

AIR MALTA p.l.c.

Annual Report and Consolidated
Financial Statements
31 March 2013

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Directors' report

The Directors present their report and the audited financial statements of Air Malta p.l.c. for the year ended 31 March 2013.

Principal activities

The principal activity of Air Malta p.l.c., as exercised by the holding Company, is the undertaking of airline operations. Ancillary activities of the Group include amongst others; ground handling operations, tour operations and other tourism related activities and insurance. During the current financial year, the Group pursued its efforts to divest from non-core operating activities. The Group holds investments in a number of subsidiary and associated undertakings.

Review of the business and results

General

Air Malta p.l.c. is currently going through a restructuring process with the intent of returning the company back to profitability in the near future. During the financial year ended 31 March 2013, the Group incurred losses after tax from continuing operations amounting to €30.5 million (2012: €35.6 million) putting the Group's equity base under further strain. The Group's liabilities exceeded its assets as at 31 March 2013 by €73.6 million (2012: €103.8 million). As at 31 March 2012, its current liabilities exceeded its current assets by €69.9 million, excluding the impact of sales in advance from the Group's current liabilities, whereas the Group's current assets exceeded its current liabilities (excluding sales in advance) at 31 March 2013.

Restructuring Plan and Restructuring Aid

Air Malta p.l.c. has been incurring losses on its core airline business for several years. In order to address the commercial challenges the airline is facing, the Company's Restructuring Plan was devised setting out the strategy to return the airline to positive financial results and a positive net cash flow position. During the preceding financial year, the Government of Malta, as the principal shareholder, has taken ownership of the Restructuring Plan and communicated this to the European Commission, seeking Commission approval of the Plan and of the implied Restructuring Aid.

This Restructuring Plan sets out the turnaround strategy for the Company for the five-year period FY2012 to FY2016. The Plan was drawn up following the Government's notification – and subsequent European Commission approval – of the provision of a €52 million Rescue Aid Loan to the Company. According to the Restructuring Plan, a capital increase of €130 million is required to help restructure the Company, which has been in difficulty for several years.

On 27 June 2012, the European Commission has communicated its decision confirming approval of Restructuring Aid for Air Malta p.l.c. and it resolved that a €130 million aid amount to be granted to the Company for its restructuring is in line with EU state aid rules. The Commission observed that the Restructuring Plan adequately addresses the financial problems of the Company. The restructuring measures foreseen, which include a significant capacity reduction and the sale of assets, should ensure long-term viability without continued state support, whilst avoiding undue distortions of competition.

In accordance with its investigation, the Commission resolved that the Restructuring Plan is based on realistic assumptions and should enable Air Malta p.l.c. to become viable within a reasonable timescale. The Commission is satisfied that the proposed capacity reduction consisting in the withdrawal from certain routes will avoid undue distortions of competition. Moreover, Air Malta p.l.c. will contribute to the costs of restructuring by selling property and other assets, as well as securing private bank borrowings.

Directors' report - continued

Restructuring Plan and Restructuring Aid - continued

The survival of the Company is intrinsically linked to the ability of the airline to rapidly and successfully execute a range of cost and revenue initiatives as reflected in the Restructuring Plan. The Restructuring Plan shows that the existing level of losses can be turned around to profitability by FY2015. During the current year, Air Malta p.l.c. has proceeded with the implementation of initiatives contemplated within the Restructuring Plan as submitted to the European Commission for the approval of the Restructuring Aid, including:

- significant downsizing of the head count through Voluntary and Early Retirement Schemes has been substantially achieved by 31 March 2013;
- initiated the implementation of a comprehensive change agenda of more than 160 projects covering all aspects of the airline - a significant number of projects are underway and some have been concluded;
- implementation of a more disaggregated and internet-based reservation/sales function in line with the model adopted by other carriers; and
- appointment of key executives with industry expertise.

The effectiveness of the measures already taken has been reflected in the improved financial results registered during the current financial year when compared to the preceding financial year performance. The airline's operating results from continuing operations, prior to restructuring and other related costs, for the current financial year are in line with the projected results reflected with the Restructuring Plan. However in view of the delayed implementation of certain measures envisaged, the full benefit of expected cost reductions has not been experienced by the Company during the year ended 31 March 2013. This is expected to occur in the financial year ending 31 March 2014 further improving the operating results registered. During the forthcoming financial year, the Company will pursue with the implementation of the measures and phases as envisaged in the Restructuring Plan.

Financing of the Restructuring Plan

The Restructuring Plan reflects the strategy to return the airline to a positive net cash flow position by the end of FY2014. This return to a positive net cash flow position has required the Company to sell its main remaining property assets. The funding raised will be employed in the restructuring of the Company and supplemented by approved State Aid in the form of a capital injection. The funding plan implied within the Restructuring Plan has been formally approved and fully supported by the Government, as the Company's principal shareholder.

Directors' report - continued

Financing of the Restructuring Plan - continued

The principal steps in the financing process, reflected within the Plan and accordingly approved by the European Commission, are the following:

- A Promise of Sale Agreement to dispose of the principal property, constituting the remaining main asset owned by the Company, for an amount of €66.2 million has been entered into with Government. A deposit of €20 million has been paid by Government during January 2012. During the current financial year, contracts of sale were entered into with entities controlled by the Government in relation to property for the amount of €29.8 million, which amount has been received. The deposit of €20 million from Government has been refunded as the properties sold have been released from the terms of the Promise of Sale Agreement.
- Simultaneously, the Company has successfully negotiated fresh bank loans amounting to €30 million. These facilities are secured on the Promise of Sale Agreement referred to above and will be repaid through the sale proceeds. In addition, facilities of €20 million will be required during the latter part of the 5 year plan.
- The disposal process of the Company's subsidiaries and other strategic investments, which have been earmarked for sale, has progressed during the current financial year. The disposal of Holiday Malta Company Limited has been finalised.
- Government has granted a fresh commercial loan of €52 million to the Company. These funds have been used by the Company to pay back the Rescue Aid Loan in line with the European Commission's Rescue and Restructuring Guidelines. The commercial loan will be converted to equity in the later part of the 5 year plan.
- The Company will allocate €78 million of fresh equity to Government. The capital will be called up in tranches in due course in accordance with the programme established in the Restructuring Plan. During the year, 130 million ordinary shares of €1 each have been allotted to the Government and €60 million has been injected into the Company by way of calls in respect of such shares. Capital injected has improved in a significant manner the financial position and liquidity of the Company. By virtue of a subscription agreement dated 6 October 2012, the Government of Malta has undertaken to take up the calls in respect of the unpaid part of the 130,000,000 ordinary shares issued.

