Monarch Holdings Limited

Financial statements

for the year ended 31 October 2016

Registered number: 01165001

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Monarch Holdings Limited

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Monarch Holdings Limited

Strategic Report

The directors, in preparing this strategic report for Monarch Holdings Limited (the "Company", together with its subsidiaries, the 'Group' or 'Monarch' or 'Monarch Group'), have complied with s414C of the Companies Act 2006.

Overview

The Monarch Group is a leading independent travel group, with core activities in scheduled airline operations, tour operations and aircraft engineering.

Monarch Airlines

Monarch Airlines is a UK-based scheduled airline operating flights from five bases in the UK - London Gatwick, Luton, Manchester, Birmingham and Leeds-Bradford airports - to leisure destinations around the Mediterranean and the Canary Islands and to ski destinations in winter.

Tour Operations

The Tour Operations division comprises Monarch Holidays (formerly Cosmos Holidays), Avro and somewhere2stay; it offers a range of specialist and mainstream holidays to over 70 destinations worldwide from airports across the UK.

Monarch Holidays is a tour operator, and was founded in 1961. Its expertise and flexible online service helps customers tailor and purchase fully-protected holidays with confidence.

Avro provides flight-only seats to tour operators and travel agents, selling more than a million sector seats annually. Meanwhile, somewhere2stay offers low-cost hotel, villa and apartment accommodation worldwide.

Two of the Group subsidiaries are members of the Association of British Travel Agents Limited ("ABTA").

Monarch Aircraft Engineering (MAEL)

The Engineering division provides aircraft maintenance, repair and overhaul (MRO) services for Monarch's fleet and a growing list of third-party clients worldwide. Its primary bases are at London Gatwick, London Luton and Birmingham.

MAEL has expertise in maintaining both legacy fleets and new technology aircraft. It services Airbus, Boeing, Bombardier and Embraer aircraft, and is one of only six Boeing-approved GoldCare providers for the 787 Dreamliner.

Review of the business

The results of the Group for the year are set out in the consolidated income statement on page 14 and the notes relating to it. The position of the Group and Company at the balance sheet date is set out on pages 16 and 17.

The Group's key earnings measure, underlying EBITDAR decreased by £14.9m to £127.0m compared to the prior financial year. The reduction reflects the pressures from terrorism, leading to increased competition, lower yields and consumer confidence. An increase in the cost base due to foreign exchange rate volatility following the EU Referendum has also adversely impacted EBITDAR. Underlying EBITDAR is defined as earnings before interest, tax, depreciation, amortisation and rentals excluding any exceptional items and fair value movements and is set out on page 14.

For the year ended 31 October 2016, the Group reported a profit before tax, exceptional items and fair value adjustments of £1.6m (2015: £33.2m). The statutory loss before tax was £297.9m (2015: profit of £18.5m). As discussed below and in note 5 to the financial statements, exceptional items and fair value movements of £299.5m (2015: £14.7m) have been included in the income statement. The majority of this is in relation to impairment of cost capitalised relating to aircraft leased by the Company and an onerous lease provision for unavoidable costs.

Key performance indicators

	2016	2015	Change
Revenue (£m)	674.3	828.1	(18.6%)
EBITDA – underlying (£m)	47.9	70.3	(32.0%)
EBITDAR – underlying (£m)	127.0	141.9	(10.5%)

Strategic Report (continued)

At 31 October 2016, the Group had net liabilities of £373.0m (2015: £176.3m), driven by the loss in year ended October 2016, capital contributions and the additional share capital injected.

At 31 October 2016, the Group has a cash and cash equivalents balance of £103.0m, an increase of £60.8m on the prior year balance. In October 2016, Monarch Holdings Limited announced a £165m investment from its majority shareholder. This resulted in an increase of £120.7m increase in share capital on 12 October 2016. A further £47.2m was invested subsequent to the year end. Details of this are disclosed in note 22 and 28. These funds have been injected into the Company as Share Capital.

Monarch Airlines

For the year ended 31 October 2016, the Monarch Airlines Limited Group reported a profit before tax, exceptional items and fair value movements of £12.9m (2015: £39.3m). The statutory loss before tax was £291.1m (2015: profit of £26.9m). As discussed below and in note 5 to the financial statements, exceptional items and fair value movements of £304.0m (2015: £12.4m) have been included in the income statement. The majority of this is in relation to impairment of cost capitalised relating to aircraft leased by the Company and an onerous lease provision for unavoidable costs.

The Group's key earnings measure, underlying EBITDAR decreased by £9.1m to £125.6m compared to the prior financial year. The reduction reflects the pressures from terrorism, leading to increased capacity on our routes, lower yields and consumer confidence. Exchange rate volatility following the EU Referendum has also adversely impacted EBITDAR.

During the year ended 31 October 2015, the Monarch Airlines Group completed the significant restructuring that was commenced in the previous year. This resulted in the discontinuing of long haul and charter flying from April 2015 and reducing the size of the fleet with the early return of ten aircraft. The year on year movement between then and the year ended 31 October 2016 for revenue, capacity, booked passengers and average number of aircraft have all been impacted by the restructuring.

The Monarch Airlines Group faced a number of trading headwinds during the year that have impacted revenue, booked passengers and the load factor.

Sharm El Sheikh Airport which is a key destination in the winter programme for the Group, has remained closed throughout the year following travel advice from the UK Government, the Foreign and Commonwealth Office.

Terrorist incidents in Turkey resulted in less demand for flights to that region.

The EU Referendum in June 2016 resulted in depressed bookings in the run up and immediately after the result for Britain to leave the EU. The longer term impact for the Group, has been the devaluation of Pound Sterling particularly against the US Dollar and the Euro.

Action was taken by the Monarch Airlines Group to help mitigate the impact of these headwinds as the company shifted capacity away from these areas mainly to the Western Mediterranean. This was consistent with a number of competitors and resulted in an increase in supply over demand. The Monarch Airlines Group launched new routes to Madrid and Lisbon in April 2016, which proved popular with customers for short breaks and longer stays year round. The December 2015 launch of flights to Tel-Aviv and Ovda (Eilat), have also been in high demand with people looking for winter city or sun destinations.

Increased capacity given the headwinds described above have driven average seat yields year on year down. Revenue per seat is 13.2% lower than prior year.

The Company was exposed to the 21% decrease in the strength of the Pound Sterling against the US Dollar and Euro throughout the financial year. The Company's largest outgoings are paid in US Dollar and Euro, while the majority of revenue is in Pound Sterling. The decrease in strength has had a significant impact on our cost base.

Strategic Report (continued)

At 31 October 2016, the Monarch Airlines Group performed an impairment review, which resulted in the write down of £102.7m in the income statement in relation to aircraft leased by the company. In addition, the group has provided £198.4m as an onerous lease provision for unavoidable costs on aircraft leases where it is considered probable that the obligations under the lease agreements exceeds the likely economic benefits expected to be received in future years. The impairment and onerous lease provision is as a result of the current trading environment that have led to lower yields, an increase in the cost base due to foreign exchange rates and the planned fleet renewal. The Group is introducing 45 fuel efficient Boeing 737 MAX-8 aircraft from spring 2018 that will see the entire Airbus fleet leave the Group in a short period of time that results in the acceleration of certain costs relating to the existing Airbus fleet.

OAG named Monarch Airlines the UK's best on time performance airline in 2015 and the world's most punctual low cost airline in 2016. On Time Performance was 78% (2015: 82%) for year ended 31 October 2016, which represents flights departing within 15 minutes of scheduled departure time. The decrease is a result of significant French Air Traffic Control strike activity.

Key performance indicators

	2016	2015	Change
Revenue (£m)	558.7	655.5	(14.8)%
Total Airline capacity ('000)	7,082	7,196	(1.6)%
Total Airline booked passengers ('000)	5,568	5,975	(6.8)%
Airline load factor	78.6%	83.0%	(5.3)%
Average number of aircraft	33.8	35.3	(4.4)%
EBITDA – underlying (£m)	46.6	64.8	(28.0)%
EBITDAR – underlying (£m)	125.6	134.7	(6.8)%
On Time Performance	78%	82%	(4)%

Tour Operations

The Tour Operating division's key earnings measure, underlying EBITDA decreased by £0.2m to negative £2.3m compared to the prior financial year. The decrease reflects the pressures from terrorism, leading to increased competition and consumer confidence which impacted the passenger volumes. Exchange rate volatility following the EU Referendum has also adversely impacted EBITDA.

For the year ended 31 October 2016, the division reported a loss before tax, exceptional items and fair value movements of £2.8m (2015: £2.8m) on divisional revenue that decreased from £234.2m to £147.8m. The statutory loss before tax was £5.3m (2015: £2.8m).

Revenue fell by 36.9% during the year and the number of passengers carried fell by 33.7%. Gross profit margin decreased from 6.8% in 2015 to 6.1%. These decreases reflect the challenges and restructuring of the Monarch Group as discussed in the Airline section. As part of the restructuring commenced in October 2014, a strategic decision was made to only sell holidays using Monarch Airlines Limited aircraft. The restructure impacted the Group by reducing the number of destinations available to sell as holidays. The year on year movement between the year ended 31 October 2016 and the previous year for revenue and passengers have both been impacted by the restructure.

The Group's objectives are to increase passenger volume while streamlining the product range. The tour operating division now only sells holiday packages on Monarch Airlines.

Key performance indicators

	2016	2015	Change
Revenue (£m)	147.8	234.2	(36.9)%
Passenger numbers ('000)	415.2	625.9	(33.7)%
Gross profit percentage – underlying	6.1%	6.8%	(10.2)
EBITDA – underlying (£'000)	(2.3)	(2.1)	(9.5)%

Strategic Report (continued)

Monarch Aircraft Engineering

The Company's key earnings measure, underlying EBITDA, increased by £0.4m to £4.9m compared to the prior financial year.

For the year ended 31 October 2016, the Company reported a profit before tax, exceptional items and fair value movements of £1.6m (2015: profit before tax of £1.0 m). The statutory profit before tax was £10.4m (2015: £1.0m).

During the current year the Company has reported an exceptional profit before tax of £8.8m (2015: £nil) in relation to the closure of the Manchester hangar. The Company incurred restructuring and redundancy costs of £2.3m and a profit on sale of the assets of £11.1m. Note 5 to the financial statements discloses more detail relating to the exceptional items.

Revenue decreased from £96.2m to £91.1m and was mainly attributable to the reduction of base maintenance work performed at Manchester hangar during the year. The closure of the Manchester hangar has improved the overall Gross Profit percentage as the work previously performed here achieved lower margins.

Administrative expenses decreased by £2.7 million reflecting cost saving initiatives.

Underlying EBITDAR for the year ended 31 October 2016 decreased by £1.1m to £4.9m compared to the prior Financial period. From 1 November 2015, property and facilities operations were centrally managed by Monarch Airlines Limited and rental costs apportioned to Monarch Aircraft Engineering Limited were included as part of group management fees. In the prior financial year, rental costs incurred were £1.6m.

Key performance indicators

	2016	2015	Change
Revenue (£m)	91.1	96.2	(5.3)%
Gross profit (£m) underlying	32.7	27.6	18.5%
Gross profit (%)	35.9%	28.6%	7.2%
EBIT – underlying (£m)	2.2	1.4	57.1%
EBITDA – underlying (£m)	4.9	4.4	11.4%
EBITDAR – underlying (£m)	4.9	6.0	(18.3)%

Current Market and Future developments

Having been acquired by new owners in October 2014 the Group implemented its turnaround plan during the year ended October 2015 and delivered a year-over-year improvement in EBITDAR of £135m. The financial year to October 2016 became the Group's first full 12 month period as the restructured business.

The airline operates in the highly competitive UK outbound leisure market with over two-thirds of its capacity flying to mainland Spain, Spanish islands and Portugal. Starting with the Tunisia beach terrorist attack in June 2015, the Groups's market place has been highly disrupted and increasingly suffers from increased capacity.

The closure of Sharm El Sheikh Airport to UK airline operators had a significant impact on the Group's winter flying because this was a strong destination for Monarch customers. It took a few months for the longer term nature of the closure to be evident and this then resulted in large redeployments of airline operator capacity onto Spain and Portugal destinations.

Strategic Report (continued)

Current Market and Future developments (continued)

Additionally during 2016 continuous terrorist activities in Turkey resulted in reduced flying by Monarch and other operators, again with a lot of this capacity being redeployed onto our core markets. This capacity impact has continued into 2017 with even more capacity being added into the Group's markets. The result of all of this has been to significantly impact yields.

The yield pressure has continued through 2017 with yields being double digit down on the previous year. This will lead to a large year over year fall in annual revenue. We are, however, starting to see some first signs of more rational capacity deployment for 2018. Notwithstanding that, the Group's management is reviewing the current business model and network spread to determine, given this impact on yields, what the optimum size and shape of the airline should be going forward. The Group has employed a team of consultants to help with this assessment.

