

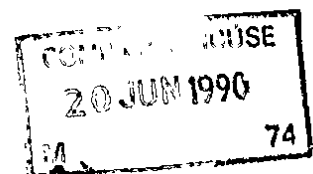
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COMPANY NUMBER 1165001.....

MONARCH HOLDINGS PLC

Financial statements
30 November 1989

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CHARTERED ACCOUNTANTS



MONARCH HOLDINGS PLC

FINANCIAL STATEMENTS
30 November 1989

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DIRECTORS' REPORT

30 November 1989

The directors submit their report and financial statements for the year ended 30 November 1989.

PRINCIPAL ACTIVITY

The group's principal activities are that of airline and tour operators, seat brokers, aircraft engineering and maintenance.

RESULTS AND DIVIDENDS

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors consider the state of the group to be satisfactory. Monarch Aircraft Engineering has continued to expand whereas Monarch Airlines has maintained its position whilst encountering difficult trading conditions during the year.

EMPLOYMENT POLICY

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

DIRECTORS

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

		30 November 1989 Ordinary shares	30 November 1988 Ordinary shares
M. Austin	(resigned 12 January 1989)	-	-
F. Mantegazza	(resigned 13 January 1989)	-	-
F.J. Donagh	(appointed 11 January 1989, resigned 13 January 1989)	-	-
S.P. Mantegazza	(appointed 11 January 1989)	-	-
A.J.A. Snudden	(appointed 11 January 1989)	870	-

It is with deep regret that the director reports the death of Mr. A.J.A. Snudden on 14 April 1990. Mr. Snudden will be sorely missed, both for his personal qualities and for the advice and assistance that he always gave so freely.

FIXED ASSETS

The basis for accounting for fixed assets and the changes in the year are set out in note 1, and notes 9, 10 and 11 respectively.

SHARE CAPITAL

On 13 January 1989, the company's authorised share capital was increased to 50,000 £1 ordinary shares.

DIRECTORS' REPORT (continued)
30 November 1989

AUDITORS

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

By order of the board



M.J. ELLINGHAM

Secretary

30 March 1990

MONARCH HOLDINGS PLC
REPORT OF THE AUDITORS

3

To the members of Monarch Holdings PLC

We have audited the financial statements on pages 4 to 19 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 November 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Finnie & Co.', with a stylized flourish at the end.

FINNIE & CO.
Chartered Accountants
LONDON

30 March 1990

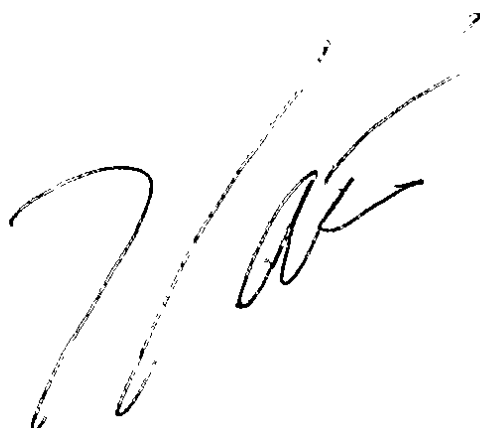
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 November 1989

	note	1989 £'000	1988 £'000
TURNOVER	1 & 3	186,087	149,084
Cost of sales		160,567	127,129
GROSS PROFIT		<u>25,520</u>	<u>21,955</u>
Administrative expenses		13,857	11,093
		<u>11,663</u>	<u>10,862</u>
Other operating income		69	63
Other interest receivable		<u>2,100</u>	<u>1,661</u>
		2,169	1,724
		<u>13,832</u>	<u>12,586</u>
Interest payable	5	2,693	1,570
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3 & 6	11,139	11,016
Tax on profit on ordinary activities	7	2,109	2,466
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>9,030</u>	<u>8,550</u>
Minority interest		-	2,068
PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES		<u>9,030</u> =====	<u>6,482</u> =====