Overall assessment

Taking cognisance of the approval by the European Commission of the Company's Restructuring Plan, it is the view of the directors that there is a reasonable expectation that the Company and the Group are able to continue in operational existence for a period of at least 12 months from the end of the reporting period. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements, on the basis of:

- (i) the formal approval of the Plan by the Commission;
- (ii) the current level of commitment shown by the Government of Malta, including approval of the implied funding requirements;
- (iii) the financing arrangements already put into place; and
- (iv) the underlying assumption that the Restructuring Plan can be implemented in a timely manner and in accordance with its terms.

Directors' report - continued

Financial results

The Group's financial results attributable to continuing operations comprise the figures of Air Malta p.l.c. and Shield Insurance Company Limited following the classification of all other group undertakings as assets which are classified as held for sale.

The airline's operating loss for the year ended 31 March 2013, prior to restructuring and related costs, amounted to €13.7 million. This result represents a net improvement of €16 million over the corresponding loss in FY2012 amounting to €29.7 million.

The improved operating performance registered in FY2013 was mainly driven by the sustained benefits of various projects initiated or continued during the year under review, as reflected in the implementation roadmap with respect to the Restructuring Plan, with the ultimate objective of converting the airline from a loss making business into a profitable operation.

The revenue from airline operations in FY2013 amounted to €227 million compared to €214 million registered in the preceding financial year. These improved results were achieved notwithstanding a further 10% reduction (20% over a period of two years) in flight capacity as imposed by the terms of the approved Restructuring Plan.

Notwithstanding the reduction in capacity, revenue has increased through a number of commercial initiatives. One major initiative has been the introduction of a new revenue management pricing system, which has contributed significantly to improved yields and enhanced seat factors. The consolidation of the various ancillary revenue programmes has also contributed to the increase in revenues for the year.

The Restructuring Plan focuses in a substantial manner on cost reduction initiatives. The operational costs of the airline, excluding restructuring and related costs, have decreased even though delays have been experienced in a number of key areas in respect of contract renegotiations which were expected to deliver significant costs savings. However, the effects of the projects initiated during the current financial period subsequent to the approval of the Restructuring Plan, together with contract renegotiation in certain expenses areas, have helped in reducing costs significantly. The impact of voluntary redundancy and early retirement schemes has given rise to a decrease in recurring personnel costs incurred during the current financial year. A further reduction in operational costs is expected in the near future once key negotiations on certain contracts are finalised.

Fuel costs have decreased by 2.2% in FY2013 compared to the preceding financial year. The decrease is mainly attributable to a decline in the prevailing average fuel price by approximately 1.6% when compared to prior year average levels. Furthermore the company's hedging programme has mitigated the 2% appreciation of the US dollar versus the euro throughout the current financial year has contributed to the reduction in fuel expenditure.

Restructuring and other related costs have increased from €4.7 million in the financial year ended 31 March 2012 to €12.3 million in view of the enhanced restructuring activity subsequent to the approval of the Restructuring Plan by the European Commission.

During FY2013, the result attributable to "Discontinued operations" reflects principally the impact of the disposal of Holiday Malta Company Limited and of its UK subsidiaries in respect of which a gain on disposal has been registered.

Dividends

The Directors do not recommend the payment of a dividend.

Directors' report - continued

Directors

The Directors of the holding Company who held office during the year under review and during the period until the date of authorisation for issue of the audited financial statements are:

Raymond Fenech - appointed as Director and Chairman on 18 April 2013
Louis A. Farrugia - resigned as Director and Chairman on 18 April 2013
Adrian Coppini - resigned on 18 April 2013
Alan Caruana - resigned on 18 April 2013
Alison Attard - resigned on 18 April 2013
Andrew Calascione - resigned on 18 April 2013
Christopher Grech - appointed as Director on 18 April 2013
Eric Fenech Pace - appointed as Director on 18 April 2013
George Micallef - appointed as Director on 18 April 2013
Helga Ellul - resigned on 18 April 2013
Joseph A. Gasan - appointed as Director on 18 April 2013
Joseph Borg - appointed as Director on 18 April 2013
Karen Bugeja - appointed as Director on 18 April 2013; resigned on 24 May 2013
Maria Micallef - appointed as Director on 27 May 2013
Mark Micallef Eynaud - resigned on 29 February 2012
Norman Spiteri - appointed as Director on 18 April 2013
Roderick Chalmers - resigned on 18 April 2013

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Air Malta p.l.c. for the year ended 31 March 2013 are included in the Annual Report and Consolidated Financial Statements 2013, which is published in hard-copy printed form and made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Auditors

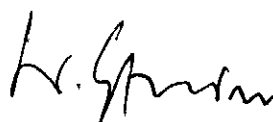
PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Raymond Fenech
Chairman

24 October 2013



Norman Spiteri
Director

Corporate Governance Statement

Corporate Governance is concerned with how companies are directed and controlled. Good governance ensures that the Board of Directors monitors managerial performance effectively to achieve a fair return for the shareholders whilst upholding the values of fairness, transparency, accountability and responsibility towards all stakeholders.

The Group's supreme decision-making body is the General Meeting of Shareholders of Air Malta p.l.c. The Group's parent company is Air Malta p.l.c. which is responsible for the Group's management, accounting and financing, strategic planning, personnel management, communications and corporate governance.

The Group is committed to high standards of Corporate Governance. The Board of Directors of Air Malta p.l.c. believes that the current set up of the Company and the Group enables them to operate in a proper and efficient manner and provides adequate safeguards for good Corporate Governance.

The Board

Pursuant to the Company's Articles of Association, the administration and management of the Company is conducted by a Board of Directors consisting of not less than five and not more than ten Directors. The Directors of the Company are appointed by the Shareholders as nearly as may be in proportion to the shares held by such Shareholder. All Directors may be removed from their post by the shareholder appointing them, by a letter addressed to the Company. Unless otherwise specified in their letter of appointment, Directors hold office for a period of one year. Directors are eligible for reappointment upon the lapse of the period stated in their letter of appointment.

The Board comprises of seven non-executive Directors and a non-executive Chairman. The Directors are considered independent and no one individual or one grouping exerts an undue influence on others. All Directors, in the furtherance of their duties, have access to take independent professional advice on any matter at the Company's expense. The Directors are conscious that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them on the Board. The personal interest of a Director does not take precedence over those of the Company and its shareholders. Should a conflict arise, the Director discloses the conflict in full and abstains from taking part in the discussion and refrains from voting on the matter.

The Board convenes at least monthly and all Directors receive written reports prior to each Board meeting which enables them to make an informed decision on the corporate and business issues under consideration. The Chairman ensures that all relevant issues are on the agenda and facilitates and encourages the presentation of views pertinent to the subject matter. After each Board meeting, minutes that faithfully record attendance and decisions taken are made available to all Directors prior to the subsequent Board meeting.