As a result of the impact of the challenging market conditions and the impact of the devaluation of sterling, following the BREXIT vote, the Group has responded in a number of ways:

- Disposal of the Manchester hangar
- Drive for great Monarch Holidays penetration on Monarch Airlines flights
- Significant investment in brand awareness including TV advertising
- Developing the route network to open new routes and alleviate some of the concentration on Spain and Portugal
- Major cost reduction programme in 2016 and 2017
- Increasing and improving staff engagement

At the end of September the Group's holiday business will apply for the renewal of the ATOL licence. Last year this renewal was also heavily related to the airline because a large number of flight only seat sales were sold with ATOL protection. This was ceased in November 2016 with flight only sales in the airline now being sold without this protection. Consequently the ATOL renewal this year is of a smaller nature. However the airline also relies on the ongoing availability of its operating licence and so continues to rely on regulatory approval, as do all UK airlines, to continue operating.

The next major strategic restructuring for the Group starts with the arrival in March 2018 of the airline's first Boeing 737 Max 8 aircraft. The airline has an order for 45 of these new technology aircraft which will significantly improve the underlying economics of the business as they replace the older technology Airbus fleet. The fleet will become a clean Boeing 737 fleet in 2022 and the business will then be able to fully realise the financial benefits of this aircraft. The financial benefits mainly accrue from much better fuel efficiency and less maintenance.

New flights to Porto, Zagreb and Stockholm were launched in April 2017, growing the Group's wide range of summer and year-round leisure destinations across Europe.

Principal risks and uncertainties

This section describes the principal risks and uncertainties which may affect the Group's business, financial results and strategic objectives. This list is not intended to be exhaustive.

Safety and security

A major safety or security incident could adversely affect the Group's reputation and its operational and financial performance. The impact of such an incident would be increased if the Group failed to react promptly and deal with it effectively.

The Monarch Group aims to run safe compliant and reliable operations through relentless focus on safety and security and managing the associated risks through the systematic application of global standards, leading to better operational efficiency and safety performance.

All safety and security matters are managed by the Monarch Group Safety Department which reports directly to the Accountable Manager. Various safety meetings are held on monthly and quarterly basis to monitor trends, identify areas that require closer attention and proactively improve safety.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Fluctuations in fuel prices
The Monarch Group uses approximately 301,000 tonnes of jet fuel a year and this is a material element of the cost base of the Group. Volatility in the price of oil and petroleum products can have a material impact on operating results. During the year ended 31 October 2016 the jet fuel price had a low of $376 and a high of $583 per tonne.

This price risk is partly hedged through the purchase of jet fuel in forward markets, options and entering fixed price contracts with suppliers, with the aim of limiting exposure to sudden increases in oil prices.

Fluctuations in exchange rates
The Monarch Group is exposed to sudden movements in exchange rates as it incurs considerable operational costs which are Euro and US dollar denominated. During the year ended 31 October 2016 the USD spot rate had a low of 1.21 and a high of 1.54 dollars to the pound. The Euro spot rate had a low of 1.11 and a high of 1.43 euros to the pound.

This price risk is partly hedged through the purchase of forward currency contracts and options, with the aim of limiting exposure to sudden fluctuations.

Competition
The Airline operation faces significant competition from other airlines on its routes, a situation which has materially increased because of headwinds described earlier. Tour Operations competes against larger rivals and online travel agents, and Engineering tenders for business against competitors based in lower cost economies. Increased competition on routes/destinations operated by the Group can lead to pressure on yields, load factors and margin.

Legislative and regulatory risks
The travel industry is heavily regulated. This includes environmental, security, airport and financial regulation which have charges levied by regulatory decision rather than by commercial negotiation. The Group is exposed to various regulators across its network and this could adversely impact its reputation, cost base and market share if it did not comply with their regulations.

The Civil Aviation Authority ("CAA") authorises Monarch Airlines to hold an operating licence to operate as an Airline following assessments of safety, ownership and control, and financial fitness criteria. The broad framework is available via the CAA website (www.caa.co.uk).

The Monarch Group currently holds three Air Travel Organisers' Licences ("ATOL") issued by the CAA.

In order to offer air inclusive package holidays, the Monarch Group requires the annual renewal by the CAA of its ATOL licences; these are due to be renewed in September 2017. The airline also relies on the ongoing availability of its operating licence and so continues to rely on regulatory approval, as do all UK airlines, to continue operating.

In June 2016, the result of the UK referendum was to leave the EU. The Group continues to review the risk to ensure that it is able to operate normally during the transition. At this stage, the Group does not expect a significant impact in the longer term on the business, although the position will continue to be reviewed.

The Monarch Group has an in-house legal team and engages external advisors to ensure compliance with formal regulatory requirements

Financial risks
The Group's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk, price risk and market risk. These are discussed in more detail in the Directors' report.

Economic conditions
The Monarch Group's business can also be affected by macro-economic uncertainty outside of its control such as weakening consumer confidence, political uncertainty, inflationary pressure or currency volatility. This could give rise to adverse pressure on revenue, load factors and residual values of aircraft, which the Group mitigates through regular monitoring of markets and route performance.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Environmental risks
The Monarch Group's business could be affected by the forces of nature (extreme weather, volcanic ash, etc.), terrorism, epidemics, pandemics, acts of terrorism, strike action or closure of a key airport/destination.

Significant disruption to the network could significantly adversely affect the Group's reputation and its operational and financial performance.

The business mitigates this risk with processes that are in place, with clear roles and responsibilities to manage significant disruption.

IT system failure
The Monarch Group is dependent on a number of key IT systems, processes and the internet to operate its business. A loss of critical systems, or access to facilities, could lead to significant disruption and have an adverse reputational, operational and financial impact.

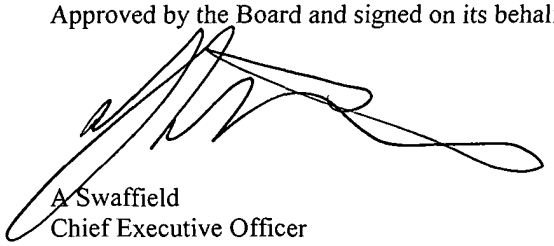
The Monarch Group has systems, controls and processes in place to ensure that any failure is mitigated and rectified in an efficient manner.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 28 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:



A Swaffield
Chief Executive Officer

1 August 2017

Prospect House
Prospect Way
London Luton Airport
Luton
LU2 9NU

Monarch Holdings Limited

Directors' Report

The directors present their annual report on the affairs of Monarch Holdings Limited (the "Company", together with its subsidiaries, the 'Group' or 'Monarch'), and the audited financial statements and auditor's report for the year ended 31 October 2016.

The Company is registered in England with the registered number 01165001. The registered address is Prospect House, Prospect Way, London Luton Airport, Luton, Bedfordshire LU2 9NU.

Business review
The Group is required by the Companies Act to include a review for the Group's business in this report. The information that fulfils the requirements of the business review can be found in the following sections of the annual report, which are incorporated into this report by cross reference:

- Strategic Report: pages 1 to 7; and
- Directors' remuneration: note 10

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 4 and note 28 and form part of this report by cross-reference.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report and the Directors' Report also describe the financial position of the Group, its objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to cash flow risk, credit risk, liquidity risk, price risk and market risk.

The Directors' assessment of going concern is discussed in Note 1 to the financial statements, Accounting Policies, including the existence of a material uncertainty. Nevertheless, after making enquiries and considering this uncertainty, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk, price risk, and market risk. The use of financial derivatives is governed by the Monarch Group policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

The principal risks and uncertainties are detailed further in the Strategic report.

Cash flow risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts and options to hedge this exposure.

Interest bearing assets and liabilities are held with a fixed margin over LIBOR to reduce uncertainty of cash flows.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other debtors, and investments.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Directors' Report (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of debt finance and working capital. The major risks to liquidity are driven by business performance and cash timing of receipts and payments. These are managed by taking corrective actions in the form of amendments to the fleet, network and the cost base in response to changing factors.

Price risk

The Group is exposed to commodity price risk. The main commodity purchased by the Group is jet fuel and the Group uses fuel hedging contracts to try and reduce its exposure to short-term fuel price changes. The Group, however, remains exposed to longer-term changes in the fuel price.

Market risk

The Group is dependent on credit and trading lines being made available by various banking and financial institutions to allow operating leases of aircraft, credit card processing, banking facilities and hedging lines. A number of the credit and trading lines can be reviewed if certain financial covenants are not met. The Group has sufficient lines for its present needs and is managing the risk through expanding the range of arrangements to a larger number of counterparties.

Dividends

The Directors have not proposed a dividend for the year (2015: £nil).

Directors

The directors, who served throughout the year except as noted, were as follows:

C Bennett	(appointed 26 January 2016)
R McNulty	(resigned 31 July 2016)
M Meyohas	
N Meyohas	
B Nightingale	(resigned 28 January 2016)
R Perlhagen	
A Swaffield	

Directors' indemnities

The Monarch Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group intranet and email communication. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Monarch Holdings Limited

Directors' Report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and a resolution to reappoint them will be tabled at the next appropriate Board Meeting.

Approved by the Board and signed on its behalf by:

A Swaffield
Chief Executive Officer

1 August 2017

Prospect House
Prospect Way
London Luton Airport
Luton
LU2 9NU

Monarch Holdings Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Monarch Holdings Limited

We have audited the financial statements of Monarch Holdings Limited for the year ended 31 October 2016 which comprise the Consolidated Income Statement, Consolidated Statement of other Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cashflows and the related notes 1 to 32. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Monarch Holdings Limited

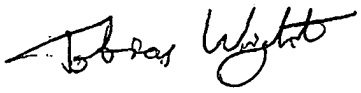
Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. As explained in Note 1 to the financial statements, the Group's forecasts are dependent on several critical assumptions relating to the revenue forecasts, the availability of existing funding, the arranging of new facilities and the receipt of stakeholder funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Tobias Wright FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

1 August 2017

Monarch Holdings Limited

Consolidated income statement
For the year ended 31 October 2016

	Note	Year ended 31 October 2016 Underlying results £'000	Exceptional items and fair value movements (note 5) £'000	Total £'000	Year ended 31 October 2015 Underlying results £'000	Exceptional items and fair value movements (note 5) £'000	Total £'000
Continuing operations							
Revenue	4	674,335	-	674,335	828,056	-	828,056
Cost of sales		(590,284)	(292,933)	(883,217)	(688,289)	(4,079)	(692,368)
Gross (loss)/profit		84,051	(292,933)	(208,882)	139,767	(4,079)	135,688
Administrative expenses		(73,587)	(14,618)	(88,205)	(99,268)	(140)	(99,408)
Other operating income		149	-	149	1,128	-	1,128
Operating (loss)/profit		10,613	(307,551)	(296,938)	41,627	(4,219)	37,408
Profit on sale of property, plant and equipment		1,597	11,057	12,654	783	-	783
Finance (costs)/income	6	(10,613)	(3,006)	(13,619)	(9,240)	(10,442)	(19,682)
(Loss)/Profit before taxation	7	1,597	(299,500)	(297,903)	33,170	(14,661)	18,509
Taxation on (loss)/profit	11			(26,713)			15,635
(Loss)/profit for the financial year				(324,616)			34,144

	Note	Year ended 31 October 2016 Underlying results £'000	Exceptional items and fair value movements (note 5) £'000	Total £'000	Year ended 31 October 2015 Underlying results £'000	Exceptional items and fair value movements (note 5) £'000	Total £'000
Non-GAAP Measure							
Profit/(loss) before taxation		1,597	(299,500)	(297,903)	33,170	(14,661)	18,509
Adjustments for:							
- Net finance costs	6	10,613	3,006	13,619	9,240	10,442	19,682
- Depreciation, Amortisation and Impairment	7	35,691	102,762	138,453	27,881	1,145	29,026
EBITDA		47,901	(193,732)	(145,831)	70,291	(3,074)	67,217
Adjustments for:							
- Rentals	7	79,104	-	79,104	71,686	-	71,686
EBITDAR		127,005	(193,732)	(66,727)	141,977	(3,074)	138,903

Monarch Holdings Limited

Consolidated statement of other comprehensive income
For the year ended 31 October 2016

	Note	Year ended 31 October 2016 £'000	Year ended 31 October 2015 £'000
(Loss)/Profit for the year		(324,616)	34,144
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit obligation	24	50	(150)
Taxes arising on net defined benefit obligation	24	2	32
Other Comprehensive income for the period net of tax		52	(118)
Total Comprehensive income for the period		(324,564)	34,026
Total Comprehensive income for the period attributable to the Owners of the Company		(324,564)	34,026

Monarch Holdings Limited

Consolidated balance sheet
At 31 October 2016

	Note	2016 £'000	2015 £'000	2014 £'000
Non-current assets				
Intangible assets	12	4,287	5,811	8,068
Property, plant and equipment	13	35,931	116,703	87,502
Deferred tax asset	15	7,177	33,693	18,058
Derivative financial instruments	16	-	340	1,143
Trade and other receivables	18	94,848	67,831	63,488
Retirement benefit asset	24	26	27	148
		142,269	224,405	178,407
Current assets				
Inventories	17	6,075	6,301	6,899
Trade and other receivables	18	103,507	105,766	101,821
Restricted cash		50,211	22,099	76,005
Cash and cash equivalents		103,018	42,225	5,869
Derivative financial instruments	16	1,138	843	3,977
		263,949	177,234	194,571
Total assets		406,218	401,639	372,978
Current liabilities				
Trade and other payables	19	(163,044)	(144,978)	(188,016)
Deferred revenue		(116,553)	(142,144)	(143,215)
Borrowings	20	(3,030)	(72,145)	(1,668)
Derivative financial instruments	16	(1,397)	(5,628)	(25,030)
Provisions	21	(158,305)	(47,736)	(69,427)
		(442,329)	(412,631)	(427,356)
Non-current liabilities				
Borrowings	20	(164,855)	(93,570)	(133,295)
Derivative financial instruments	16	(3,447)	(748)	(1,120)
Provisions	21	(168,614)	(71,034)	(42,607)
		(336,916)	(165,352)	(177,022)
Total liabilities		(779,245)	(577,983)	(604,378)
Net liabilities		(373,027)	(176,344)	(231,400)
Shareholders' equity				
Share capital	22	140,762	20,050	20,050
Capital contribution		15,547	8,378	8,378
Hedge transition reserve		-	-	(21,030)
Merger reserve		4,963	4,963	4,963
Retained deficit		(534,299)	(209,735)	(243,761)
Shareholders' funds		(373,027)	(176,344)	(231,400)