CONSOLIDATED BALANCE SHEET
30 November 1989

	note	1989 £'000	1988 £'000
FIXED ASSETS			
Intangible assets	9	1,782	1,401
Tangible assets	10	140,966	125,653
Investments	11	26	26
		<u>142,774</u>	<u>127,080</u>
CURRENT ASSETS			
Stocks	12	2,266	2,780
Debtors	13	16,630	14,883
Cash at bank and in hand		20,011	16,894
		<u>38,907</u>	<u>34,557</u>
CREDITORS: amounts falling due within one year	14	60,348	45,685
NET CURRENT LIABILITIES		<u>(21,441)</u>	<u>(11,128)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		121,333	115,952
CREDITORS: amount falling due after more than one year	15	(89,354)	(90,961)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred tax	16	(6,362)	(5,079)
		<u>25,617</u>	<u>19,912</u>
CAPITAL AND RESERVES			
Called up share capital	17	50	-
Reserves	18	25,567	14,937
		<u>25,617</u>	<u>14,937</u>
Minority interest		-	4,975
		<u>25,617</u>	<u>19,912</u>
Director:			

S.P. MANTEGAZZA

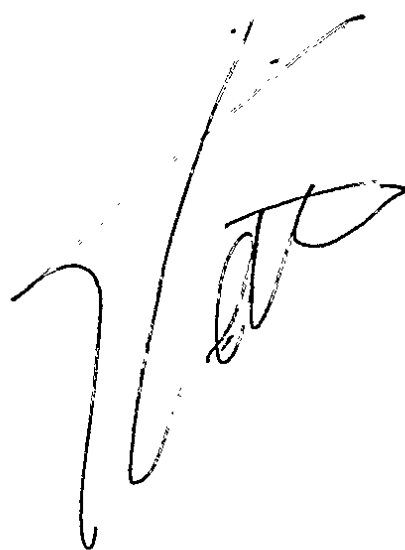


BALANCE SHEET
30 November 1989

	note	1989 £'000	1988 £'000
FIXED ASSETS			
Investments	11	1,162	1,150
CURRENT ASSETS			
Debtors	13	180	-
Cash at bank		38	1
		<u>218</u>	<u>1</u>
CREDITORS: amounts falling due within one year	14	174	1
		<u>44</u>	<u>-</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		1,206	1,150
CREDITORS: amount falling due after more than one year	15	(1,150)	(1,150)
		<u>56</u>	<u>-</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	17	50	-
Reserves	18	6	-
		<u>56</u>	<u>-</u>
		=====	=====

Director:

S.P. MANTEGAZZA



NOTES ON THE FINANCIAL STATEMENTS
30 November 1989

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CONSOLIDATION

The group financial statements consolidate the financial statements of the company and its subsidiaries.

FIXED ASSETS - CAPITALISATION

Aircraft and engines held under finance leases are capitalised as fixed assets. Obligations under finance leases are shown in notes 14 and 15.

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

FIXED ASSETS - DEPRECIATION

Tangible assets

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

Short leasehold improvements	15% on a reducing balance basis
Freehold and long leasehold property	No depreciation is provided on freehold property, long leasehold property is written off over the term of the lease.
Aircraft and engines	Straight line over 10-12 years to a residual value of 45% or 40% of cost
Rotables and consumables	Net expenditure is written off over periods of between eight and twelve years.
Aircraft modifications and special work	Straight line basis over varying periods ending between April 1991 and November 1995.
Aircraft simulator	Straight line basis over 10 years to a residual value of 20% of cost.
Plant and equipment	Principally on a straight line basis at varying rates of between 15% and 33 1/3%.

Intangible assets

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

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

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

1 ACCOUNTING POLICIES (continued)

FIXED ASSETS - DEPRECIATION (continued)

INVESTMENTS

Investments held as fixed assets are stated at cost.

STOCKS

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

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

FINANCE LEASES

Assets held under finance leases are capitalised and depreciated over the shorter of their useful lives and the period of the lease at the rates set out above. Finance costs are charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

OPERATING LEASES

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

MAINTENANCE COSTS

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

TURNOVER

Turnover represents the invoiced value of airline traffic revenue and related income, engineering services and incidental revenue, exclusive of intra-group trading and value added tax.