The roles of Chairman and Chief Executive Officer (CEO) are separate roles which are undertaken by separate individuals. The Chairman is responsible for leading the Board, facilitating Board discussions and managing the Board's relationship with the shareholder and senior management. The CEO ensures that management and employees receive adequate and relevant training so that the Company remains competitive. The CEO together with the Chief Officers is responsible for implementing the Company's strategies and policies.

The Directors believe that the Company has in place the appropriate structures, including an adequate system of controls, in order to achieve an adequate level of good Corporate Governance.

During the financial year ended 31 March 2013, the Board of Directors met 18 times.

Corporate Governance Statement - continued

Responsibilities of the Board

The Board exercises leadership, enterprise, integrity and judgement in directing the Company so as to safeguard and improve its economic and commercial prosperity. The key responsibilities of the Board in fulfilling its mandate are to:

- establish sound Corporate Governance Standards;
- establish a clear internal and external reporting system so that the Board has continuous access to accurate, relevant and timely information such that the Board can discharge its duties, exercise objective judgement on corporate affairs and take pertinent decisions to ensure that an informed assessment can be made of all issues facing the Board;
- define the Company's objectives, goals and general strategic direction for management;
- contribute to, approve and monitor, strategy, financial and performance objectives developed by management;
- continuously assess and monitor the Company's present and future operations, opportunities, threats and risks in the external environment and current and future strengths and weaknesses;
- ensure that appropriate policies and procedures are in place to manage risks and internal control;
- seek to establish an effective decision-making process in order to develop the Company's business efficiently;
- ensure compliance with applicable laws, regulations and best industry practices;
- appoint the Company's Chief Executive Officer, participate in the appointment of senior management and establish a succession plan for senior management; and
- exercise accountability to shareholders and be responsible to relevant stakeholders.

The items that are reserved for approval by the Board of Directors are the business plan, the annual budget, the network, the procurement of fixed assets and services and the issuance of loans above established thresholds and the performance review including related performance bonus payments to senior management.

In addition, the Board sets the Company's values and standards, including matters relating to corporate social responsibility and ensures that its obligations to its shareholders and other stakeholders are understood and satisfied.

Relations with Shareholders

Apart from the Annual General Meeting, the Company communicates with its shareholders by way of the Annual Report and Financial Statements, and by means of other Company announcements made to the public in general during the year.

Relations with Stakeholders – Works Council

The main objective of the Works Council is to promote dialogue through the sharing of information and exchange of ideas in a collaborative, participative and open manner, between the Company's senior management team and its employees represented by the Central Representative Council (CRC). The CRC is given the responsibility by the Trade Unions and other non-unionised categories of staff for the development of industrial democracy in Air Malta p.l.c. Eligibility for membership to the CRC is confined to full time employees of the Company.

The Works Council is composed of the CRC and the Company Delegates representing management. The Company Delegates comprise the Chairman, the CEO, and any other Chief Officer, Head or employee as required depending on the agenda to be discussed.

Corporate Governance Statement - continued

Committees established by the Board

The Board has constituted the following Committees to further enhance and enable the promulgation of good corporate governance practices throughout the Company. The Board may add new Committees or remove existing Committees as it deems fit in the fulfilment of its primary responsibilities. Each Committee is governed by a written charter approved by the Board. The Board is responsible for the appointment of Committee members and Committee chairpersons according to criteria that it determines to be in the best interest of the Company.

1) Board Committees

Audit Committee

The Audit Committee meets on a quarterly basis and has clear terms of reference, as approved by the Board of Directors, in relation to its authority and duties. The Audit Committee reports directly to the Board of Directors. The ultimate responsibility for delegated functions rests with the Board. The Audit Committee is chaired by a non-executive Director and another member of the Board is also a member of the Committee.

The Chairman of the Company, any Director, the CEO, the external auditors, any member of the Senior Management Team or any other employee of the Company may be requested to attend part of or all of an Audit Committee meeting as may be decided by the Audit Committee. The Audit Committee primarily assists the Board in fulfilling its fiduciary responsibilities to provide oversight with respect to:

- the integrity of the Company's financial statements,
- review of Company policy with respect to risk assessment and risk management, compliance with legal requirements and Company policies regarding ethical conduct,
- the Company's system of internal controls, and
- the performance and engagement of the Company's internal and external auditors.

Remuneration Committee

A Remuneration Committee is chaired by a non-executive Director, and its other members are the Chairman and another non-executive Director. The role of the Remuneration Committee is to advise the Board on the remuneration packages for the Chief Executive Officer, the members of the Senior Management and Consultants.

Risk Committee

The Board has overall responsibility and ultimate accountability for risk management and has entrusted the Risk Committee to ensure that the risk management process within the Company is effective. As part of the restructuring process of Air Malta, the Board of Directors and management of Air Malta p.l.c. carried out a review of the company's management of risk. The review was aimed at devising a framework that provides the necessary assurances that the financial and governance/compliance risks that the company is exposed to are pro-actively controlled and managed.

The Risk Committee assists the Board in fulfilling its risk management responsibilities, by assessing and providing oversight of the Company's risk management processes and its identification, evaluation and treatment of major strategic, financial, operational and regulatory risks and such other risks as necessary to fulfil the Committee's duties.

Corporate Governance Statement - continued

Risk Committee - continued

The Risk Committee is chaired by the Chairman of the Company and comprises the Chief Executive Officer, the Chief Financial Officer (CFO) and two other Board Directors, who is also a member of the Audit Committee. The Risk Committee meets at least on a quarterly basis or as frequently as may be required and reports its actions and recommendations to the Board at least on an annual basis. The Risk Committee collaborates with the Audit Committee in terms of providing assurance on the effectiveness of the Company's risk management structures and reviewing disclosures regarding risk contained in the Company's Annual Report.

2) Management Committees

Senior Management Team

During the year ended 31 March 2013, the CEO led the Senior Management Team and reported directly to the Board. The Senior Management Team is made up of the Chief Officers responsible for the Finance, Commercial, Organisational Development, Flight Operations, Engineering and Information Systems departments as well as the Chief Restructuring Officer (CRO). Members from the Project Management Office are also requested to attend from time to time. The Senior Management Team meeting is convened on a weekly basis and concentrated mainly on:

- implementing corporate strategy and making recommendations on significant corporate strategic initiatives;
- developing the Company's annual budget and business plan and recommending it to the Board for approval;
- managing the Company's day to day operations in accordance with the Board approved authorisations, policies, procedures, budget and business plan;
- monitoring the Company's performance and reports monthly to the Board on key performance indicators mainly through the regular updating of the corporate dashboard and the presentation of detailed management accounts; and
- organizational development issues, including directing the negotiations with unions on collective agreements and restructuring agreements, ensuring transparency and good governance are maintained in these processes.