The financial statements of Monarch Holdings Limited (registered number 01165001) were approved by the board of directors and authorised for issue on 1 August 2017. They were signed on its behalf by:

A Swaffield
Chief Executive Officer

Monarch Holdings Limited

Company balance sheet
At 31 October 2016

	Note	2016 £'000	2015 £'000	2014 £'000
Non-current assets				
Intangible assets	12	-	-	-
Investments	14	153,837	33,125	33,125
		153,837	33,125	33,125
Current assets				
Trade and other receivables	18	75,410	46,104	24,740
Cash and cash equivalents		39	38	38
		75,449	46,142	24,778
Total assets		229,286	79,267	57,903
Current liabilities				
Trade and other payables	19	(65,953)	(41,820)	(33,464)
Borrowings	20	(2,500)	(11,550)	-
		(68,453)	(53,370)	(33,464)
Non-current liabilities				
Borrowings	20	(90,029)	(65,917)	(58,955)
		(90,029)	(65,917)	(58,955)
Total liabilities		(158,482)	(119,287)	(92,419)
Net assets / (liabilities)		70,804	(40,020)	(34,516)
Shareholders' equity				
Share capital	22	120,762	50	50
Capital contribution		2,330	2,195	2,195
Retained deficit		(52,288)	(42,265)	(36,761)
Shareholders' funds		70,804	(40,020)	(34,516)

The financial statements of Monarch Holdings Limited (registered number 01165001) were approved by the board of directors and authorised for issue on 1 August 2017. They were signed on its behalf by:

A Swaffield
Chief Executive Officer

Monarch Holdings Limited

Consolidated statement of changes in equity
For the year ended 31 October 2016

	Share capital (Note 22) £'000	Merger reserve £'000	Capital Contribution £'000	Hedge Transition Reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2014	20,050	4,963	-	-	(236,471)	(211,458)
Effect of restatement due to change in accounting framework (see note 31)	-	-	8,378	(21,030)	(7,290)	(19,942)
As restated	20,050	4,963	8,378	(21,030)	(243,761)	(231,400)
Profit for the period	-	-	-		34,144	34,144
Hedge transition adjustment	-	-	-	21,030	-	21,030
Other comprehensive income for the period	-	-	-	-	(118)	(118)
Balance at 31 October 2015	20,050	4,963	8,378	-	(209,735)	(176,344)
Loss for the period	-	-	-		(324,616)	(324,616)
Contribution resulting from shareholder loans	-	-	7,169	-	-	7,169
Other comprehensive income for the period	-	-	-	-	52	52
Issue of share capital	120,712	-	-	-	-	120,712
Balance at 31 October 2016	140,762	4,963	15,547	-	(534,299)	(373,027)

Company statement of changes in equity
For the year ended 31 October 2016

	Share capital (Note 22) £'000	Capital Contribution £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2014	50	-	(36,761)	(36,711)
Effect of restatement due to change in accounting framework	-	2,195	-	2,195
As restated	50	2,195	(36,761)	(34,516)
Loss for the period	-	-	(5,504)	(5,504)
Balance at 31 October 2015	50	2,195	(42,265)	(40,020)
Loss for the period	-	-	(10,023)	(10,023)
Contribution resulting from shareholder loans	-	135	-	135
Issue of share capital	120,712	-	-	120,712
Balance at 31 October 2016	120,762	2,330	(52,288)	70,804

Monarch Holdings Limited

Consolidated statement of cash flows
For the year ended 31 October 2016

	Note	2016 £'000	2015 £'000
Net cash outflow from operating activities	32	(24,691)	(28,060)
Investing activities			
Interest received		165	206
Purchase of property, plant and equipment		(23,814)	(11,055)
Proceeds on disposal of property, plant and equipment		15,051	1,375
Purchase of intangible assets		(1,682)	(811)
Net cash used from investing activities		(10,280)	(10,285)
Financing activities			
Interest paid		(1,619)	(4,204)
Proceeds from shareholder borrowings		14,600	17,900
Repayments of obligations under finance lease		(79)	(3)
Repayments of other borrowings		(11,557)	(11,146)
Proceeds from other borrowings		1,819	18,248
Proceeds on issue of shares		120,712	-
Net cash in from financing activities		123,876	20,795
Net increase/(decrease) in cash and cash equivalents		88,905	(17,550)
Cash and cash equivalents at beginning of year (inc. restricted cash)	32	64,324	81,874
Cash and cash equivalents at end of year (inc. restricted cash)	32	153,229	64,324

Notes to the financial statements
For the year ended 31 October 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Monarch Holdings Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Prospect House, Prospect Way, London Luton Airport, Luton, Bedfordshire LU2 9NU. The nature of the Group's operations and its principal activities are set out in the business review on page 1.

The Group have prepared their consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, taking into account IFRS Interpretations Committee ('IFRSIC') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The company have prepared its financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The Group and Company have historically prepared their audited annual financial statements under UK Generally Accepted Accounting Practice ('UK GAAP'). This is the first year that the Group and Company have prepared financial statements that comply with IFRS (refer to note 31). As such, the accounting policies and basis of preparation differ from those set out in the report and financial statements for the year ended 31 October 2015. The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standard for the transition from UK GAAP to IFRS are included in the notes to the financial statements.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not published a separate income statement and related notes for the Company. The result for the year attributable to the Company is disclosed in the company statement of changes in equity.

The following dormant subsidiaries of the Company have taken advantage under s394A of the Companies Act 2006 exemption from preparing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of this section.

Name	Registration number
Distant Dreams Limited	03376817
Monarch Group Management Limited	02546316
Monarch Technical Support Limited	02671516
Pullman Holidays (UK) Limited	00631988
The Charter Warehouse Limited	02154522

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities including derivative financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The principal accounting policies adopted, which have been applied consistently in the current and prior financial year are set out below.

1. Accounting policies (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 7. The financial position of the Group, its cash flows and liquidity position are described in the Strategic Report on pages 1 to 4. Information about the Group's financial risk management objectives and policies, including its exposures to cash flow risk, credit risk, liquidity risk, price risk, market risk and regulatory risk, are detailed on pages 8 to 10 of the Directors' Report. In addition, note 20 and 29 to the financial statements include details of the Group's borrowing facilities.

At 31 October 2016, the Group had net liabilities of £373.0 million (2015: £176.3million) and net current liabilities of £178.4 million (2015: £235.4 million). The Company had net assets of £70.8 million at 31 October 2016 (2015: net liabilities of £40.0 million).

The Group meets its day to day working capital requirements through a combination of operating cash flows, shareholder loans and facilities, and other third party facilities. The maturity dates of the facilities are disclosed in note 20.

The Group has a business plan which addresses the principal risks and others referred to above. The Group's forecast to 31 October 2018 shows, before consideration of possible likely sensitivities, that the Group can operate within its current facilities, and under its current regulatory licensing arrangements. This forecast includes the following critical assumptions:

- The Group's revenue forecasts assume growth in airline revenue and a marked increase in the number of seats distributed as package holidays through the travel business. In the light of the macro-economic and competitive environment, and the trading challenges faced by the Group outlined in the Strategic Report, there is a significant risk that these revenue forecasts may not be achieved. The Directors seek to mitigate this risk through the regular monitoring of markets and route performance.
- The airline sells flights in advance of the date the flights are due to be flown. To be able to process payments for flights through debit and credit cards, the Group is required to agree with its card acquirers an amount of collateral to be held until the flights have flown. The Group has secured fixed levels of collateral for these bookings that are subject to meeting certain KPIs. The forecast shows deviations to some of the KPIs on certain acquirer relationships. If certain KPIs are not met management will be required to discuss with the acquirers the reasons for such deviations and to agree appropriate arrangements going forward. There is a risk that the acquirers may increase the amount of collateral resulting in the timing of cashflows being delayed. Based on ongoing discussions with the acquirers the Directors have an expectation that the current arrangements will continue to be provided on the existing terms.
- The Group's forecasts include the arrangement of an additional new external debt facility for which negotiations are ongoing. The Directors have assumed that these will be satisfactorily completed in line with their forecast.
- The Group's forecast also assumes the receipt of additional stakeholder funding which is in the final stages of concluding contractual terms. The Directors have concluded that there is no reason to believe that they will not be completed in line with expectations.

The Directors have considered reasonably possible downside sensitivity scenarios, and have concluded that, were these to occur, further funding would be required. Accordingly, the Directors have identified mitigating actions that they could take, including securing further sources of funding. The Directors have commenced discussions with the Group's shareholders regarding the arrangement of additional funding. At the date of this report no arrangements are yet in place, and the nature, extent and source of this funding has not yet been determined.

These conditions constitute a material uncertainty which may cast significant doubt upon the Group's ability to continue as a Going Concern, and as result the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties outlined above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Company (its subsidiaries) made up to 31 October each year. Control is achieved where the Company has the power (directly or indirectly) to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities. All entities in the consolidation have the same accounting reference date.

Revenue and revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is comprised of the following:

Passenger revenue
Seat revenue from ticket sales relating to passenger flights is recognised at the date of departure. Unused tickets are recognised as revenue when the right to travel expires and the obligation to refund ceases, which is determined by the terms and conditions of the ticket.

Ancillary revenue, comprising retail revenue from in-flight sales commission, hold baggage charges, advanced seat assignment, extra leg room charges, credit/debit card charges, call centre booking fees, change fees and other administrative fees are recognised as revenue on the date the right to receive consideration occurs.

In respect of credit/debit card charges and call centre booking fees, this occurs when each flight is booked and paid for. For booking change fees this occurs when the change is made. For the remaining ancillary revenue, this occurs on the date of departure.

Loyalty programme
The Group operates a loyalty programme and allows members of the scheme to accumulate points that entitle them to substantially free travel. Revenue is recorded according to the amount of consideration received or receivable, less the fair value of the points awarded. The full fair value of the points collected is carried forward as a provision.

Package and accommodation revenue
Package holidays and accommodation revenue is recognised at the date of the customer's departure. Unused tickets are recognised as revenue when the right to travel expires and the obligation to refund ceases, which is determined by the terms and conditions of the ticket.

Aircraft maintenance
These represent the amounts derived from the provision of goods and services to customers during the year, including aircraft maintenance, overhauls, the associated rotable and consumable parts and other maintenance related activities. The amount of profit attributable to the stage of completion of a maintenance overhaul contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is recognised at the cost appropriate to the stage of completion plus attributable profits.

Deferred revenue
Cash amounts received from customers for whom revenue has not yet been recognised are recorded in the balance sheet as deferred revenue within current liabilities, or within non current liabilities if the services are expected to be performed more than twelve months from the reporting date.

Interest income
Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1. Accounting policies (continued)

Pension costs

For defined contribution schemes the amount charged to the consolidated income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Group operated a defined benefit scheme during the year, which is closed to new entrants. Past service costs are recognised immediately in the profit and loss account if the benefits had vested. If the benefits had not vested immediately, the costs were recognised over the period until the vesting occurred. The interest cost and the expected return on assets are shown as a net pension funding cost in interest receivable and payable. Actuarial gains and losses are recognised in the statement of other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets were measured at fair value and liabilities were measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit schemes' assets or liabilities, net of the related deferred tax, are represented separately after other net assets on the face of the consolidated balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated income statement in the period in which they arise.

Leases

Finance leases
Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Operating leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Onerous leases
Onerous lease provisions are made in respect of the present obligation arising under an onerous contract. The provision is recognised for any unavoidable net loss arising from the contract and any compensation or penalties arising from failure to fulfil the contract.

1. Accounting policies (continued)

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the consolidated income statement within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Exceptional items

The Group separately discloses in the income statement items that are non-recurring and material either because of their size or their nature, IAS 39 fair value movements, and imputed interest on shareholder interest-free loans. The items are presented within their relevant income statement category, but highlighted through separate disclosure. The Directors consider that the separate reporting helps provide a clearer understanding of the Group's underlying performance.

Items which are included within the separately disclosed category include:

- profits/(losses) on disposal of significant assets;
- major restructuring/financing programmes;
- significant asset impairments;
- IAS 39 fair value re-measurements on fuel/foreign exchange forward and option contracts;
- imputed interest on shareholder interest-free loans; andother individually material items that are unusual because of their size, nature or incidence.

Intangible assets

Computer software
Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to, and has the technical ability and sufficient resources to, complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred.