FOREIGN EXCHANGE

Foreign currency transactions are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into sterling at market rates ruling at the balance sheet date.

Where long term foreign currency loans have been used to finance aircraft acquisitions, exchange differences arising on the retranslation of the loan balances at year end exchange rates are transferred to an unrealised exchange difference account. The balance on this account is released to the profit and loss account over the remaining period of the loan. Realised exchange gains or losses on loan repayments are dealt with through the profit and loss account. The directors are of the opinion that this is the most appropriate way to account for this method of financing aircraft acquisitions.

Gains or losses arising from other transactions are included as an exchange gain or loss in the profit and loss account.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

1 ACCOUNTING POLICIES (continued)

DEFERRED TAX

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

2 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 30 March 1990.

3 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Turnover and profit on ordinary activities before tax were contributed as follows:

Description of class of business:	Turnover		Profit before tax	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Airline operations and seat brokerage	171,973	139,962	6,742	10,386
Engineering services	14,114	9,122	4,397	630
	<u>186,087</u>	<u>149,084</u>	<u>11,139</u>	<u>11,016</u>
	=====	=====	=====	=====

4 PROFIT FOR THE FINANCIAL YEAR

As permitted by the Companies Act 1985, the separate profit and loss account of the company has not been presented in these financial statements.

The consolidated profit for the financial year includes £6,079 (1988: Nil) which has been dealt with in the financial statements of the company.

5 INTEREST PAYABLE

	1989 £'000	1988 £'000
On bank loans and overdraft	2,678	1,538
On other loans	13	24
Hire purchase interest	2	8
	<u>2,693</u>	<u>1,570</u>
	=====	=====

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

	£'000	£'000
Profit on sale of fixed assets	42	522
Operating lease rentals receivable	26,085	6,098
	=====	=====

and after charging:

Auditors' remuneration	66	60
Depreciation	9,021	8,029
Amortisation	465	343
Operating lease rentals - aircraft and engines	35,114	24,006
- land and buildings	580	441
- other	94	18
Finance lease charges	5,967	4,638
Hire of equipment	87	38
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX (continued)	1989 £'000	1988 £'000
	Directors' emoluments:		
	Salaries and other emoluments	261	-
	Directors' pension fund contribution	6	-
		<u>267</u>	<u>-</u>
		=====	=====
	Emoluments (excluding pension fund contributions):		
	Chairman and highest paid director	261	-
		<u>261</u>	<u>-</u>
		=====	=====
	Other directors:	Number	Number
	£0 - £5,000	4	1
		<u>4</u>	<u>1</u>
		=====	=====
	The number of employees of the group whose emoluments exceeded £30,000 was as follows:		
	£ 30,001 - £ 35,000	1	30
	£ 35,001 - £ 40,000	68	27
	£ 40,001 - £ 45,000	29	18
	£ 45,001 - £ 50,000	17	12
	£ 50,001 - £ 55,000	1	6
	£ 60,001 - £ 65,000	1	-
	£260,001 - £265,000	-	1
		<u>117</u>	<u>94</u>
		=====	=====

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1989 £'000	1988 £'000
Corporation tax at 35% (1988: 35%)	1,028	856
Deferred tax	1,283	1,584
	<u>2,311</u>	<u>2,440</u>
Adjustments relating to prior year:		
Corporation tax	(202)	26
	<u>2,109</u>	<u>2,466</u>
	=====	=====

If full provision for deferred tax had been made the group tax charge for the year would have been increased by £1,966,000 (1988: £2,230,000).