The appointed Secretary circulates the agenda and the minutes for each meeting. The Senior Management Team met forty-one times during the year ending 31 March 2013.

Corporate Governance Statement - continued

Financial Risk Committee

The Financial Risk Committee provides the framework for the management of the Company's financial risks, and provides specific guidance on the management of liquidity, interest rate, foreign exchange, commodity pricing (fuel and emissions) and credit exposures.

The key objectives and responsibilities of the Financial Risk Committee relate to:

- developing, reviewing and maintaining a funding strategy for the Company, with a view to ensure proper funding of the Company's business activities;
- providing guidelines and ensuring control of financial risks emanating from fuel price volatility, interest rate risk and exchange rate risk;
- providing guidance on managing liquidity risk through regular review of cash flow performance;
- monitoring credit risk of existing major counterparties and extent of credit risk concentration;
- authorising the adoption and acquisition of investment instruments, risk hedging instruments and related derivatives; and
- recommending to the Board ways in which the financial position can be developed through Treasury activities. This includes ensuring that the structure of the Company's statement of financial position is appropriate in terms of funding mix and gearing, capital adequacy and financial risk management policy.

The Financial Risk Committee comprises both internal executives and external non-executive consultants with a view to reach balanced and informed decisions on the subject-matter. Meetings are held on a monthly basis and are chaired by the Company's Chief Financial Officer. The Committee reports directly to the Board of Directors.

Internal Audit

The Company promotes the independence of the function as a whole and allows internal audit to form an objective judgement. Internal audit has free and unrestricted access to management, employees, activities, physical locations and to all information considered necessary for the proper execution of the internal audit's work, at the discretion of the Head of Internal Audit. The Head of Internal Audit reports to the Audit Committee.

Internal Audit is an independent, objective assurance and consulting activity designed to add value to the Company's operations. It helps Air Malta p.l.c. and the Audit Committee in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

As part of the restructuring process undertaken by the Company, it was decided that it would be more beneficial to the Company if the available resources within the internal audit function are used to assist the Project Management Office in the implementation of a number of projects. Consequently, the Internal Audit Plan approved by the Audit Committee was suspended and the Head of Internal Audit was assigned to the PMO.

Corporate Governance Statement - continued

External Audit

The Audit Committee makes recommendations to the Board in relation to the appointment of the external auditor, the audit fee, the terms of engagement and any questions of resignation or dismissal thereof. The Committee also monitors and reviews annually the external auditor's independence, objectivity and effectiveness. The Committee reviews the nature and extent of non-audit services rendered by the auditors and oversees that the provision of such services is in line with regulations and best governance practice.

The nature and scope of the audit are discussed with the Audit Committee prior to the commencement of the statutory audit. Likewise, any audit issues arising during the course of the audit are discussed by the auditors with the Audit Committee.

Investment Committee

The Investment Committee was established to provide project governance to ensure that all business projects within Air Malta p.l.c.:

- are aligned with Air Malta p.l.c.'s strategic objectives and restructuring plan;
- have appropriate business ownership;
- are being managed well and in accordance the requirements of Governance across the Company;
- are making optimum and appropriate use of corporate resource, and the spend proposed is in line with the restructuring plan; and
- will deliver the benefits forecast in the project's business case.

The Investment Committee is composed of the CEO, the CRO, the Chief Commercial Officer (CCO), the Head of Project Management Office and the CFO. The Investment Committee met sixteen times in the financial year ending 31 March 2013.

Flight Safety Committee

The main objectives of the Flight Safety Committee are to instigate preventive systems and procedures within the Company in order to prevent accident or incident in relation to aircraft operation and assist the Head of Safety and Compliance in any investigation that may become necessary.

As required by the Safety Management System (SMS), the Flight Safety Committee is a high-level platform wherein the operational departments come together regularly, and discuss current safety issues as well as issues that need to be proactively addressed.

The Flight Safety Committee meetings are chaired by the Head of Safety and Compliance and are attended by the CEO, Chief Officers or Heads of the Flight Operations, Ground Operations, Engineering and Maintenance, In-flight Services, and Security departments.

During the year under review, the Flight Safety Committee been convened on a monthly basis.

Corporate Governance Statement - continued

Internal Controls

The Directors acknowledge their responsibility for the Company's systems of internal control which are designated to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations and for reviewing their effectiveness. In establishing and reviewing the systems, the Directors have regard to the materiality of relevant risks, the likelihood of a loss being incurred and the costs of control. It follows therefore that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The key procedures that have been established to date to provide effective internal control include:

- an independent and professional Board which meets at least on a monthly basis and has separate Chairman and CEO roles;
- weekly Senior Management meetings;
- an Audit Committee which approves audit plans and considers significant control matters raised by the internal and external auditors together with management;
- a Risk Committee that assists the Board in fulfilling its risk management responsibilities;
- a Financial Risk Management Committee that provides oversight and guidance in the financial risk identification process and ensures proper analysis, evaluation, mitigation and management reporting and monitoring of material financial risks;
- an internal audit function which reviews key financial/operational processes and controls which reports directly to the Audit Committee;
- an Investment Committee which provides assurance that projects are being managed well and in accordance the requirements of governance across the Company;
- a Flight Safety Committee that provides the framework for incident or accident prevention processes and incident investigation and reporting processes covering all areas relating to aircraft operation.
- clearly defined organisation structure and limits of authority;
- a comprehensive system of internal financial reporting which includes the preparation of detailed monthly management accounts providing financial and operational performance measure indicators to management;
- the business agenda is determined by the Business Plan which represents the operational and financial evaluation of the corporate strategy, identifying and prioritising improvement opportunities to achieve financial budgets and service standards;
- information systems are developed to support the Company's long-term objectives.

The Board confirms that the above processes were in place during the year under review or as otherwise indicated in the respective sections of the Corporate Governance Statement as a result of the restructuring process that is taking place within the Company and that the information it received was sufficient to enable it to review the effectiveness of the Company's system of internal control. The Board shall continue to monitor the appropriateness of the internal control systems in place in light of ensuring such controls to best current practice.

Independent auditor's report

To the Shareholders of Air Malta p.l.c.

Report on the Financial Statements

We have audited the consolidated and stand-alone parent Company financial statements of Air Malta p.l.c. (together the "financial statements") on pages 16 to 101, which comprise the consolidated and parent Company statements of financial position as at 31 March 2013, and the consolidated and parent Company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 5, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Group and the parent Company as at 31 March 2013, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



Independent auditor's report - continued

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1.1.1 that deals with the basis of preparation of these financial statements, which addresses developments in connection with the approval by the European Commission of the Company's Restructuring Plan and the implied Restructuring Aid, consisting of a capital increase of €130 million. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the nature of these developments and the impact they have on the basis of preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

A handwritten signature in dark ink, appearing to read 'F Axisa'.