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 4 to 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and is not amortised but is subject to an impairment test both annually and when indicators of impairment arise, if applicable. Goodwill is stated at cost less any accumulated impairment loss.

Prior to 1 November 2014, goodwill was amortised over its useful life; such amortisation ceased on 31 October 2014. Goodwill previously amortised under UK GAAP has not been reinstated.

1. Accounting policies (continued)

Brand
Intangible assets arising on the purchase of brands are carried at historical cost and are deemed to have an indefinite useful economic life, but is subject to an impairment test both annually and when indicators of impairment arise, and therefore are not amortised.

Carbon allowances
Carbon allowances received free of charge under the EU Emissions Trading Scheme, which became effective for the aviation industry on 1 January 2012, are recognised as intangible assets at market value on the date of receipt. Purchased allowances are also recognised initially at cost (purchase price) within intangible assets.

Allowances received are treated in line with government grants. The value of allowances received is deferred and recognised as income on a systematic basis over the period to which the grant relates. The estimated gross cost of settling the liability for CO2 emitted in the period is recognised in the profit and loss account as incurred.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment. Property, plant and equipment are depreciated from the date when available for use at rates estimated to reduce them to their residual values over their estimated useful lives or the periods of applicable leases, as follows:

Long leasehold property	Straight-line over 50 years
Short leasehold property	Straight-line over term of lease
Aircraft and engines	Straight-line over 22 years to the relevant residual value
Rotables	Net expenditure is written off over a period of up to 22 years to a residual value of 20% of cost on a straight-line basis
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 aircraft
Plant and equipment	Straight-line over 3 to 10 years
Engine overhaul and maintenance costs	Amortised on a straight-line basis over the period until the next scheduled overhaul

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance of its engines and airframe and is amortised over the period until the next scheduled major overhaul. Subsequent costs incurred which extend the useful life to future periods, such as long-term maintenance and major overhaul of aircraft and engines, are capitalised as incurred. All other costs relating to maintenance are charged to the income statement as incurred.

Pre-delivery payments and interest charges on associated borrowings, in respect of future new aircraft arrivals, are recorded in property, plant and equipment at cost. Depreciation is not charged until the Group takes delivery of the respective aircraft.

Residual value is calculated on prices prevailing at the date of acquisition. Useful lives and residual values are reviewed at the end of every reporting period.

1. Accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Except as stated below, fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Inventories

Inventories, including aircraft consumables, and work in progress is valued at the lower of cost and net realisable value. Cost is the weighted average. Provision is made for obsolete or defective items.

Restricted cash

Restricted cash represents funds held by the Group in bank accounts which cannot be withdrawn until certain conditions have been fulfilled. These conditions principally relate to the carriage of passengers on scheduled airline services.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and deposits repayable on demand.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

1. Accounting policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as equity as the Group has full discretion over the transfer of benefits associated with the shares.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. In accordance with IAS 39 'Financial Instruments – Recognition and Measurement', financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each year end except for those financial instruments measured at fair value through the income statement.

Derivative financial instruments and hedging
The Group uses various derivative financial instruments to manage its exposure to foreign exchange and jet fuel price. Derivative financial instruments are initially recognised and subsequently re-measured at fair value through profit or loss ('FVTPL'). The treatment of gains and losses arising from the revaluation of such instruments is accounted for through the income statement.

Hedge accounting is not applied to these instruments. The Group does not use derivative financial instruments for trading purposes.

1. Accounting policies (continued)

Non-derivative financial assets
Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as 'loans and receivables'. Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investments in equity instruments are carried at cost where fair value cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

Impairment of non-derivative financial assets
The Group assesses at each balance sheet date whether a non-derivative financial asset or group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset carried at amortised cost is calculated as the difference between its carrying value amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

De-recognition of non-derivative financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Non-derivative financial liabilities
Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost, and include trade and other payables, borrowings and provisions. Interest expense on borrowings is recognised using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

De-recognition of non-derivative financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. Accounting policies (continued)

Maintenance reserves
The Group incurs liabilities for maintenance costs in respect of aircraft leased under operating leases. These arise from the legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, the Group may need to carry out maintenance work prior to the return of the aircraft to the lessor.

The provisions recorded and charged to the profit and loss account are dependent on the life of the component or maintenance interval used and the individual terms of the lease:

- No charge is recorded during the initial period of lease agreements where no compensation or maintenance is required prior to hand back.
- Once the component or maintenance interval has passed the point such that the Group is contractually obliged to carry out the required maintenance work, a full provision for the related cost is recorded, and a corresponding maintenance asset is recognised within property, plant and equipment. The asset is depreciated over the expected period to the next contractual obligation.

Maintenance rents paid to lessors, which may be offset against the eventual cost of maintenance, are recognised in trade and other receivables, until such time as the maintenance work is undertaken. If a future maintenance is not expected the amounts paid are recognised in profit or loss.

Estimates are required for the likely utilisation and condition of the aircraft and the expected cost of the maintenance check at the time it is expected to occur. The bases of all estimates are reviewed once each year and in addition, when there is an indication of a material change to an estimate arising from a specific event, such as renegotiation of the end of lease return conditions, increased or decreased utilisation, or unanticipated changes in the cost of heavy maintenance services.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

EU261 passenger delay compensation
A provision is made for passenger compensation claims when the Group has an obligation to recompense customers under regulation EU261 where the flight has been delayed. Provisions are made based on known eligible flight delays and historic claim rates and are expected to unwind across the claim window which is six years. This is included within other provisions.

2. Adoption of new and revised Standards

As explained above, the company has adopted IFRS for the first time in the current year. As part of this adoption, the Group has adopted all Standards and Interpretations that are mandatory to adopt for year ended 31 October 2016.

The following standards and interpretations issued by the International Accounting Standards Board have been implemented in the year ended 31 October 2016; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 1 & IAS 7 (amendments)	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amendments)	Agriculture: Bearer Plants
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exemption
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting
Annual Improvements to IFRSs: 2014-2016 Cycle	Amendments to: IFRS 12Disclosure of Interests in Other Entities

The Directors are currently evaluating the financial and operational impact of adopting IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. The review of the impact of IFRS 15 and IFRS 16 will require an assessment of all leases and all revenue streams, and the impact of adopting these standards cannot be reliably estimated until this work is substantially complete. The Directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material impact on the Group's accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the Directors in the application of the Group's accounting policies and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are discussed below.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Aircraft maintenance provision
For aircraft held under operating leases, the Group has a commitment to return the aircraft in a specific maintenance condition at the end of the lease term. Estimating the provision for maintenance costs requires judgement as to the cost and timing of future maintenance events. The estimate is based on planned usage of the aircraft, contractual obligations under lease agreements, industry experience, manufacturers' guidance and regulations.

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, change in utilisation, or changes in the cost of heavy maintenance services. Any change in these assumptions could potentially result in a significant change to the maintenance provisions and costs in future periods.

Onerous provision contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by Monarch from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the unavoidable cost the contract and the expected net cost of continuing with the contract. Before a provision is established, Monarch recognises any impairment loss on the assets associated with that contract. Estimates are required on discount rate, timing and amount of expected cash inflows and outflows which includes, revenue, costs, maintenance events and any other contractual obligations related to each aircraft.

Other provisions
The Group incurs liabilities for amounts payable to customers who make claims in respect of flight delays. Estimates required include passenger claim history, level of claims made and period of time over which claims are made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate.

Residual value and useful economic lives of assets
The Group exercises judgement to determine useful lives and residual values of intangible assets and property, plant and equipment. The assets are depreciated to their residual values over their estimated useful lives.

Stock obsolescence provision
The Group exercises judgement to ensure that inventories is valued at the lower of cost and net realisable value. A provision is made for obsolete and defective inventory by reviewing the age of the inventory, recent usage history, industry experience, manufacturers' guidance and regulations.

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as an aircraft type no longer being operated by a customer.

Recognition of deferred tax asset
The Group recognises deferred assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are reviewed regularly to assess potential realisation, and where the directors believe that realisation is not probable, that portion of the asset is not recorded.

In performing this review, the Group makes estimates and assumptions regarding the projected future taxable profits, the expected timing of the reversals of existing temporary differences and the assumption that tax laws do not change.

A change in these assumptions could cause an increase or decrease in the amount recognised resulting in an increase or decrease in the effective tax rate, which could materially affect the results.

Impairment of investments in subsidiaries
Determining whether the Group's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £153.8 million with no impairment loss recognised in 2016 or 2015.

Notes to the financial statements
For the year ended 31 October 2016

4. Revenue

The revenue which is wholly attributable to the principal activity of aircraft engineering and maintenance, the provision of holidays, tours and travel facilities and an airline operator (rendering of services) is analysed by geographical market in which the sale was made.

Revenue by source:	2016 £'000	2015 £'000
United Kingdom	652,217	808,657
Rest of the world	22,118	19,399
	674,335	828,056

An analysis of the Group's revenue by geographical market is set out below.

Revenue by destination:	2016 £'000	2015 £'000
United Kingdom	652,217	808,657
Europe	11,828	10,794
North America	8,392	6,811
Asia	1,848	1,708
Rest of the world	50	86
	674,335	828,056

5. Exceptional items and fair value movements

The Group separately discloses in the income statement items that are non recurring and material either because of their size or their nature, IAS 39 fair value movements, and imputed interest on shareholder interest-free loans. The Directors consider that the separate reporting helps provide a clearer understanding of the Group's underlying performance.

The exceptional items for the year ended 31 October 2016 were:

Exceptional items included in:	Cost of sales £'000	Admin expenses £'000	Finance costs £'000	Profit on disposal of Fixed Assets £'000	Total exceptional and fair value items £'000
Restructuring and redundancy costs	(6,204)	(12,179)	-	-	(18,383)
Gain on hedges closed out	14,505	-	-	-	14,505
Impairment of aircraft	(102,762)	-	-	-	(102,762)
Onerous contracts	(198,472)	-	-	-	(198,472)
Profit on disposal of assets	-	-	-	11,057	11,057
Passenger compensation	-	(2,439)	-	-	(2,439)
Fair value gains on derivatives	-	-	1,486	-	1,486
Imputed interest on shareholder interest-free loans	-	-	(4,492)		(4,492)
	(292,933)	(14,618)	(3,006)	11,057	(299,500)

5. Exceptional items and fair value movements (continued)

The exceptional items for the year ended 31 October 2015 were:

Exceptional items included in:	Cost of sales £'000	Admin expenses £'000	Finance costs £'000	Total exceptional after taxation £'000
Restructuring and redundancy costs	(4,417)	(140)	-	(4,557)
Gain on hedges closed out	1,483	-		1,483
Impairment of aircraft	(309)	-	-	(309)
Impairment of other property, plant and equipment	(836)	-	-	(836)
Fair value loss on derivatives	-	-	(5,193)	(5,193)
Imputed interest on shareholder interest-free loans	-	-	(5,249)	(5,249)
	(4,079)	(140)	(10,442)	(14,661)

Restructuring costs and redundancy costs
Restructuring and redundancy cost relates to certain items associated with the Group's restructuring activities, and certain one-off costs. These include the cost of returning aircraft ahead of the original lease dates, cost related to the closure of business or location, major changes to the business such as introduction of new fleet, new base or closure of a destination, fees relating to refinancing, acquisition or disposal, and redundancies.

Exceptional costs of £18,383,000 (2015: £4,557,000) have been recognised in total between cost of sales and administrative expenses.

Gain on hedges closed out
In October 2015 and 2016, the company closed out a number of hedge contracts due to fluctuations in the exchange rates and to avoid margin calls that would lead to an outflow in cash. As a result gains of £14,505,000 (2015: £1,483,000) were realised.

Impairment of aircraft and other plant and equipment
At 31 October 2016 an impairment review was performed, which resulted in the write-down of £102,762,000 (2015: £1,145,000) in the income statement in relation to aircraft leased by the company (2015: one A320 engine which has exited the fleet and plant and equipment). This is as a result of the current trading environment (as described in the Strategic Review) that has led to lower yields, an increase in the cost base due to foreign exchange rates and the planned fleet renewal. The Group is introducing 45 fuel efficient Boeing 737 MAX-8 aircraft from spring 2018 that will see the entire Airbus fleet leave the Group in a short period of time which results in the acceleration of certain costs relating to the existing Airbus fleet.

Onerous contracts
The group has provided for unavoidable costs on aircraft leases where it is considered probable that the obligations under the lease agreements exceed the likely economic benefits expected to be received in future years. The estimate is based on expected cash inflows and outflows which includes, lease costs, maintenance events and any other contractual obligations. A provision of £198,472,000 (2015: £nil) has been recognised as a result of the current trading environment (as described in the Strategic Review) that has led to lower yields, an increase in the cost base due to foreign exchange rates and the planned fleet renewal. The Group is introducing 45 fuel efficient Boeing 737 MAX-8 aircraft from spring 2018 that will see the entire Airbus fleet leave the Group in a short period of time which results in the acceleration of certain costs relating to the existing Airbus fleet.

Profit on disposal of asset
Monarch Aircraft Engineering Limited relocated its Base Maintenance activities from the Manchester Hangar. The company sold this facility on 15 August 2016 and a profit on disposal of asset of £11,057,000 was achieved.