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

8	STAFF COSTS	1989 £'000	1988 £'000
	Wages and salaries	22,694	18,406
	Social security costs	2,027	1,577
	Other pension costs	1,724	1,420
		<u>26,445</u>	<u>21,403</u>
		=====	=====

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

	Number	Number
Airline operations	914	728
Aircraft engineers	372	332
Administrative	353	337
	<u>1,639</u>	<u>1,397</u>
	=====	=====

9 INTANGIBLE FIXED ASSETS

	The Group
	Aircraft introductory and initial training costs £'000
Cost	
At 1 December 1988	2,429
Additions	846
Eliminated	(152)
At 30 November 1989	<u>3,123</u>
Amortisation	
At 1 December 1988	1,028
Charge for the year	465
Eliminated	(152)
At 30 November 1989	<u>1,341</u>
Net book value:	
At 30 November 1989	<u>1,782</u>
	=====
At 30 November 1988	<u>1,401</u>
	=====

MONARCH HOLDINGS PLC

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

10	TANGIBLE FIXED ASSETS	Freehold & long leasehold property £'000	Short leasehold property £'000	Aircraft and engines £'000	Rotables and consumables £'000	Aircraft modifications & special work £'000	Aircraft simulator £'000	Plant and equipment £'000	Total £'000
	The Group								
	Cost								
	At 1 December 1988	3,214	790	115,325	20,636	3,042	6,068	4,184	153,259
	Additions	7,648	456	1,605	14,944	1,544	758	1,458	28,413
	Disposals	-	-	-	3,892	-	-	415	4,308
	At 30 November 1989	10,862	1,246	116,930	31,687	4,586	6,826	5,227	177,364
	Depreciation								
	At 1 December 1988	98	461	17,865	5,788	1,042	-	2,352	27,606
	Charge for the year	27	70	5,563	2,245	526	-	590	9,021
	Disposals	-	-	-	-	-	-	229	229
	At 30 November 1989	125	531	23,428	8,033	1,568	-	2,713	35,398
	Net book value:								
	At 30 November 1989	10,737	715	93,502	23,654	3,018	6,826	2,514	140,966
	At 30 November 1988	3,116	329	97,460	14,848	2,000	6,068	1,832	125,653

The aircraft and engines cost includes £88,924,000 (1988: £88,399,014) in respect of assets which are subject to finance lease arrangements. The accumulated depreciation of these assets is £19,819,000 (1988: £15,576,191).

The plant and equipment cost includes £284,073 (1988: £Nil) in respect of assets which are subject to finance lease arrangements. The accumulated depreciation of these assets is £71,018 (1988: £Nil).

The cost of the simulator includes £499,000 (1988: Nil) of capitalised interest.

Included in the cost of the long leasehold property is £68,058 (1988: £68,058) of capitalised interest.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

11	INVESTMENTS HELD AS FIXED ASSETS	The Group		The Company	
		1989 £'000	1988 £'000	1989 £'000	1988 £'000
	Shares in subsidiary companies	-	-	1,162	1,150
	Other investment	26	26	-	-
		<u>26</u>	<u>26</u>	<u>1,162</u>	<u>1,150</u>
		=====	=====	=====	=====

All of the above investments are unlisted.

The principal subsidiaries owned at the year end, all of which were incorporated in England, were as follows:

Subsidiaries	Principal activities	Percentage of share capital held
Monarch Airlines Limited	Airline and tour operators and seat brokers	100%
Monarch Aircraft Engineering Limited	Aircraft engineering and maintenance	100%

Other investment

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

12	STOCKS	The Group	
		1989 £'000	1988 £'000
	Cabin consumables	655	581
	Engineering stock	587	766
	Work in progress	1,254	1,528
	Payment received on account	(230)	(95)
		<u>2,266</u>	<u>2,780</u>
		=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