Fabio Axisa
Partner

24 October 2013

Statements of financial position

		As at 31 March			
	Notes	2013 Group €000	2012 €000	2013 Company €000	2012 €000
ASSETS					
Non-current assets					
Property, plant and equipment	5	7,341	4,782	7,341	4,782
Investment property	6	47	47	47	47
Intangible assets	7	3,388	2,144	3,388	2,144
Investments in subsidiaries	8	-	-	1,805	1,805
Available-for-sale financial assets	10	107	107	107	107
Derivative financial instruments	11	915	-	915	-
Amount owed by ultimate shareholder	12	36,400	46,200	36,400	46,200
Other receivables	13	5,640	5,540	5,640	5,540
Term placements with banks	16	255	439	-	-
Total non-current assets		54,093	59,259	55,643	60,625
Current assets					
Inventories	14	1,229	1,400	1,229	1,400
Trade receivables	15	34,546	23,694	34,546	23,694
Amounts owed by subsidiaries		-	-	63	2,320
Amounts owed by associates		492	223	492	223
Amounts owed by related parties		2,171	452	2,171	452
Current tax assets		722	667	667	667
Other receivables		2,079	3,336	2,079	3,244
Prepayments and accrued income		3,515	3,249	3,449	3,156
Available-for-sale financial assets	10	534	518	-	-
Derivative financial instruments	11	3,646	5,072	3,646	5,072
Term placements with banks	16	17,152	2,139	15,000	-
Cash and cash equivalents	17	31,091	20,326	31,022	17,574
Assets classified as held for sale	18	97,177 7,370	61,076 8,370	94,364 223	57,802 283
Total current assets		104,547	69,446	94,587	58,085
Total assets		158,640	128,705	150,230	118,710

Statements of financial position - continued

		As at 31 March			
	Notes	2013 Group €000	2012 €000	2013 Company €000	2012 €000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	61,024	25,892	61,024	25,892
Share premium	20	42,762	42,762	42,762	42,762
Revaluation reserve	21	7,480	13,868	7,480	13,868
Hedging reserve	22	2,610	3,095	2,610	3,095
Other reserve	23	-	(3,497)	-	-
Accumulated losses		(187,498)	(185,963)	(195,073)	(195,190)
Total equity		(73,622)	(103,843)	(81,197)	(109,573)
Non-current liabilities					
Borrowings	24	75,292	10,000	75,292	10,000
Provisions in respect of maintenance costs	26	38,430	37,190	38,430	37,190
Other payables		4,487	6,498	3,786	5,575
Total non-current liabilities		118,209	53,688	117,508	52,765
Current liabilities					
Trade payables		19,721	20,043	19,721	20,043
Amounts owed to subsidiaries		-	-	6,162	5,945
Amounts owed to associates		614	134	614	134
Amounts owed to related parties		2,986	2,090	2,986	2,090
Sales in advance		44,803	39,452	44,803	39,488
Current tax liabilities		-	342	-	-
Other payables		4,383	3,442	4,383	3,343
Indirect taxation and social security		1,119	1,280	1,119	1,280
Accruals and deferred income		13,245	16,013	13,224	15,989
Borrowings	24	1,651	56,156	1,651	56,156
Derivative financial instruments	11	414	312	414	312
Provisions in respect of maintenance costs	26	9,855	3,506	9,855	3,506
Provision in respect of restructuring costs	28.3.2	8,987	26,814	8,987	26,814
Other provisions	27	-	418	-	418
		107,778	170,002	113,919	175,518
Liabilities directly associated with assets classified as held for sale	18	6,275	8,858	-	-
Total current liabilities		114,053	178,860	113,919	175,518
Total liabilities		232,262	232,548	231,427	228,283
Total equity and liabilities		158,640	128,705	150,230	118,710

The notes on pages 23 to 101 are an integral part of these consolidated financial statements.

The financial statements on pages 16 to 101 were authorised for issue by the Board on 24 October 2013 and were signed on its behalf by:

Raymond Fenech
Chairman

Norman Spiteri
Director



Income statements

		Year ended 31 March			
	Notes	2013 Group €000	2012 €000	2013 Company €000	2012 €000
Continuing operations:					
Revenue	28.1	226,970	214,076	227,017	214,101
Cost of sales	28.2	(221,696)	(216,206)	(222,963)	(217,616)
Gross result		5,274	(2,130)	4,054	(3,515)
Selling and distribution costs	28.2	(18,021)	(17,215)	(18,021)	(17,215)
Administrative expenses	28.2	(12,369)	(13,827)	(12,224)	(13,726)
Other operating income		137	119	137	119
Operating loss		(24,979)	(33,053)	(26,054)	(34,337)
<i>Operating loss before restructuring and other related costs</i>					
		(12,664)	(28,367)	(13,739)	(29,651)
<i>Restructuring and other related costs</i>	28.3.1	(12,315)	(4,686)	(12,315)	(4,686)
<i>Operating loss after restructuring and other related costs</i>		(24,979)	(33,053)	(26,054)	(34,337)
Investment and other related income	30	35	(334)	-	3,692
Finance income	31	158	328	91	184
Finance costs	32	(5,167)	(4,571)	(5,296)	(4,590)
Loss before tax		(29,953)	(37,630)	(31,259)	(35,051)
Tax (expense)/income	33	(553)	2,046	(260)	1,699
Loss for the year from continuing operations		(30,506)	(35,584)	(31,519)	(33,352)
Discontinued operations:					
Profit/(loss) for the year from discontinued operations	18	1,326	(2,879)	356	(5,000)
Loss for the year		(29,180)	(38,463)	(31,163)	(38,352)

The notes on pages 23 to 101 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Note	Year ended 31 March			
		2013	2012	2013	2012
		Group €000	€000	Company €000	€000
Loss for the year		(29,180)	(38,463)	(31,163)	(38,352)
Other comprehensive income:					
Cash flow hedges, net of deferred tax	22	(485)	3,282	(485)	3,282
Currency translation differences		(138)	182	-	-
Other comprehensive income for the year, net of tax		(623)	3,464	(485)	3,282
Total comprehensive income for the year		(29,803)	(34,999)	(31,648)	(35,070)