Passenger compensation
A provision of £2,439,000 has been recognised over and above a normal run rate in relation to passengers claiming compensation. There has been a significant increase in the number of claims being made within all inclusive-holiday packages.

5. Exceptional items and fair value movements (continued)

Fair value gain on derivatives
These are gains from the fair value of open hedge instruments held as at 31 October 2016. Fair value gains of £1,486,000 (2015: £5,193,000) were recognised in the period.

Imputed interest on shareholder interest-free loans
Under IFRS, the Group is required to impute an interest rate on shareholder interest-free loans. These loans relate to funding which is regarded as quasi-equity in nature. The Directors do not believe that the imputed interest represents a charge as part of the underlying business and operations of the Group, and therefore presents this separately . Imputed interest of £4,492,000 (2015: £5,249,000) was recognised in the period.

6. Net finance costs

	2016 £'000	2015 £'000
Interest payable and similar charges		
Bank loans and overdrafts	(586)	(2,384)
Other loans	(10,142)	(7,006)
Fair value gains/(loss) on derivatives	1,486	(5,193)
Imputed interest on shareholder interest-free loans	(4,492)	(5,249)
Net finance credit on pension scheme (note 24)	10	19
	(13,724)	(19,813)
Interest receivable and similar income		
Bank deposits	105	131
Total net finance costs	(13,619)	(19,682)

7. (Loss)/Profit on ordinary activities before taxation

(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting):

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment		
- Owned	32,368	24,807
- Held under finance leases and hire purchase contracts	103	8
Impairment of property, plant and equipment	102,762	1,145
Amortisation of intangible assets (administrative expenses)	3,035	3,066
Impairment of intangible assets (administrative expenses)	185	-
Operating lease rentals		
- Aircraft and related equipment	76,213	68,960
- Plant and machinery	-	-
- Land and buildings	2,891	2,726
Cost of inventories recognised as expense	9,107	11,349
Net foreign exchange gains	(10,917)	(5,826)

Notes to the financial statements
For the year ended 31 October 2016

8. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	232	110
Fees payable to the Company's auditor for the audit of the Company's subsidiaries financial statements	294	270
Total audit fees	526	380
Audit related assurance services	20	492
Taxation compliance services	63	85
Other taxation advisory services	65	55
Total non-audit fees	148	632
Fees payable to the Company's auditor for the audit of the associated pension scheme financial statements	5	3

9. Staff costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Flight deck and cabin crew	1,164	1,163
Engineers	485	387
Administration	874	1,007
	2,523	2,557

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	97,284	99,592
Social security costs	11,601	12,090
Other pension costs	4,500	5,729
	113,385	117,411

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

Notes to the financial statements
For the year ended 31 October 2016

10. Directors' remuneration and transactions

	2016 £'000	2015 £'000
Directors' remuneration		
Emoluments	1,104	924
Group contributions to money purchase pension schemes	75	89
Compensation for loss of office	165	-
	1,344	1,013

	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	2	4

	2016 £'000	2015 £'000
Remuneration of the highest paid director:		
Emoluments	573	476
Group contributions to money purchase pension schemes	-	44
	573	520

The directors are considered to be key management personnel of the business.

11. Tax on profit on ordinary activities

The tax charge/(credit) comprises:

	2016 £'000	2015 £'000
Current tax		
UK corporation tax	(197)	-
Total current tax (charge)/credit	(197)	-
Deferred tax (see note 15)		
Origination and reversal of timing differences	(27,460)	19,946
Adjustments in respect of prior years	607	(2,741)
Effect of changes in tax rate	337	(1,570)
Total deferred tax (charge)/credit	(26,516)	15,635
Total tax (charge)/credit	(26,713)	15,635

11. Tax on profit on ordinary activities (continued)

The (charge)/credit for the year can be reconciled to the profit in the profit and loss account as follows:

	2016 £'000	2015 £'000
(Loss)/Profit on ordinary activities before tax	(297,903)	18,509
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.41%)	59,581	(3,778)
Factors affecting the (charge)/credit for the year:		
Expenses not deductible	(4,259)	(3,849)
Income not taxable for tax purposes	2,170	563
Amounts not recognised	(83,840)	-
Effect of overseas tax rate	(209)	-
Tax rate changes	280	-
Utilisation of tax losses	(154)	-
Rolled over gains	(1,401)	-
Asset transferred	512	-
Short term timing differences	-	-
Utilisation of tax losses	-	33,647
Capital allowances in excess of depreciation	-	(8,207)
Adjustments to tax charge in respect of previous periods	607	(2,741)
Total tax (charge)/credit for period	(26,713)	15,635

The Group earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 20 per cent.

The Finance (No 2) Act 2015 and Finance Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was substantively enacted by the balance sheet date. These rate reductions have been reflected in the calculation of deferred tax.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2016 £'000	2015 £'000
Deferred tax		
Defined benefit pension scheme	2	32
Total income tax recognised in other comprehensive income	2	32

Notes to the financial statements
For the year ended 31 October 2016

12. Intangible fixed assets

Group	Goodwill £'000	Patents/ trademarks £'000	Software £'000	Carbon allowances £'000	Total £'000
Cost					
At 1 November 2014	15,854	500	17,168	-	33,522
Additions	-	-	811	4,882	5,693
Disposals	-	-	(1,041)	(4,882)	(5,923)
At 31 October 2015	15,854	500	16,938	-	33,292
Additions	-	-	1,696	2,867	4,563
Disposals	-	-	(7)	(2,867)	(2,874)
At 31 October 2016	15,854	500	18,627	-	34,981
Amortisation					
At 1 November 2014	15,854	500	9,100	-	25,454
Amortisation for the year	-	-	3,066	-	3,066
Disposals	-	-	(1,039)	-	(1,039)
At 31 October 2015	15,854	500	11,127	-	27,481
Amortisation for the year	-	-	3,035	-	3,035
Impairment	-	-	185	-	185
Disposals	-	-	(7)	-	(7)
At 31 October 2016	15,854	500	14,340	-	30,694
Net book value					
At 1 November 2014	-	-	8,068	-	8,068
At 31 October 2015	-	-	5,811	-	5,811
At 31 October 2016	-	-	4,287	-	4,287

Company	Brand £'000
Cost	
At 1 November 2014, 31 October 2015 and 31 October 2016	35,000
Amortisation	
At 1 November 2014, 31 October 2015 and 31 October 2016	35,000
Net book value	
At 1 November 2014, 31 October 2015 and 31 October 2016	-

13. Property, plant and equipment

Group	Leasehold property £'000	Aircraft & engines £'000	Rotables £'000	Aircraft modifications £'000	Engine overhaul & maintenance £'000	Plant & equipment £'000	Total £'000
Cost							
At 1 November 2014	31,646	1,909	33,492	28,341	134,367	46,126	275,881
Additions	116	81	1,128	19,979	34,202	1,022	56,528
Disposals	(15)	(530)	(7,381)	(6,520)	(29,631)	(12,483)	(56,560)
At 31 October 2015	31,747	1,460	27,239	41,800	138,938	34,665	275,849
Additions	135	2,797	2,276	9,318	41,684	1,133	57,343
Disposals	(2,490)	-	(2,401)	(7,152)	(29,450)	(1,734)	(43,227)
Transfer	(12)	-	-	-	-	12	-
At 31 October 2016	29,380	4,257	27,114	43,966	151,172	34,076	289,965
Depreciation							
At 1 November 2014	11,420	530	22,766	19,374	97,094	37,195	188,379
Depreciation for the year	693	-	727	6,206	14,067	3,122	24,815
Impairment	-	-	-	836	309	-	1,145
Disposals	26	(530)	(5,986)	(6,541)	(29,727)	(12,435)	(55,193)
At 31 October 2015	12,139	-	17,507	19,875	81,743	27,882	159,146
Depreciation for the year	623	-	1,092	7,408	20,475	2,815	32,413
Impairment	-	-	564	23,795	78,403	-	102,762
Disposals	(968)	-	(1,795)	(7,113)	(29,450)	(961)	(40,287)
Transfer	(9)	-	-	-	-	9	-
At 31 October 2016	11,785	-	17,368	43,965	151,171	29,745	254,034
Net book value							
At 1 November 2014	20,226	1,379	10,726	8,967	37,273	8,931	87,502
At 31 October 2015	19,608	1,460	9,732	21,925	57,195	6,783	116,703
At 31 October 2016	17,595	4,257	9,746	1	1	4,331	35,931

At 31 October 2016 an impairment review was performed, which resulted in the write down of £102,762,000 (2015: £1,145,000) in the income statement in relation to aircraft leased by the company (2015: one A320 engine which has exited the fleet and plant and equipment). This is as a result of the current trading environment (as described in the Strategic Review) that has led to lower yields, an increase in the cost base due to foreign exchange rates and the planned fleet renewal. The Group is introducing 45 fuel efficient Boeing 737 MAX-8 aircraft from spring 2018 that will see the entire Airbus fleet leave the Group in a short period of time which results in the acceleration of certain costs relating to the existing Airbus fleet.

The cost of the long leasehold property includes £113,000 of capitalised interest.

The Leasehold property line includes cost of £4,008,000 (2015: £4,020,000), depreciation of £3,210,000 (2015: £3,132,000) and net book value of £798,000 (2015: £888,000) that are short leasehold property. The remainder is long leasehold property.

The plant and equipment cost of the Group and Company includes £270,000 (2015: £158,000) in respect of assets which are subject to a finance lease contract. The accumulated depreciation of these assets is £111,000 (2015: £8,000). The related depreciation charge for the year was £103,000 (2015: £8,000).

13. Property, plant and equipment (continued)

Commitments for Capital or Lease Expenditure

At 31 October 2016 the Group was contractually committed to either the acquisition or lease of 30 firm next generation Boeing 737 MAX 8 aircraft and with options to acquire 15 further Boeing 737 MAX 8 aircraft with a total list price for the 30 firm order of US$3.1bn (£2.5bn at year end exchange rates). In the first quarter of 2017, the Monarch Airlines Group exercised the 15 options to acquire 15 further Boeing 737 MAX 8 aircraft with a total list price of US$1.7bn (£1.4bn at year end exchange rates).

In March 2017, the Group entered into Aircraft lease agreements to lease 13 next generation Boeing 737 Max 8 aircraft.

The Group is currently contractually committed to the acquisition or lease of 32 next generation Boeing 737 MAX 8 aircraft with a total list price of US$3.3bn (£2.7bn at year end exchange rate) before escalations and discounts for deliveries commencing in 2018.

14. Investments

Company	Shares in subsidiary undertakings £'000	Loans to subsidiaries £'000	Total £'000
Cost			
At 1 November 2014 and 31 October 2015	20,398	13,000	33,398
Additions	120,712	-	120,712
At 31 October 2016	141,110	13,000	154,110
Provision for impairment			
At 1 November 2014, 31 October 2015 and 31 October 2016	273	-	273
Net book value			
At 1 November 2014 and 31 October 2015	20,125	13,000	33,125
At 31 October 2016	140,837	13,000	153,837

Details of the Company's subsidiaries at 31 October 2016 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

14. Investments (continued)

Name	Registration number	Principal activity	Place of incorporation or registration	Holding %
Avro Aviation Limited	03137129	Airline broker	England & Wales	100
Avro Limited	01779584	Sale of airline seats	England & Wales	100
MH Aviation Transport Limited (formerly Cosmos Aviation Limited)	01190110	Airline broker	England & Wales	100
Monarch Holidays Limited (formerly Cosmos Holidays Limited)	02098654	Tour operator	England & Wales	100
Distant Dreams Limited	03376817	Dormant	England & Wales	100
First Aviation Limited*	02783179	Sale of airline seats	England & Wales	100
Monarch Aircraft Engineering Limited	00902230	Aircraft maintenance	England & Wales	100
Monarch Airlines Leasing Limited	02197252	Financing	England & Wales	100
Monarch Airlines Limited*	00907593	Airline operator	England & Wales	100
Monarch Group Management Limited*	02546316	Dormant	England & Wales	100
Monarch Technical Support Limited*	02671516	Dormant	England & Wales	100
Monarch Travel Group Limited	01205109	Holding company	England & Wales	100
Monarch 2011 Limited*	07779279	Financing	England & Wales	100
Pullman Holidays (UK) Limited	00631988	Dormant	England & Wales	100
Somewhere2stay Limited	02083982	Sale of holiday accommodation	England & Wales	100
The Charter Warehouse Limited	02154522	Dormant	England & Wales	100
Vantage Aircraft 2014 Limited	58624	Purchase of aircraft equipment	Guernsey	100

*Held directly by Monarch Holdings Limited.

The investments in subsidiaries are all stated at cost less provision for impairment.

15. Deferred tax

The following are the material deferred tax assets and liabilities recognised by the Group, and movements thereon during the current and prior reporting period.

The Finance (No 2) Act 2015 and Finance Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was substantively enacted by the balance sheet date. The deferred tax on temporary differences and tax losses has been calculated at the rate applicable to the year in which the temporary differences and tax losses are expected to reverse.