13	DEBTORS	The Group		The Company	
		1989	1988	1989	1988
		£'000	£'000	£'000	£'000
	Amounts falling due within one year:				
	Trade debtors	9,255	6,811	-	-
	Amounts owed by group companies	3	1,488	180	-
	VAT recoverable	716	1,624	-	-
	Tax recoverable	600	-	-	-
	Other debtors	2,005	1,446	-	-
	Prepayments	1,491	1,117	-	-
		<u>14,070</u>	<u>12,486</u>	<u>180</u>	<u>-</u>
	Amounts falling due after more than one year:				
	Other debtors	2,560	2,397	-	-
		<u>16,630</u>	<u>14,883</u>	<u>180</u>	<u>-</u>
		=====	=====	=====	=====
14	CREDITORS	The Group		The Company	
		1989	1988	1989	1988
		£'000	£'000	£'000	£'000
	Amounts falling due within one year:				
	Bank loans (secured)	2,302	1,853	-	-
	Other loan	-	500	-	-
	Obligations under finance leases and hire purchase contracts	6,728	5,921	-	-
		<u>9,030</u>	<u>8,274</u>	<u>-</u>	<u>-</u>
	Bank overdraft	303	257	-	-
	Trade creditors	34,540	25,295	-	-
	Payments received on account	2,489	1,720	-	-
	Corporation tax	2,108	2,044	3	-
	Other taxes and social security costs	854	720	77	-
	Amounts owed to group companies	819	2,185	-	-
	Other creditors	5,408	803	94	-
	Accruals	4,797	4,387	-	1
		<u>60,348</u>	<u>45,685</u>	<u>174</u>	<u>1</u>
		=====	=====	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

15 CREDITORS	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Amounts falling due after more than one year:				
Loans, finance lease and hire purchase obligations:				
Loan from ultimate holding company	1,150	1,150	1,150	1,150
Bank loans	26,723	24,814	-	-
Other loan	-	2,500	-	-
Obligations under finance lease and hire purchase contracts	69,692	70,075	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total loans, finance lease and hire purchase obligations	97,565	98,539	1,150	1,150
Less amounts included in current liabilities	9,030	8,274	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	88,535	90,265	1,150	1,150
Other creditors	819	696	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	89,354	90,961	1,150	1,150
	=====	=====	=====	=====
These amounts are payable in the following periods from the balance sheet date:				
In the second to fifth year inclusive	50,830	44,309	1,150	1,150
After five years	38,524	46,652	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	89,354	90,961	1,150	1,150
	=====	=====	=====	=====

The bank loans are secured upon an aircraft and long leasehold property. These loans bear interest at 0.65% above US\$ LIBOR and 2½% above Sterling LIBOR and are repayable over 10 and 8 years respectively.

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

The loan from the ultimate holding company is interest free for which there are no terms for repayment.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

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

The Group	Provided		Potential	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Accelerated capital allowances	3,961	3,501	9,247	6,821
Assets subject to finance leases	1,568	910	1,568	910
Other timing differences	833	668	833	668
	<u>6,362</u>	<u>5,079</u>	<u>11,648</u>	<u>8,399</u>
	=====	=====	=====	=====

17 CALLED UP SHARE CAPITAL

Authorised

50,000 (1988: 200) ordinary shares of £1 each

1989 £	1988 £
50,000	200
=====	=====

Allotted, called up and fully paid

50,000 (1988: 100) ordinary shares of £1 each

1989 £	1988 £
50,000	100
=====	=====

On 13 January 1989 the company's authorised share capital was increased to 50,000 £1 ordinary shares and on that date a further 38,300 £1 ordinary shares were issued for cash.

Subsequent to this date the company acquired the minority holdings in Monarch Airlines Limited and Monarch Aircraft Engineering Limited by the issue of 11,600 shares, by way of a share exchange offer.

18 RESERVES

GROUP	Profit and loss account £'000	Merger reserve £'000	Unrealised exchange difference equalisation account £'000	Total £'000
Profit and loss account				
At 1 December 1988	15,474	-	(537)	14,937
Retained profit for year	9,030	-	-	9,030
Difference arising on retranslation of long term foreign currency loan	-	-	(3,717)	(3,717)
Release of unrealised exchange difference for the year, charged to profit and loss account	-	-	354	354
Premium on shares issued during the year	-	4,963	-	4,963
At 30 November 1989	<u>24,504</u>	<u>4,963</u>	<u>(3,900)</u>	<u>25,567</u>
	=====	=====	=====	=====

In accordance with the provisions of Section 131 of the Companies Act 1985, the company has transferred to Merger Reserve the premium arising on the issue of shares as consideration for the minority interest acquired during the year.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

18	RESERVES (continued)	Profit and loss account £'000
	COMPANY	
	At 1 December 1988	-
	Retained profit for year	6
	At 30 November 1989	<u>6</u>
		=====

19	CAPITAL COMMITMENTS	The Group		The Company	
		1989	1988	1989	1988
		£'000	£'000	£'000	£'000
	Authorised and contracted for	Nil	Nil	Nil	Nil
		=====	=====	=====	=====
	Authorised but not contracted for	9,261	1,438	Nil	Nil
		=====	=====	=====	=====

20 CONTINGENT LIABILITIES

At 30 November 1989, the 'group had commitments under forward exchange contracts entered into in the ordinary course of business amounting to £16,989,000.

