At 30 November 1985	
Amortisation	622,627
At 1 December 1984	223,227
Charge for the year	<u>845,854</u>
At 30 November 1985	
Net book values:	
At 30 November 1985	<u>739,495</u>
	=====
At 30 November 1984	<u>804,972</u>
	=====

CH AIRLINES LIMITED  
 NOTES ON THE FINANCIAL STATEMENTS (continued)  
 30 November 1985

9 TANGIBLE FIXED ASSETS The Group	Leasehold improvements £	Freehold property £	Aircraft and engines £	Rotables and consumables £	Aircraft modifications & special work £	Plant and equipment £	Total £
Cost							
At 1 December 1984	97,304	100,000	40,795,737	10,777,735	3,729,059	498,306	55,998,141
Additions	1,936	18,119	41,156,802	2,678,296	124,853	213,258	44,193,264
Disposals	-	-	-	(2,901,655)	(552,263)	(76,634)	(3,530,552)
At 30 November 1985	99,240	118,119	81,952,539	10,554,376	3,301,649	634,930	96,660,853
Depreciation							
At 1 December 1984	65,692	-	4,690,171	2,543,514	1,619,965	220,509	9,139,851
Charge for the year	4,833	-	3,701,942	1,158,088	435,238	120,307	5,420,413
Disposals	-	-	-	(1,217,811)	(439,383)	(43,274)	(1,700,468)
At 30 November 1985	70,530	-	8,392,113	2,483,791	1,615,820	297,542	12,859,796
Net book values:							
At 30 November 1985	28,710	118,119	73,560,426	8,070,585	1,685,829	337,388	83,801,057
At 30 November 1984	31,612	100,000	36,105,566	8,234,221	2,109,094	277,797	46,858,290

The Aircraft and engines cost includes assets having a cost of £78,895,617 (1984: £37,840,983) which are subject to finance lease arrangements. The accumulated depreciation of these assets is £7,570,224 (1984: £4,217,523).

The Company

The cost and accumulated depreciation of the tangible fixed assets of the company differ by £63,846 and £13,684 respectively from the group tangible fixed assets representing those owned by Luton Handling Company Limited.

	Leasehold improvements £	Freehold property £	Aircraft and engines £	Rotables and consumables £	Aircraft modifications & special work £	Plant and equipment £	Total £
Net book values:							
At 30 November 1985	28,710	118,119	73,560,426	8,070,585	1,685,829	287,226	83,750,895
At 30 November 1984	31,612	100,000	36,105,566	8,234,221	2,109,094	270,791	46,851,284



NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

10	INVESTMENT IN SUBSIDIARIES			1985 £	1984 £
	Shares at cost (including £100 (1984: £100) relating to subsidiary not consolidated)			15,100 =====	15,100 =====
	The company owns 100% of the called up share capital of the following companies, which are registered in England:				
				Principal activity	
	Luton Handling Company Limited			General travel agents	
	Monarch Airlines Retirement Benefits Plan Limited			Trustee of company pension scheme	
11	STOCKS			Group and Company 1985 £	1984 £
	Consumables			79,230	66,280
	Goods for resale			66,427	55,975
				145,657 =====	122,255 =====
12	DEBTORS			Group	Company
		1985 £	1984 £	1985 £	1984 £
	Amounts falling due within one year:				
	Trade debtors	1,468,947	1,011,346	1,286,812	913,829
	Amount owed by group company	-	3,122	-	-
	Amount owed by subsidiary company	-	-	-	326,823
	Short-term loans	-	180,000	-	180,000
	Other debtors	1,808,782	5,968,993	1,808,782	5,968,993
	Prepayments	830,936	170,784	680,194	139,179
		4,108,665 =====	7,334,245 =====	3,775,788 =====	7,528,824 =====

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

## 13 CREDITORS

	Group		Company	
	1985 £	1984 £	1985 £	1984 £
Amounts falling due within one year:				
Bank loans (secured £Nil; 1984 £883,120)	-	1,465,367	-	1,465,367
Bank overdraft	13,234	-	-	-
Obligations under finance leases	4,817,264	2,636,112	4,817,264	2,636,112
Trade creditors	7,599,268	8,547,141	7,521,419	8,535,145
Payments received on account	2,149,087	1,770,510	1,932,109	1,574,381
Other taxes and social security costs	297,466	180,145	297,466	180,145
Amounts owed to group companies	196,235	1,581,687	192,945	1,581,687
Amount owed to subsidiary	-	-	88,180	-
Other creditors	2,760,339	1,499,540	2,760,339	1,499,540
Accruals	1,914,924	1,331,675	1,868,740	1,316,511
	<u>19,747,817</u>	<u>19,012,177</u>	<u>19,478,462</u>	<u>18,788,888</u>
	=====	=====	=====	=====

## 14 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. Amounts payable within twelve months totalling £4,817,264 (1984: £2,636,112) are included in creditors falling due within one year.

	Group and Company	
	1985 £	1984 £
Obligations under finance leases (see note 14)	64,528,894	30,220,717
Loan	2,500,000	2,500,000
	<u>67,028,894</u>	<u>32,720,717</u>
	=====	=====

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

In the second to fifth year inclusive	25,233,328	13,199,082
Over five years	41,795,566	19,521,635
	<u>67,028,894</u>	<u>32,720,717</u>
	=====	=====

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

Repayments - Over a period of ten 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.