Group	Accelerated capital allowances £'000	Tax losses £'000	Other timing differences £'000	Total £'000
At 1 November 2014	707	9,960	7,391	18,058
Recognised in income statement	1,061	17,717	(3,143)	15,635
At 31 October 2015	1,768	27,677	4,248	33,693
Recognised in income statement	(372)	(19,782)	(6,362)	(26,516)
Recognised in other comprehensive income	-	-	2	2
At 31 October 2016	1,396	7,895	(2,114)	7,177

A deferred tax asset of £7,177,000 (2015: £33,693,000) has been recognised in the financial statements as the directors consider that, based upon the Group's financial projections, it is probable that future taxable profits will arise against which the asset can be utilised.

15. Deferred tax (continued)

£403,716,000 (2015: £141,013,000) of tax losses are carried forward for tax purposes at the end of the period. The recognition of the deferred tax asset is supported by management's forecasts of the whole Group's performance which estimate that sufficient future taxable profits will be generated against which the deferred tax asset can be recovered.

£72,215,000 (2015; £nil) of deferred tax assets have not been recognised in the year. If actual events differ from the directors' estimates, or to the extent that these estimates are adjusted in the future, any recognition in the future of previously generated assets would have a material impact on the Group's effective tax rates.

16. Derivative financial instruments

The following table discloses the carrying amounts and fair values of the Group's derivative financial instruments. All derivatives are designated as held for trading and are not in a designated hedge accounting relationship.

Group and company	2016 £'000	2015 £'000	2014 £'000
Non-current assets			
Foreign currency	-	340	1,143
	-	340	1,143
Current assets			
Foreign currency	1,138	833	3,977
Fuel	-	10	-
	1,138	843	3,977
Current liabilities			
Foreign currency	371	2,895	4,910
Fuel	1,026	2,733	20,120
	1,397	5,628	25,030
Non-current liabilities			
Foreign currency	-	-	123
Fuel	3,447	748	997
	3,447	748	1,120

Nominal amounts	2016 Quantity (000)	2015 Quantity (000)	2014 Quantity (000)
Foreign currency (USD)	59,500	209,411	389,819
Foreign currency (EUR)	15,500	157,919	121,739
Fuel (tonnes)	183	344	71

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the financial statements
For the year ended 31 October 2016

17. Inventories

Group and company	2016 £'000	2015 £'000	2014 £'000
Aircraft consumables	6,075	6,301	6,899
	6,075	6,301	6,899

The cost of inventories includes £6,034,000 (2015: £6,251,000) of assets which are security for the loan liability disclosed within borrowings.

18. Trade and other receivables

Group	2016 £'000	2015 £'000	2014 £'000
Non-current			
Deposits held by lessors	18,468	14,246	13,955
Prepaid maintenance rents	76,380	53,585	49,533
	94,848	67,831	63,488
Current			
Trade receivables	16,089	15,203	24,903
Provision for doubtful receivables	(879)	(861)	(1,355)
Net trade receivables	15,210	14,342	23,548
Other receivables	11,859	16,540	15,538
Prepaid maintenance rents	33,421	21,047	2,924
Prepayments and accrued income	43,017	53,837	59,811
	103,507	105,766	101,821

Company	2016 £'000	2015 £'000	2014 £'000
Current			
Amounts owed by group companies	75,329	43,138	21,943
Group relief receivable	81	-	
Other receivables	-	2,216	2,297
Prepayments and accrued income	-	750	500
	75,410	46,104	24,740

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

18. Trade and other receivables (continued)

Trade receivables include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts continue to be considered recoverable. Ageing of trade receivables are:

Group and company	2016 £'000	2015 £'000	2014 £'000
Not yet due	6,259	4,511	13,862
1-30 days	6,381	6,540	7,536
31-60 days	1,914	501	974
61-90 days	471	994	804
91+ days	1,064	2,657	1,727
	16,089	15,203	24,903

Movement in the allowance for doubtful debts:

Group and company	2016 £'000	2015 £'000	2014 £'000
Balance at the beginning of the period	(861)	(1,355)	(903)
Impairment losses recognised	(524)	(695)	(572)
Amounts written off as uncollectible	99	840	88
Amounts recovered during the year	206	249	32
Impairment losses reversed	201	100	-
Balance at the end of the period	(879)	(861)	(1,355)

With respect to trade receivables that are neither impaired nor past due, there are no indicators at the reporting date that the payment obligations will not be met.

19. Trade and other payables

Group	2016 £'000	2015 £'000	2014 £'000
Trade payables	52,584	35,976	53,527
Other taxation and social security	3,377	2,617	4,421
Corporation tax payable	197	-	52
Other payables	20,320	9,398	9,638
Accrued expenses	86,566	96,987	120,378
	163,044	144,978	188,016

Company	2016 £'000	2015 £'000	2014 £'000
Amounts owed to group companies	51,100	34,178	31,215
Other payable	-	2,177	2,249
Accrued expenses	14,853	5,465	-
	65,953	41,820	33,464

Notes to the financial statements
For the year ended 31 October 2016

20. Borrowings

Group	2016 £'000	2015 £'000	2014 £'000
Non-current			
Bank loans	19,613	27,577	18,853
Shareholder loans	145,242	65,917	114,442
Obligations under hire purchase and finance leases	-	76	-
	164,855	93,570	133,295
Current			
Bank loans	454	392	1,668
Shareholder loans	2,500	71,674	-
Obligations under hire purchase and finance leases	76	79	-
	3,030	72,145	1,668

Company	2016 £'000	2015 £'000	2014 £'000
Non-current			
Shareholder loans	90,029	65,917	58,955
	90,029	65,917	58,955
Current			
Shareholder loans	2,500	11,550	-
	2,500	11,550	-

Borrowings are repayable as follows:

Group	2016 £'000	2015 £'000	2014 £'000
Bank loans			
Between one and two years	428	392	1,668
Between two and five years	19,185	17,464	7,810
In five years or more	-	9,721	9,375
	19,613	27,577	18,853
On demand or within one year	454	392	1,668
	20,067	27,969	20,521

20. Borrowings (continued)

Group	2016 £'000	2015 £'000	2014 £'000
Shareholder loans			
Between one and two years	145,242	-	54,442
Between two and five years	-	65,917	60,000
	145,242	65,917	114,442
On demand or within one year	2,500	71,674	-
	147,742	137,591	114,442
Obligations under hire purchase and finance leases			
Between one and two years	-	76	-
	-	76	-
On demand or within one year	76	79	-
	76	155	-

Company	2016 £'000	2015 £'000	2014 £'000
Shareholder loans			
Between one and two years	90,029	-	1,031
Between two and five years	-	65,917	57,924
	90,029	65,917	58,955
On demand or within one year	2,500	11,550	-
	92,529	77,467	58,955

Bank loans in 2015 includes £9,721,000 in five years or more that is denominated in United States dollars and interest bearing linked to 3 month US LIBOR. The loan was repaid in October 2016. The remainder of the Bank loans and overdrafts relates to an interest bearing Asset Based Loan facility that is repayable in October 2020.

£20,041,000 (2015: £18,248,000) of bank loans and overdraft is secured against long leasehold property of £17,031,000 (2015: £19,405,000), inventories of £6,034,000 (2015: £6,251,000) and other assets.

The shareholder loans includes:

- £10,000,000 of interest bearing revolving shareholder facility with repayment date in November 2017. This was extended to March 2018 subsequent to the year end.
- £61,150,000 that is interest free with no fixed repayment date, but not repayable before November 2017. This was extended to November 2018 subsequent to the year end. The amortised cost of this loan is £56,375,000 (2015: £59,574,000 as at 31 October 2016.
- £60,000,000 of interest bearing revolving facility with repayment date in November 2017 with option to extend to October 2019. This was extended to October 2018 subsequent to year end.
- £15,000,000 of interest bearing revolving facility with repayment date in November 2017. This was extended to October 2018 subsequent to year end.
- £7,500,000 of interest free loan notes that is repayable in three equal instalments in October 2017, 2018 and 2019. There are no other terms for repayment. The amortised cost of this loan is £6,469,000 (2015: £5,946,000 as at 31 October 2016.

The obligations under finance leases and hire purchase contracts were effectively secured on the assets held under those leases.

Notes to the financial statements
For the year ended 31 October 2016

21. Provisions for liabilities

Group	Reorganisation £'000	Maintenance reserves £'000	Onerous contracts £'000	Other £'000	Total £'000
At 1 November 2014	31,257	45,042	-	35,735	112,034
Amounts provided in the year	796	58,911	-	18,580	78,287
Utilisation of provision	(24,072)	(22,343)	-	(25,136)	(71,551)
At 31 October 2015	7,981	81,610	-	29,179	118,770
Amounts provided in the year	-	48,930	198,472	7,715	255,117
Utilisation of provision	(938)	(35,511)	-	(10,519)	(46,968)
At 31 October 2016	7,043	95,029	198,472	26,375	326,919
Current	25,418	22,332	-	21,677	69,427
Non-current	5,839	22,710	-	14,058	42,607
At 1 November 2014	31,257	45,042	-	35,735	112,034
Current	740	36,137	-	10,859	47,736
Non-current	7,241	45,473	-	18,320	71,034
At 31 October 2015	7,981	81,610	-	29,179	118,770
Current	664	54,975	90,289	12,377	158,305
Non-current	6,379	40,054	108,183	13,998	168,614
At 31 October 2016	7,043	95,029	198,472	26,375	326,919

Reorganisation
The provision relates to liabilities for committed restructuring costs of the Group. The provision includes onerous contracts relating to early termination of aircraft leases, early termination payments of aircraft leases and other staff related liabilities.

Maintenance reserves
Where the Group has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectification obligations contained within lease agreements, when the condition of a specific component falls below that specified in the lease. The provisions are based on estimated future costs of major airframe, certain engine maintenance checks and one-off costs to be incurred at the end of the lease. The provision is expected to be utilised within 6 years.

Onerous contracts
The group has provided for unavoidable costs on aircraft leases where it is considered probable that the obligations under the lease agreements exceeds the likely economic benefits expected to be received in future years. The estimate is based on expected cash inflows and outflows which includes, lease costs, maintenance events and any other contractual obligations. A provision of £198,472,000 (2015: £nil) has been recognised as a result of the current trading environment (as described in the Strategic Review) that has led to lower yields, an increase in the cost base due to foreign exchange rates and the planned fleet renewal. The Group is introducing 45 fuel efficient Boeing 737 MAX-8 aircraft from spring 2018 that will see the entire Airbus fleet leave the Group in a short period of time which results in the acceleration of certain costs relating to the existing Airbus fleet. The provision is expected to be utilised within 6 years.

21. Provisions for liabilities (continued)

Other reserves
Other represents liabilities where there is uncertainty of the timing or amount of the future expenditure required in settlement and includes such items as customer compensation claims, emission trading liabilities, frequent flyer liabilities and un-utilised leasehold. The provision is expected to be utilised within a range of between 1 to 6 years.

22. Called up share capital

Group	2016 £'000	2015 £'000	2014 £'000
Allotted, called-up and fully-paid			
108,686,169 ordinary shares of £1 each (2015: 45,000)	108,686	45	45
12,076,241 'A' ordinary shares of £1 each (2015: 5,000)	12,076	5	5
1 preference share of £1 each	-	-	-
20,000,000 redeemable preference shares of £1 each	20,000	20,000	20,000
	140,762	20,050	20,050

Company	2016 £'000	2015 £'000	2014 £'000
Allotted, called-up and fully-paid			
108,686,169 ordinary shares of £1 each (2015: 45,000)	108,686	45	45
12,076,241 'A' ordinary shares of £1 each (2015: 5,000)	12,076	5	5
1 preference share of £1 each	-	-	-
	120,762	50	50

The ordinary shares and 'A' ordinary shares are entitled pro rata to their holdings to dividend payments or returns of capital after distributions to the preference share have been paid. The ordinary shares entitle their holders to attend, speak and vote at a general meeting of the Company whereas the 'A' ordinary shares do not have these rights.

The preference shares shall rank ahead of all other classes in respect of the first £147m of all distributions and returns of capital made by the Company. The share will carry no rights as to interest or other fixed rate of return, and shall have no rights to distributions or returns of capital once the first £147m of all distributions have been paid in full.

Under the terms of the 2011 Refinancing, on 15 November 2011, £20m of preference shares were issued by Monarch 2011 Limited. These shares are held by Windsor Jersey Limited. The shares carry no rights as to interest or other fixed rate of return.

On 26 January 2016 the Company allotted 1,000,000 shares with a nominal value of £1. On 11 July 2016 3,000,000 shares with a nominal value of £1 was allotted. The company also allotted 10,000,000 shares on 4 October 2016, 8,046,023 on 11 October 2016 and 98,666,387 on 12 October 2016. These were allotted in the proportion of 90% ordinary shares and 10% 'A' ordinary shares. These are allotted with a nominal value of £1 each.

On the 13 January 2017 and 31 March 2017 the Company allotted a further 15,000,000 and 32,242,460 shares respectively with a nominal value of £1 each. These were allotted in the proportion of 90% ordinary shares and 10% 'A' ordinary shares.

23. Financial commitments

At 31 October 2016 the Group was contractually committed to either the acquisition or lease of 30 firm next generation Boeing 737 MAX 8 aircraft and with options to acquire 15 further Boeing 737 MAX 8 aircraft with a total list price for the 30 firm order of US$3.1bn (£2.5bn at year end exchange rates). In the first quarter of 2017, the Monarch Airlines Group exercised the 15 options to acquire 15 further Boeing 737 MAX 8 aircraft with a total list price of US$1.7bn (£1.4bn at year end exchange rates).