Charges have been registered over certain bank deposits held in a subsidiary's name as security for guarantee and forward money facilities provided by those banks. The total amount of deposits secured in this way at 30 November 1989 was £387,077.

At 30 November 1989, there were other contingent liabilities and commitments of the group arising in the ordinary course of business. The directors are of the opinion that no material loss will arise under these arrangements.

21 OPERATING LEASE COMMITMENTS

As at 30 November 1989 the group had annual commitments under operating leases as set out below:

	Aircraft and engines £'000	Land and buildings £'000
Operating leases the commitment for which expires:		
Within one year	7,600	62
In the second to fifth year inclusive	11,927	65
Over five years	11,395	154
	<u>30,922</u>	<u>281</u>
	=====	=====

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 November 1989

22 PENSIONS

The subsidiaries operate a pension scheme providing benefits based on final pensionable pay. The scheme is split into two sections (Aircrew and Groundstaff). The assets of the scheme are held separately from those of the company, being invested through investment managers. Contributions to the scheme are charged so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method and the attained age method. The most recent valuation was as at 1 July 1989. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 8% per annum for Aircrew and 7.5% per annum for Groundstaff and that present and future pensions would increase at the rate equal to the rise in the Retail Price Index less 4% with a minimum of 3% and a maximum of 8% per annum.

The pension charge for the period was £617,000 (1988 £559,000) in respect of Aircrew and £1,107,000 (1988 £861,000) in respect of Groundstaff.

The most recent actuarial valuation showed that the market value of the schemes assets was £13,680,000 in respect of the Aircrew section and that the actuarial value of those assets represented 97% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the subsidiary and employees will remain at 15.0% and 7.5% of earnings respectively. In respect of the Groundstaff section the most recent actuarial valuation showed that the market value of the schemes assets was £14,531,000 and that the actuarial value of those assets represented 127% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the subsidiary and employees will remain at 12% and 2% of earnings respectively.

23 ULTIMATE HOLDING COMPANY

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

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year ended 30 November 1989

	note	1989 £'000	1988 £'000
SOURCE OF FUNDS			
Generated from operations	1	20,583	18,866
OTHER SOURCES			
Hire purchase		5,044	-
Proceeds from disposals of tangible fixed assets		4,121	3,762
Bank loan		-	22,695
Decrease in net working capital	2	13,287	2,186
Share capital issued		50	-
		<u>22,502</u>	<u>28,643</u>
		43,085	47,509
APPLICATION OF FUNDS			
Acquisition of minority interest		12	-
Purchase of fixed assets			
- intangible		846	496
- tangible		28,413	38,247
Loans repaid		4,000	966
Tax paid		1,362	40
Finance lease repayments		5,381	5,488
		<u>40,014</u>	<u>45,237</u>
INCREASE IN CASH RESOURCES		<u>3,071</u>	<u>2,272</u>
		=====	=====
NOTES			
1 Generated from operations:			
Profit before tax less minority interest		11,139	8,948
Minority interests in the retained profits for the year		-	2,068
Amortisation - intangible fixed assets		465	343
Depreciation - tangible fixed assets		9,021	8,029
Profit on sale of tangible fixed assets		(42)	(522)
		<u>20,583</u>	<u>18,866</u>
		=====	=====
2 Decrease in net working capital			
Stocks		(514)	955
Debtors		2,632	3,232
Creditors		(15,291)	(8,077)
Group indebtedness		(114)	1,704
		<u>(13,287)</u>	<u>(2,186)</u>
		=====	=====