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

## 15 PROVISIONS FOR LIABILITIES AND CHARGES

## Deferred tax

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

## The Group

	Provided		Potential	
	1985	1984	1985	1984
	£	£	£	£
Accelerated capital allowances	2,610,000	-	3,490,000	3,604,000
Assets subject to finance				
Leases	1,550,000	-	1,550,000	356,000
Other timing differences	245,000	200,000	245,000	330,000
Trading losses	(3,900,000)	-	(3,900,000)	(1,520,000)
	<u>505,000</u>	<u>200,000</u>	<u>1,385,000</u>	<u>2,770,000</u>
	=====	=====	=====	=====

## The Company

	Provided		Potential	
	1985	1984	1985	1984
	£	£	£	£
Accelerated capital allowances	2,600,000	-	3,480,000	3,604,000
Assets subject to finance				
Leases	1,550,000	-	1,550,000	356,000
Other timing differences	245,000	200,000	245,000	330,000
Trading losses	(3,900,000)	-	(3,900,000)	(1,520,000)
	<u>495,000</u>	<u>200,000</u>	<u>1,375,000</u>	<u>2,770,000</u>
	=====	=====	=====	=====

If full provision had been made the group tax charge for the year would have been decreased by £1,385,000 (1984: increased by £257,000). In the case of the company the charge would have been decreased by £1,395,000 (1984: increased by £257,000).

The potential liability to deferred tax has been computed at 35% being the rate at which timing differences are anticipated to reverse.

## 16 CALLED UP SHARE CAPITAL

	Group and company	
	1985	1984
	£	£
Authorised, issued 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>
	=====	=====

## 17 RESERVES

	1985	
	Group	Company
	£	£
Profit and loss account		
At 1 December 1984	6,767,985	6,725,622
Retained loss for year	(3,974,449)	(4,020,795)
	<u>2,793,536</u>	<u>2,704,827</u>
At 30 November 1985	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

## 18 CAPITAL COMMITMENTS

	Group and Company 1985 £	1984 £
Authorised and contracted for	- =====	- =====
Authorised but not contracted for	3,300,000 =====	1,436,211 =====

## 19 CONTINGENT LIABILITIES

The company has obtained a sterling credit facility of £2,600,000 and at 30 November 1985 the amount drawn down under this facility was £Nil. The company has also 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 new hanger. The amount drawn down at 30 November 1985 was £1,574,698 this sum is secured by a fixed charge over the hangar and then by the cross guarantee. Further, these facilities are secured by a floating charge over the company's rotatable and consumable fixed assets.

The company has guaranteed the bank overdraft of Monarch Aircraft Engineering Limited up to a maximum of £200,000, none of which had been drawn down at 30 November 1985.

The company has a contingent liability of £120,000 (1984: £111,700) in respect of a counter-indemnity given in favour of Barclays Bank PLC in connection with the Civil Aviation Authority bonding arrangement with the trading subsidiary.

At 30 November 1985, the company had commitments under forward exchange contracts entered into in the ordinary course of business amounting to £26,770,000 (1984: £17,519,000). No losses are expected to arise in respect of these contracts.

At 30 November 1985, 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.

## 20 OPERATING LEASE COMMITMENTS

As at 30 November 1985 the company had the following operating lease commitments:

	Aircraft and engines £	Land and buildings £
Operating leases which expire in the following periods from the balance sheet date:		
Within one year	2,651,900	33,900
In the second to fifth year inclusive	-	48,562
Over five years	8,857,140	-
	11,509,040 =====	82,462 =====

NOTES ON THE FINANCIAL STATEMENTS (continued)  
30 November 1985

## 21 POST BALANCE SHEET EVENTS

Since the year end the company has completed negotiations to terminate finance leases in respect of two Boeing 737-200 aircraft. These transactions will result in the company receiving a cash inflow estimated at approximately £9 million and realising a profit from the disposal of these aircraft of approximately £6.5 million arising from rebate of lease rentals and sales commission.

The company has also completed negotiations to acquire three Boeing 737-300 aircraft under operating leases. These aircraft are due to be delivered between March and May 1986 and will give rise to annual operating lease commitments totalling approximately £8.5 million. (See also note 20).

## 22 ULTIMATE HOLDING COMPANY

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

## 23 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 17 June 1986.

MONARCH AIRLINES LIMITED

21

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
Year ended 30 November 1985

	note	£	1985	£
<b>SOURCE OF FUNDS</b>				
Generated from operations	1		984,759	
<b>OTHER SOURCES</b>				
Finance leases		41,054,634		
Proceeds from sale of tangible fixed assets		2,819,516		
Group relief receipt		-		
Decrease in working capital	2	3,208,799		
			47,082,949	
			<u>48,067,708</u>	
<b>APPLICATION OF FUNDS</b>				
Purchase of fixed assets				
- intangible		157,750		
- tangible		44,193,264		
Loans repaid		1,465,367		
Finance leases		4,565,305		
Increase in working capital	2	-		
			50,381,686	
			<u>(2,313,978)</u>	
<b>DECREASE IN CASH RESOURCES</b>				
<b>NOTES</b>				
1 Generated from operations:				
(Loss)/profit before tax			(3,669,449)	
Depreciation				
- intangible fixed assets		223,227		
- tangible fixed assets		5,420,413		
Profit on sale of tangible fixed assets		(989,432)		
			<u>984,759</u>	
			<u>=====</u>	
2 Decrease/(increase) in working capital				
Stocks		(23,402)		
Debtors		3,225,580		
Creditors		6,621		
			<u>3,208,799</u>	
			<u>=====</u>	

1984

2,852,968

5,294,717

42,800

5,337,517

8,190,485

132,777

3,212,756

1,534,487

2,441,270

1,036,344

8,357,634

(167,149)

580,686

285,023

3,190,629

(1,203,370)

2,852,968

31,159

(5,320,778)

4,253,275

(1,036,344)