In March 2017, the Monarch Airlines Group entered into Aircraft lease agreements to lease 13 next generation Boeing 737 Max 8 aircraft.

The Group is currently contractually committed to the acquisition or lease of 32 next generation Boeing 737 MAX 8 aircraft with a total list price of US$3.3bn (£2.7bn at year end exchange rate) before escalations and discounts for deliveries commencing in 2018.

At the Balance Sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016		2015	
Group	Land and buildings £'000	Aircraft and other £'000	Land and buildings £'000	Aircraft and other £'000
- within one year	2,023	86,891	2,788	68,120
- after one year and before five years	2,294	242,715	5,401	200,607
- after five years	37,044	140,006	38,963	16,392
	41,361	469,612	47,152	285,119

The aircraft operating leases are denominated in US dollars.

24. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £4,438,000 (2015: £5,611,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 October 2016, contributions of £808,000 (2015: £600,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group operates a funded defined benefit pension scheme for qualifying employees. The assets of the scheme are held in separate funds. No contributions were made by the Group during the year, nor are any scheduled to be made in the subsequent financial year.

The scheme is subject to a triennial valuation by independent actuaries, the last valuation being carried out at 31 May 2015 using the projected unit credit method, as updated to the balance sheet date. At the last actuarial valuation date, the value of the assets of the scheme was £5,981,000 and this actuarial value was sufficient to cover 105% of benefits accruing to members. The employers' contribution rate over the average remaining service lives of the members of the scheme takes account of the surplus disclosed by the valuation.

24. Retirement benefit schemes (continued)

The key assumptions under IFRS used by the actuary were:

	2016 %	2015 %
Discount rate	2.7	3.7
Rate of increase of salaries	3.7	3.4
Rate of increase in pensions in payment	3.2	3.0
Inflation assumption	3.7	3.4
Increase in deferred pensions	3.7	3.4
Average longevity at retirement age for current pensioners (years):		
Males	22.5	22.4
Females	25.3	25.3
Average longevity at retirement age for current employees (future pensioners) (years):		
Males	23.4	23.3
Females	26.1	26.1

Amounts recognised in income in respect of the defined benefit scheme are as follows:

	2016 £'000	2015 £'000
Current service cost	12	9
Administrative expenses	50	10
Net finance credit on pension scheme (note 6)	(10)	(19)
Components of defined benefit cost recognised in profit or loss	52	-

Current service cost and administrative expenses for 2016 and 2015 have been included in administrative expenses.

Amounts recognised in the statement of comprehensive income are as follows:

	2016 £'000	2015 £'000
The return on plan assets	754	310
Actuarial gains and losses	(731)	(392)
Adjustments for restrictions in the defined benefit asset	27	(68)
Remeasurement of the net defined benefit asset	50	(150)
Cumulative remeasurement of the net defined benefit asset	303	253

24. Retirement benefit schemes (continued)

The amount included in the balance sheet arising from the obligations in respect of the defined benefit scheme is as follows:

	2016 £'000	2015 £'000
Present value of scheme liabilities	(5,503)	(4,761)
Fair value of scheme assets	5,777	5,064
Surplus in the scheme	274	303
Unrecoverable surplus	(242)	(268)
Related deferred tax liability	(6)	(8)
Net pension asset	26	27

Movements in the present value of defined benefit obligations in the year were as follows:

	2016 £'000	2015 £'000
Opening benefit obligations	4,761	4,437
Current service cost	12	9
Interest cost	173	164
Employee contributions	-	3
Benefits paid	(174)	(244)
Remeasurement losses		
Actuarial losses arising from financial assumptions	800	99
Actuarial (gains)/losses arising from experience adjustments	(69)	293
Closing defined benefit obligation	5,503	4,761

Movements in the fair value of plan assets in the year were as follows:

Opening fair value of plan assets	5,064	4,827
Return on plan assets	183	178
Administrative fees	(50)	(10)
Actuarial gains	754	310
Employee contributions	-	3
Benefits paid	(174)	(244)
Closing fair value of plan assets	5,777	5,064
Restriction due to unrecoverable surplus	(242)	(268)
Net amount recognised before deferred tax (note 15)	-	35

24. Retirement benefit schemes (continued)

The major categories and fair values of plan assets at the end of the reporting period are:

	Value at 31 October 2016 £'000	Value at 31 October 2015 £'000
Equities	1,418	1,120
Bonds	1,102	882
Property	263	219
Annuities	2,919	2,686
Cash	75	157
Total fair value of assets	5,777	5,064

25. Financial Instruments

Categories of financial instruments

Group	2016 £'000	2015 £'000	2014 £'000
Financial assets			
Cash and cash equivalents	103,018	42,225	5,869
Restricted cash	50,211	22,099	76,055
Fair value through profit and loss:			
- Derivative financial instruments	1,138	1,183	5,120
Loans and receivables at amortised cost:			
- Trade and other receivables (exc. prepayments)	45,537	45,128	53,041
	199,904	110,635	140,085
Financial liabilities			
Fair value through profit and loss:			
- Derivative financial instruments	(4,844)	(6,376)	(26,150)
Financial liabilities at amortised cost:			
- Borrowings	(167,885)	(165,715)	(134,963)
- Trade and other payables (exc. accruals)	(76,478)	(47,991)	(67,638)
	(249,207)	(220,082)	(228,751)

25. Financial Instruments (continued)

Company	2016 £'000	2015 £'000	2014 £'000
Financial assets			
Cash and cash equivalents	39	38	38
Loans and receivables and amortised cost:			
- Investments	153,837	33,125	33,125
- Trade and other receivables (exc. prepayments)	75,410	45,354	24,240
	229,286	78,517	57,403
Financial liabilities			
Financial liabilities at amortised cost:			
- Borrowings	93,650	79,050	61,150
- Trade and other payables (exc. accruals)	51,100	36,355	33,464
	144,750	115,405	94,614

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of the Group financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for asset or liability that are not based on observable market data.

The instruments carried at fair value by the Group are:

- The derivative financial instruments that consist of fuel and foreign exchange derivatives. These are listed at level 2 on the fair value hierarchy. Discounted cash flow is the valuation technique used to arrive at fair value. Future cash flows are estimated based on forward exchange rates and forward fuel price rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties;

For all other financial instruments that are not measured at fair value on a recurring basis, the directors consider that the carrying amounts of financial assets and financial liabilities (as disclosed above) approximate their fair values.

There were no transfers between levels during the year.

26. Financial risk management

The Group and Company are exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and fuel price risk), credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at 31 October in 2016 and 2015. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group does not consider its interest rate risk to be significant at the reporting date.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Group and company	2016 £'000	2015 £'000
Increase in interest rate by fixed basis points	1%	1%
Impact on profit before tax	(1,015)	(985)
Decrease in interest rate by fixed basis points	(1%)	(1%)
Impact on profit before tax	1,015	985

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 18-month period. Transactions that are certain are hedged without any limitation in time. None of the transactions are designated for hedge accounting.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and EUR exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives). The effect on equity would be immaterial.

26. Financial risk management (continued)

Group and company	2016 £'000	2015 £'000
Increase in USD foreign exchange rate	10%	10%
Impact on profit before tax	(3,325)	(3,534)
Decrease in USD foreign exchange rate	(10%)	(10%)
Impact on profit before tax	4,214	4,314
Increase in EUR foreign exchange rate	10%	10%
Impact on profit before tax	302	281
Decrease in EUR foreign exchange rate	(10%)	(10%)
Impact on profit before tax	(361)	(343)

The Group's exposure to foreign currency changes for all other currencies is not material.

Commodity price risk
The Group is affected by the volatility of jet fuel prices. Its operating activities require the ongoing purchase and continuous supply of fuel. Due to the significantly increased volatility of the jet fuel price, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. None of the transactions are designated for hedge accounting.

Based on an 18-month forecast about the required fuel supply, the Group hedges the purchase price using forward commodity purchase contracts.

The following table shows the effect of price changes from jet fuel.

Group and company	2016 £'000	2015 £'000
Increase in year end Jet fuel price	10%	10%
Impact on profit before tax	(353)	(793)
Decrease in year end Jet fuel price	(20%)	(20%)
Impact on profit before tax	353	793

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Exposures to those counterparties are regularly reviewed and, when circumstances change, credit is adjusted as considered appropriate. Accordingly, in normal market conditions, the probability of material loss due to non performance by counterparties is considered to be low.

The maximum exposure to credit risk is limited to the carrying value of each class of asset.

26. Financial risk management (continued)

Liquidity risk
The Group monitors its risk to a shortage of funds using a recurring liquidity forecast model. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of working capital and loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
As at 31 October 2016					
Trade and other payables (exc accruals)	(76,478)	-	-	-	(76,478)
Derivative financial instruments	(1,397)	(3,447)	-	-	(4,844)
Borrowings	(14,080)	(153,892)	(24,130)	-	(192,102)
	(91,955)	(157,339)	(24,130)	-	(273,424)

Group	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
As at 31 October 2015					
Trade and other payables (exc accruals)	(47,991)	-	-	-	(47,991)
Derivative financial instruments	(5,628)	(748)	-	-	(6,376)
Borrowings	(80,702)	(69,180)	(25,490)	(10,625)	(185,997)
	(134,321)	(69,928)	(25,490)	(10,625)	(240,364)

Group	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
As at 1 November 2014					
Trade and other payables (exc accruals)	(67,368)	-	-	-	(67,368)
Derivative financial instruments	(25,030)	(1,120)	-	-	(26,150)
Borrowings	(2,444)	(123,594)	(10,138)	(10,683)	(146,859)
	(94,842)	(124,714)	(10,138)	(10,683)	(240,377)

Capital management
Capital includes convertible preference shares and equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 October 2016 and 31 October 2015.

26. Financial risk management (continued)

Collateral

The Group has pledged part of its restricted cash in order to fulfil the collateral requirements for the hedging derivatives in place. At 31 October 2016, the fair value of the short-term deposit pledged was £nil (2015: £3.3 million). The counterparties have an obligation to return the securities to the Group. There are no other significant terms and conditions associated with the use of collateral.

27. Contingent liabilities

Bank guarantees have been made to various suppliers of the Group, including airports, fuel suppliers, ground handling agents, customs agencies and lessors, totalling £2,046,196 (2014: £2,561,543).

The Group is involved in various disputes or litigation in the normal course of business. Whilst the result of such disputes cannot be predicted with certainty, the Group believes that the ultimate resolution of these disputes will not have a material effect on the Group's financial position or results.

28. Subsequent events

At 31 October 2016 the Group was contractually committed to either the acquisition or lease of 30 firm next generation Boeing 737 MAX 8 aircraft and with options to acquire 15 further Boeing 737 MAX 8 aircraft with a total list price for the 30 firm order of US$3.1bn (£2.5bn at year end exchange rates). In the first quarter of 2017, the Monarch Airlines Group exercised the 15 options to acquire 15 further Boeing 737 MAX 8 aircraft with a total list price of US$1.7bn (£1.4bn at year end exchange rates).

In March 2017, the Monarch Airlines Group entered into Aircraft lease agreements to lease 13 next generation Boeing 737 Max 8 aircraft.

The Group is currently contractually committed to the acquisition or lease of 32 next generation Boeing 737 MAX 8 aircraft with a total list price of US$3.3bn (£2.7bn at year end exchange rate) before escalations and discounts for deliveries commencing in 2018.

Boeing was also selected subsequent to year end to provide Boeing's Global Fleet Care — formerly known as GoldCare — for maintenance of our entire 737 MAX fleet. This will mean that the aircraft will be serviced to an incredibly high standard. The maintenance will be carried out by Monarch Aircraft Engineering Limited on behalf of Boeing.

In December 2016, the Group announced that it would no longer be charging credit card booking fees and will no longer offer ATOL protected flight only bookings. New flights to Porto, Zagreb and Stockholm were launched in April 2017, growing the Group's wide range of summer and year-round leisure destinations across Europe.

On the 13 January 2017 and 31 March 2017 the Company allotted a further 15,000,000 and 32,242,460 shares respectively with a nominal value of £1 each. These were allotted in the proportion of 90% ordinary shares and 10% 'A' ordinary shares.

The shareholder loans were extended subsequent to year end as follows:

- £10,000,000 of interest bearing revolving shareholder facility with repayment date in November 2017. This was extended to March 2018 subsequent to the year end.
- £61,150,000 that is interest free with no fixed repayment date, but are not repayable before November 2017. This was extended to November 2018 subsequent to the year end. The amortised cost of this loan is £56,375,000 (2015: £59,574,000) as at 31 October 2016.
- £60,000,000 of interest bearing revolving facility with repayment date in November 2017 with option to extend to October 2019. This was extended to October 2018 subsequent to year end.
- £15,000,000 of interest bearing revolving facility with repayment date in November 2017. This was extended to October 2018 subsequent to year end.
- £7,500,000 of interest free loan notes that is repayable in three equal instalments in October 2017, 2018 and 2019. There are no other terms for repayment. The amortised cost of this loan is £6,469,000 (2015: £5,946,000) as at 31 October 2016.