The notes on pages 23 to 101 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €000	Share premium €000	Hedging reserve €000	Revaluation reserve €000	Other reserve €000	Accumulated losses €000	Total Equity €000
Balance at 1 April 2011		25,892	42,762	(187)	13,868	(3,497)	(147,682)	(68,844)
Comprehensive income								
Loss for the year		-	-	-	-	-	(38,463)	(38,463)
Other comprehensive income:								
Cash flow hedges, net of deferred tax	22	-	-	3,282	-	-	-	3,282
Currency translation differences		-	-	-	-	-	182	182
Total other comprehensive income		-	-	3,282	-	-	182	3,464
Total comprehensive income		-	-	3,282	-	-	(38,281)	(34,999)
Balance at 31 March 2012		25,892	42,762	3,095	13,868	(3,497)	(185,963)	(103,843)
Comprehensive income								
Loss for the year		-	-	-	-	-	(29,180)	(29,180)
Other comprehensive income:								
Transfer upon realisation through the sale of property		-	-	-	(6,388)	-	6,388	-
Cash flow hedges, net of deferred tax	22	-	-	(485)	-	-	-	(485)
Currency translation differences		-	-	-	-	-	(138)	(138)
Total other comprehensive income		-	-	(485)	(6,388)	-	6,250	(623)
Total comprehensive income		-	-	(485)	(6,388)	-	(22,930)	(29,803)
Transactions with owners								
Realisation upon disposal of interests in respect of which this reserve arose		-	-	-	-	3,497	(3,497)	-
Reduction of ordinary share capital offset against accumulated losses	19	(24,892)	-	-	-	-	24,892	-
Issue of ordinary share capital	19	60,024	-	-	-	-	-	60,024
Total transactions with owners		35,132	-	-	-	3,497	21,395	60,024
Balance at 31 March 2013		61,024	42,762	2,610	7,480	-	(187,498)	(73,622)

Exchange differences arising from the translation of the net investment in foreign Group entities were deemed immaterial and accordingly have been taken to accumulated losses.

Statements of changes in equity - continued

Company

	Notes	Share capital €000	Share premium €000	Hedging reserve €000	Revaluation reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2011		25,892	42,762	(187)	13,868	(156,838)	(74,503)
Comprehensive income							
Loss for the year		-	-	-	-	(38,352)	(38,352)
Other comprehensive income:							
Cash flow hedges, net of deferred tax	22	-	-	3,282	-	-	3,282
Total other comprehensive income		-	-	3,282	-	-	3,282
Total comprehensive income		-	-	3,282	-	(38,352)	(35,070)
Balance at 31 March 2012		25,892	42,762	3,095	13,868	(195,190)	(109,573)
Comprehensive income							
Loss for the year		-	-	-	-	(31,163)	(31,163)
Other comprehensive income:							
Transfer upon realisation through the sale of property		-	-	-	(6,388)	6,388	-
Cash flow hedges, net of deferred tax	22	-	-	(485)	-	-	(485)
Total other comprehensive income		-	-	(485)	(6,388)	6,388	(485)
Total comprehensive income		-	-	(485)	(6,388)	(24,775)	(31,648)
Transactions with owners							
Reduction of ordinary share capital offset against accumulated losses	19	(24,892)	-	-	-	24,892	-
Issue of ordinary share capital	19	60,024	-	-	-	-	60,024
Total transactions with owners		35,132	-	-	-	24,892	60,024
Balance at 31 March 2013		61,024	42,762	2,610	7,480	(195,073)	(81,197)

The notes on pages 23 to 101 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 March			
	Notes	2013 Group €000	2012 €000	2013 Company €000	2012 €000
Cash flows from operating activities					
Cash used in operations	35	(37,363)	(36,279)	(35,272)	(38,869)
Investment and other related income received		177	240	91	(18)
Dividends received from subsidiaries		-	-	-	4,981
Dividends received from associates		-	210	-	210
Interest paid and similar charges		(5,276)	(4,838)	(4,903)	(4,721)
Tax paid		(860)	(1,165)	-	(667)
Tax refunded		156	1,558	-	849
Net cash used in operating activities		(43,166)	(40,274)	(40,084)	(38,235)
Cash flows from investing activities					
Purchases of tangible and intangible assets		(4,352)	(232)	(4,352)	(243)
Proceeds from sale of tangible assets		29,825	20,000	29,825	20,000
Refund of proceeds attributable to promise of sale agreement		(20,000)	-	(20,000)	-
Proceeds from sale of investments in subsidiary undertaking		284	-	284	-
Proceeds from disposal of other assets		137	-	137	-
Proceeds from redemption of available-for-sale financial assets upon maturity		-	1,366	-	-
Proceeds from maturity of term placements		750	5,417	-	-
Acquisition of available-for-sale financial assets		-	(952)	-	-
Loans granted to subsidiaries		-	-	(138)	(162)
Loan repayments received from associates		60	-	60	-
Funds advanced under term placements		(15,577)	(2,139)	(15,000)	-
Net cash (used in)/generated from investing activities		(8,873)	23,460	(9,184)	19,595
Cash flows from financing activities					
Issue of ordinary share capital		60,024	-	60,024	-
Proceeds from bank borrowings		8,000	10,884	8,000	10,000
Proceeds from shareholder's loan		52,000	11,000	52,000	11,000
Repayments of bank borrowings		(4,000)	(7,142)	(4,000)	(7,142)
Repayment of related party loan		(827)	-	(827)	-
Repayment of shareholder's loan		(52,000)	-	(52,000)	-
Net cash generated from financing activities		63,197	14,742	63,197	13,858
Net movement in cash and cash equivalents		11,158	(2,072)	13,929	(4,782)
Cash and cash equivalents at beginning of year		20,983	23,222	17,418	22,070
Exchange differences on cash and cash equivalents		(147)	(167)	(393)	130
Cash and cash equivalents at end of year	17	31,994	20,983	30,954	17,418

The notes on pages 23 to 101 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of Air Malta p.l.c. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category within property, plant and equipment, investment property, available-for-sale financial assets and derivative financial instruments.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

1.1.1 Assessment of going concern

During the financial year ended 31 March 2013, the Group incurred losses after tax from continuing operations amounting to €30.5 million (2012: €35.6 million) putting the Group's equity base under further strain. The Group's liabilities exceeded its assets as at 31 March 2013 by €73.6 million (2012: €103.8 million). As at 31 March 2012, its current liabilities exceeded its current assets by €69.9 million, excluding the impact of sales in advance from the Group's current liabilities, whereas the Group's current assets exceeded its current liabilities (excluding sales in advance) at 31 March 2013.

Restructuring Plan and Restructuring Aid

Air Malta p.l.c. has been incurring losses on its core airline business for several years. In order to address the commercial challenges the airline is facing, the Company's Restructuring Plan was devised setting out the strategy to return the airline to positive financial results and a positive net cash flow position. During the preceding financial year, the Government of Malta, as the principal shareholder, has taken ownership of the Restructuring Plan and communicated this to the European Commission, seeking Commission approval of the Plan and of the implied Restructuring Aid.