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29. Related party transactions

Arrangements with companies and individuals related to the ultimate controlling parties

The following transactions and arrangements are with companies or individuals which the directors believe are owned or controlled by the ultimate controlling parties as set out in note 30 below in the same or similar proportions as to those holdings in the Group.

	Transaction	Related Party
1	Revolving facility to Monarch Holdings Limited for borrowing up to £60m with repayment date in November 2017 with an option to extend to October 2019. Interest and arrangement fee on the facility was incurred at a cost of £5.34m (2015: £5.32m). The amount due to the related party at 31 October 2016 was £70.73m (2015: £65.39m).	Petrol Jersey Limited as the ultimate parent company of Monarch Holdings Limited and lender.
2	Revolving facility to Monarch Holdings Limited for borrowing up to £15m with repayment date in November 2017. Interest and arrangement fee on the facility was incurred at a cost of £2.33m (2015: £1.27m). The amount due to the related party at 31 October 2016 was £17.08m (2015: £10.47m).	Petrol Jersey Limited as the ultimate parent company of Monarch Holdings Limited and lender.
3	Loan to Monarch Holdings Limited with no fixed terms for repayment and interest free. The loan was transferred from Petrol Jersey Limited on 19 August 2015. The amount due to the related party at 31 October 2016 was £1.15m (2015: £1.15m). The amortised cost of this loan is £1.06m (2015: £1.1m).	Windsor Jersey Limited as the controlling shareholder of Monarch Holdings Limited and lender.
4	Loan to Monarch Airlines Limited with no fixed terms for repayment and interest free. The loan was transferred from Petrol Jersey Limited on 19 August 2015. The amount due to the related party at 31 October 2016 was £25.56m (2015: £25.56m). The amortised cost of this loan is £23.05m (2015: £24.4m).	Windsor Jersey Limited as the controlling shareholder of Monarch Holdings Limited and lender.
5	Loan to Monarch Airlines Leasing Limited with no fixed terms for repayment and interest free. The loan was transferred from Petrol Jersey Limited on 19 August 2015. The amount due to the related party at 31 October 2016 was £15.38m (2015: £15.38m). The amortised cost of this loan is £13.8m (2015: £14.6m).	Windsor Jersey Limited as the controlling shareholder of Monarch Holdings Limited and lender.
6	Loan to Monarch 2011 Limited with no fixed terms for repayment and interest free. The loan was transferred from Petrol Jersey Limited on 19 August 2015. The amount due to the related party at 31 October 2016 was £20.69m (2015: £20.69m). The amortised cost of this loan is £18.4m (2015: £19.4m).	Windsor Jersey Limited as the controlling shareholder of Monarch Holdings Limited and lender.

29. Related party transactions (continued)

	Transaction	Related Party
7	Fee for the provision of monitoring services for the year ended 31 October 2016 of £0.75m (2015: £0.75m). £0.3125m remains outstanding at the year end.	Greybull Capital LLP with common directors that are the ultimate controlling party.
8	Fee for the provision of advisory work in relation to recapitalisation for the year ended 31 October 2016 of £1.5m. The balance remains outstanding at year end.	Greybull Capital LLP with common directors that are the ultimate controlling party.
9	In October 2014, three interest free loan notes of £2.5m each were issued to the Pension Trustee as part of the settlement of the pension liabilities. These loan notes are repayable in October 2017, 2018 and 2019. The amortised cost of this loan is £6.4m (2015: £5.9m).	Pension Trustee as a shareholder.
10	On 21 June 2016, Monarch Airlines Limited entered into four trades with British Steel to purchase Euro currency. €8m at 1.29803 with maturity date of 29 July 2016, €8m at 1.29685 with maturity date of 31 August 2016, €8m at 1.29550 with maturity date of 30 September 2016 and €4.5m at 1.29467 with maturity date of 31 October 2016. The rates traded at were equal to rates that were offered to the company by a third party.	British Steel has common Directors that are the Ultimate Controlling Parties.
11	Loan to Monarch Holdings Limited on 11 March 2016 for borrowing up to £15m with repayment date in November 2017. Interest, non utilisation and arrangement fees on the facility was incurred at a cost of £2.04m (2015: £nil). The amount due to the related party at 31 October 2016 was £12.04m (2015: £nil).	Greybull Capital LLP with common directors that are the ultimate controlling party.

30. Controlling party

The directors consider that the Company's ultimate parent company is Petrol Jersey Limited whilst its immediate parent company is Windsor Jersey Limited. Both companies are incorporated in Jersey. The financial statements of both companies are neither consolidated nor publicly available.

The smallest and largest Group in which the results of the Company are consolidated is that of which Monarch Holdings Limited is the parent company.

The directors consider that Marc Meyohas, Nathaniel Meyohas, Opera Finance Europe SARL and The Oden Trust are together the ultimate controlling parties of the Company.

Notes to the financial statements
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31. Explanation of transition to IFRS

This is the first year that the Group has presented its financial statements under IFRS (International Financial Reporting Standard) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 October 2015 and the date of transition to IFRS was therefore 1 November 2014.

Balance sheet

As at 1 November 2014	As per UK GAAP £'000	(A) Reclass-ifications £'000	(B) Remeasure-ments £'000	As per IFRS £'000
Non-current assets	171,896	2,342	4,169	178,407
Current assets	192,936	(2,342)	3,977	194,571
Current liabilities	(322,583)	(69,427)	(35,346)	(427,356)
Non-current liabilities	(253,707)	69,427	7,258	(177,022)
Equity	(211,458)	-	(19,942)	(231,400)

As at 31 October 2015	As per UK GAAP £'000	(A) Reclass-ifications £'000	(B) Remeasure-ments £'000	As per IFRS £'000
Non-current assets	221,476	2,239	590	224, 405
Current assets	178,730	(2,239)	843	177,234
Current liabilities	(360,201)	(47,736)	(4,694)	(412,631)
Non-current liabilities	(213,923)	47,736	835	(165,352)
Equity	(173,918)	-	(2,426)	(176,344)

Fixed assets and debtors due after more than one year under UK GAAP are included in the non-current assets as per UK GAAP in the tables above. Accruals and deferred income under UK GAAP is included in current liabilities in the tables above. Creditors falling due after one year and provisions under UK GAAP are included in non current liabilities in the tables above.

Reconciliation of total comprehensive income for the year ended 31 October 2015

	As per UK GAAP £'000	(B) Remeasure-ments £'000	As per IFRS £'000
Total revenue	828,056	-	828,056
Cost of sales	(701,748)	9,380	(692,368)
Administrative expenses	(99,732)	324	(99,408)
Other operating income	1,128	-	1,128
Profit on sale of property, plant and equipment	783	-	783
Finance costs	(9,240)	(10,442)	(19,682)
Taxation	18,411	(2,776)	15,635
Profit for the financial year	37,658	(3,514)	34,144

31. Explanation of transition to IFRS (continued)

(A) Reclassifications

A summary of the reclassifications made on adoption of IFRS is presented below:

Balance sheet	Notes	2015 £'000	2014 £'000
Non current assets			
Property, plant and equipment	(i)	(5,811)	(8,068)
Intangible assets	(i)	5,811	8,068
Deferred tax	(ii)	33,443	15,032
Trade and other receivables	(ii)	(31,104)	(12,690)
		2,339	2,342
Current assets			
Trade and other receivables	(ii)	(2,339)	(2,342)
		(2,339)	(2,342)
Current liabilities			
Deferred income	(iii)	(142,144)	(143,215)
Accruals and deferred income	(iii)	142,144	143,215
Provisions	(iv)	(47,736)	(69,427)
		(47,736)	(69,427)
Non current liabilities			
Provisions	(iv)	47,736	69,427
Trade and other payables	(v)	95,153	141,673
Borrowings	(v)	(95,153)	(141,673)
		47,736	69,427

(i) Computer software previously included as part of property, plant and equipment under UK GAAP, has been reclassified as an intangible asset in accordance with IFRS.

(ii) Deferred tax assets had previously been disclosed within debtors. In accordance with IFRS, the Company now presents deferred tax as a separate item on the face of the balance sheet.

(iii) Under UK GAAP the Company disclosed its accruals and deferred income separately on the face of the balance sheet. In accordance with IFRS, accruals have been included within trade and other payables and deferred revenue presented separately on the face of the balance sheet.

(iv) Presentational conventions under UK GAAP did not require provisions to be disaggregated between current and non-current elements. In accordance with IFRS provisions are classified between current and non-current elements.

(v) Under UK GAAP the Company disclosed its borrowings within trade and other payables. In accordance with IFRS1 this has been separately presented on the face of the balance sheet.

31. Explanation of transition to IFRS (continued)

(B) Remeasurements

A summary of the remeasurements made on adoption of IFRS is presented below:

Balance sheet	Notes	2015 £'000	2014 £'000
Non current assets			
Derivative financial instruments	(i)	340	1,143
Deferred tax	(vi)	250	3,026
		590	4,169
Current assets			
Derivative financial instruments	(i)	843	3,977
		843	3,977
Current liabilities			
Trade and other payables	(ii, iii)	(612)	(936)
Accruals	(viii)	-	(9,380)
Borrowings	(vii)	1,546	-
Derivative financial instruments	(i)	(5,628)	(25,030)
		(4,694)	(35,346)
Non current liabilities			
Borrowings	(vii)	1,583	8,378
Derivative financial instruments	(i)	(748)	(1,120)
		835	7,258
Shareholder's equity		(2,426)	(19,942)

Consolidated income statement for the year ended 31 October 2015	Notes	2015 £'000
Cost of sales		
Gain on termination of hedge contracts	(viii)	16,387
Reversal of onerous hedged contracts	(viii)	(7,007)
		9,380
Administrative expenses		
Holiday Pay	(iii)	315
Rental	(ii)	9
		324
Finance costs		
Fair value loss on derivatives	(i)	(5,193)
Imputed interest on shareholder interest-free loans	(vii)	(5,249)
		(10,442)
Taxation		
Deferred tax	(iv)	(2,776)
Loss for the financial year		(3,514)

31. Explanation of transition to IFRS (continued)

(i) Under UK GAAP the fair value of derivatives financial instruments (fuel and foreign exchange) was not recognised on the Balance Sheet. Under IFRS the fair value of these derivative financial instruments at each reporting date is recorded on the Balance Sheet. Any fair value movements after the date of conversion have therefore been recognised.

(ii) Under UK GAAP, lease incentives were recognised over the period to the next rent review. In accordance with IFRS, lease incentives must be spread over the whole lease term rather than to the next rent review.

(iii) Under UK GAAP, we were not required to provide for holiday pay. In accordance with IFRS, holiday pay due to be settled within twelve months after year end should be accrued.

(iv) This adjustment reflects the deferred tax effects of the profit and loss movements arising from the first time adoption of IFRS.

(v) Under UK GAAP matured fuel and foreign exchange derivatives were previously recognised within cost of sales and administrative expenses. Both items have been reclassified to finance costs such that all derivative gains and losses are recognised within a single line item. The Company does not apply hedge accounting.

(vi) Under UK GAAP, deferred tax was provided on certain timing differences that had originated but not reversed at the balance sheet date. Under IFRS, deferred tax is provided on temporary differences based upon future recovery or settlement of assets and liabilities recognised in the balance sheet.

(vii) Under IFRS, loans received that have interest rates that are below market rate must be recorded in the balance sheet at fair value by using an applicable market rate at the date that the loan was made or at transition date. This requires that the fair value adjustment is recognised as a capital contribution. Imputed interest is then charged equal to a market rate of interest

(viii) In 2014, the Group closed out a number financial instrument hedges. Under UK GAAP, the loss was held on the balance sheet and recognised when the original instrument was due to mature. An onerous contract provision was also recognised under UK GAAP in relation to part of the loss. Under IFRS, these amounts have been removed as the loss is recognised within 2014 as part of (i) above.

Notes to the financial statements
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32. Notes to the cash flow statement

Reconciliation between profit for the year and cash generated from operations:

	2016 £'000	2015 £'000
(Loss)/profit for the year	(324,616)	34,144
Adjustments for:		
Depreciation	32,412	24,815
Amortisation	3,035	3,066
Impairment	102,947	1,145
Profit on disposal of property, plant & equipment and intangible assets	(12,655)	(783)
Finance costs	13,619	19,682
Taxation	26,713	(15,635)
Increase/(decrease) in provisions	174,608	(38,738)
Operating cash flows before movements in working capital	16,063	27,696
Working capital changes:		
Decrease in inventories	226	598
Increase in receivables	(25,070)	(8,344)
Decrease in payables	(15,910)	(47,958)
Income taxes paid	-	(52)
Net cash outflow from operating activities	(24,691)	(28,060)

Analysis of changes net debt:

	1 November 2015 £'000	Cash flows £'000	Non cash movements £'000	31 October 2016 £'000
Cash and cash equivalents	42,225	60,793	-	103,018
Restricted cash	22,099	28,112	-	50,211
Derivative financial instruments	(5,193)	-	1,487	(3,706)
Borrowings	(165,715)	(4,783)	2,613	(167,885)
Net debt	(106,584)	84,122	4,100	(18,362)

Cash and cash equivalents

	2016 £'000	2015 £'000
Restricted cash	50,211	22,099
Cash and cash equivalents	103,018	42,225
	153,229	64,324