This Restructuring Plan sets out the turnaround strategy for the Company for the five-year period FY2012 to FY2016. The Plan was drawn up following the Government's notification – and subsequent European Commission approval – of the provision of a €52 million Rescue Aid Loan to the Company. According to the Restructuring Plan, a capital increase of €130 million is required to help restructure the Company, which has been in difficulty for several years.

On 27 June 2012, the European Commission has communicated its decision confirming approval of Restructuring Aid for Air Malta p.l.c. and it resolved that a €130 million aid amount to be granted to the Company for its restructuring is in line with EU state aid rules. The Commission observed that the Restructuring Plan adequately addresses the financial problems of the Company. The restructuring measures foreseen, which include a significant capacity reduction and the sale of assets, should ensure long-term viability without continued state support, whilst avoiding undue distortions of competition.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.1 Assessment of going concern - continued

In accordance with its investigation, the Commission resolved that the Restructuring Plan is based on realistic assumptions and should enable Air Malta p.l.c. to become viable within a reasonable timescale. The Commission is satisfied that the proposed capacity reduction consisting in the withdrawal from certain routes will avoid undue distortions of competition. Moreover, Air Malta p.l.c. will contribute to the costs of restructuring by selling property and other assets, as well as securing private bank borrowings.

The survival of the Company is intrinsically linked to the ability of the airline to rapidly and successfully execute a range of cost and revenue initiatives as reflected in the Restructuring Plan. The Restructuring Plan shows that the existing level of losses can be turned around to profitability by FY2015. During the current year, Air Malta p.l.c. has proceeded with the implementation of initiatives contemplated within the Restructuring Plan as submitted to the European Commission for the approval of the Restructuring Aid, including:

- significant downsizing of the head count through Voluntary and Early Retirement Schemes has been substantially achieved by 31 March 2013;
- initiated the implementation of a comprehensive change agenda of more than 160 projects covering all aspects of the airline - a significant number of projects are underway and some have been concluded;
- implementation of a more disaggregated and internet-based reservation/sales function in line with the model adopted by other carriers; and
- appointment of key executives with industry expertise.

The effectiveness of the measures already taken has been reflected in the improved financial results registered during the current financial year when compared to the preceding financial year performance. The airline's operating results from continuing operations, prior to restructuring and other related costs, for the current financial year are in line with the projected results reflected with the Restructuring Plan. However in view of the delayed implementation of certain measures envisaged, the full benefit of expected cost reductions has not been experienced by the Company during the year ended 31 March 2013. This is expected to occur in the financial year ending 31 March 2014 further improving the operating results registered. During the forthcoming financial year, the Company will pursue with the implementation of the measures and phases as envisaged in the Restructuring Plan.

Financing of the Restructuring Plan

The Restructuring Plan reflects the strategy to return the airline to a positive net cash flow position by the end of FY2014. This return to a positive net cash flow position has required the Company to sell its main remaining property assets. The funding raised will be employed in the restructuring of the Company and supplemented by approved State Aid in the form of a capital injection. The funding plan implied within the Restructuring Plan has been formally approved and fully supported by the Government, as the Company's principal shareholder.

The principal steps in the financing process, reflected within the Plan and accordingly approved by the European Commission, are the following:

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.1 Assessment of going concern - continued

Financing of the Restructuring Plan - continued

- A Promise of Sale Agreement to dispose of the principal property, constituting the remaining main asset owned by the Company, for an amount of €66.2 million has been entered into with Government. A deposit of €20 million has been paid by Government during January 2012. During the current financial year, contracts of sale were entered into with entities controlled by the Government in relation to property for the amount of €29.8 million, which amount has been received. The deposit of €20 million from Government has been refunded as the properties sold have been released from the terms of the Promise of Sale Agreement.
- Simultaneously, the Company has successfully negotiated fresh bank loans amounting to €30 million. These facilities are secured on the Promise of Sale Agreement referred to above and will be repaid through the sale proceeds. In addition, facilities of €20 million will be required during the later part of the 5 year plan.
- The disposal process of the Company's subsidiaries and other strategic investments, which have been earmarked for sale, has progressed during the current financial year. The disposal of Holiday Malta Company Limited has been finalised.
- Government has granted a fresh commercial loan of €52 million to the Company. These funds have been used by the Company to pay back the Rescue Aid Loan in line with the European Commission's Rescue and Restructuring Guidelines. The commercial loan will be converted to equity in the later part of the 5 year plan.
- The Company will allocate €78 million of fresh equity to Government. The capital will be called up in tranches in due course in accordance with the programme established in the Restructuring Plan. During the year, 130 million ordinary shares of €1 each have been allotted to the Government and €60 million has been injected into the Company by way of calls in respect of such shares. Capital injected has improved in a significant manner the financial position and liquidity of the Company. By virtue of a subscription agreement dated 6 October 2012, the Government of Malta has undertaken to take up the calls in respect of the unpaid part of the 130,000,000 ordinary shares issued.

Overall assessment

Taking cognisance of the approval by the European Commission of the Company's Restructuring Plan, it is the view of the directors that there is a reasonable expectation that the Company and the Group are able to continue in operational existence for a period of at least 12 months from the end of the reporting period. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements, on the basis of:

- (i) the formal approval of the Plan by the Commission;
- (ii) the current level of commitment shown by the Government of Malta, including approval of the implied funding requirements;
- (iii) the financing arrangements already put into place; and
- (iv) the underlying assumption that the Restructuring Plan can be implemented in a timely manner and in accordance with its terms.

1.1.2 Changes in accounting policy and disclosures

- (a) *Standards, interpretations and amendments to published standards effective during the current financial year*

There are no new standards, interpretations and amendments to standards that are effective for the first time for the financial year beginning on 1 April 2012 that have an impact on the Group.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.2 Changes in accounting policy and disclosures - continued

(b) New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 April 2012, and have not been applied in preparing these consolidated financial statements. Those expected to have an impact on the consolidated financial statements of the Group are set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS as adopted by the EU. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS as adopted by the EU.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

1. Summary of significant accounting policies - continued

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is set out in note 40.1 to these financial statements.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(d) Associates - continued

Dilution gains and losses arising in investments in associates are recognised in the income statement.

A listing of the Group's principal associates is set out in note 40.2 to these financial statements.

1.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'cost of sales' and 'administrative expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

Property, plant and equipment comprising office property and other assets, are initially recorded at historical cost. Land and buildings, are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major modifications and improvements to fixed assets are capitalised and depreciated over their estimated useful economic lives. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful operational lives, as follows:

- Buildings held on a freehold basis are depreciated at 1% per annum. Freehold land is not depreciated as it is deemed to have an indefinite economic life. Properties held on long-term leases are amortised over the period of the respective leases. Leasehold improvements (categorised within 'Other assets') are depreciated over the term of the lease arrangement.
- In the case of aircrafts, the related rotables, engines and major spares, which are used for the Group's own flight operations, are depreciated on two, three and twelve years respectively.
- Aircraft and flight equipment in respect of leased out assets are depreciated over their estimated operational lives of 20 years, with residual values being taken as 10%.
- The estimated useful lives of equipment, motor vehicles and other assets, held at hotels and otherwise, vary from 3 to 20 years, depending on their nature.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in the income statement. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made. Investment property principally comprises land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by a professional valuer. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus; with any remaining decrease charged to the income statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.6 Intangible assets

Emission rights

Emission rights represent the right of the operator of one or more aircraft to emit greenhouse gases, more specifically carbon dioxide, in the course of its operations. Emission rights are allocated by the competent authority to the Group for no consideration in accordance with the European Community Greenhouse Gas Emissions Trading Scheme for Aviation Regulations, 2010.

The Group recognises the emission rights granted by the competent authority as an intangible asset measured at fair value as at the date of the grant based on quoted market prices. These grants measured at fair value are presented in the statement of financial position as deferred income and are recognised in profit or loss on a systematic basis over the period in which the entity recognises as expenses the related costs for which the grants are intended to compensate, i.e. over the compliance period for which the allowances were issued.

Emissions surpassing the allotment by the competent authority have to be covered by the purchase of additional greenhouse gas emission rights. Purchased emission allowances are recognised at cost.

1. Summary of significant accounting policies - continued

1.6 Intangible assets - continued

Emission rights - continued

Emission allowances are not amortised taking cognisance of the residual value, based on quoted prices. These rights are not revalued but tested for impairment whenever indicators exist that the carrying amount may not be recoverable.

The Group is responsible for determining and reporting the amount of greenhouse gas emissions produced by the aircraft it operates in the calendar year. As emissions are produced, a liability is recognised for the obligation to deliver allowances equal to emissions that have been produced. This liability shall be measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.8 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

1.9 Financial assets

Classification

The Group classifies its financial assets, other than derivatives, in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 1.13 and 1.14).

1. Summary of significant accounting policies - continued

1.9 Financial assets - continued

Classification - continued

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Regular way purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the asset and other changes in the carrying amount of the asset. The translation differences on monetary assets are recognised in the income statement, and translation difference on non-monetary assets are recognised in other comprehensive income. The other changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement within 'Investment and other related income'. Dividends on available-for-sale equity instruments are recognised in the income statement within 'Investment and other related income' when the Group's right to receive payment is established.

1. Summary of significant accounting policies - continued

1.9 Financial assets - continued

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from equity to the income statement as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through the income statement.

1.10 Leased assets

Where a Group is the lessee and assumes substantially all the benefits and risks of ownership, leases of property, plant and equipment are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to profit or loss over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

1. Summary of significant accounting policies - continued

1.11 Maintenance of aircraft

Costs for routine aircraft maintenance as well as repair costs are charged to the income statement.

Major non-routine airframe maintenance and engine overhauls incurred on owned aircraft are capitalised and written off over the useful economic life of the components incurred.

In relation to leased aircraft governed by an operating lease agreement which states that the onus of major non-routine maintenance during the life of the lease rests with the lessee together with strict re-delivery conditions, the Company has a legal obligation to carry out maintenance on these aircraft. Maintenance provisions are therefore set up for major non-routine maintenance and overhauls as well as costs estimated to be incurred on re-delivery of the aircraft to the lessor. These costs are reviewed on an annual basis to ensure they reflect the estimated aircraft maintenance programme and are charged over the unexpired term of the lease.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. Cost is the invoiced value of goods and in general includes transport and handling costs. Rotables, engines and major spares are accounted for as fixed assets and are depreciated on the same basis as the aircraft to which they relate. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.13 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.9). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against the income statement.

1.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term deposits with maturities of three months or less from the end of the reporting period and bank overdrafts. The bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1. Summary of significant accounting policies - continued

1.15 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivatives, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.16 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.17 Borrowings and borrowing costs

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

1.18 Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

1. Summary of significant accounting policies - continued

1.18 Deferred taxation - continued

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of derivative contracts, provisions and tax losses carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred tax assets relating to the carry forward of trading losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets relating to capital losses on investments in subsidiaries and associates are only recognised to the extent to which they are offset by deferred tax liabilities of a capital nature or to the extent to which they can be expected to materialise in the foreseeable future.

1.19 Employee benefits

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan to terminate the employment of current employees without the possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

1.21 Revenue recognition

Revenue is based on the invoiced value of carriage uplifted, aircraft leasing income, goods sold and services rendered, net of discounts, and exclusive of passenger and indirect taxes. Revenue is recognised when the service has been provided or when the risk has passed to the customer. Ticket sales are included under current liabilities as sales in advance until recognised as revenue once a passenger coupon or airfreight document has been used. The gross sales value of any tickets remaining unused is taken to profit or loss as residual revenue to the extent to which no liability is expected to arise in relation thereto.

1. Summary of significant accounting policies - continued

1.21 Revenue recognition - continued

Proceeds arising from the sale of fixed assets, including aircraft, are not included with revenue. Other revenues earned by the Group are recognised on the following bases:

- Interest income – Interest income is recognised in the income statement for all interest-bearing instruments as it accrues, on a time-proportion basis using the effective interest method, unless collectability is in doubt.
- Dividend income – Dividend income is recognised when the right to receive payment is established.
- Rental income from investment property – Rental income is recognised in the income statement, on a straight-line basis over the term of the lease, as it accrues unless collectability is in doubt.

1.22 Sale and leaseback transactions

Profits arising on the disposal of aircraft and other assets on a sale and leaseback basis are credited to the income statement except in cases where such profits are considered to arise at the expense of incremental costs which would be incurred in future periods. In such cases a portion of the profit, normally corresponding to the net incremental future costs, would be deferred and taken to profit or loss in future periods to match the related costs.

1.23 Obligations under bonus mile programmes

Calculation of the obligations arising from bonus miles programmes is based on several estimates and assumptions. Accumulated but as yet unused bonus miles are deferred using the deferred revenue method to the extent that they are likely to be used on the Group's flights. The fair value of miles accumulated on the Group's own flights is recognised under deferred revenue. Fair value is determined as the value for which the miles could be sold separately, i.e. the average yield, taking booking class and traffic region into account. No provisions are recognised for miles that are expected to lapse. The quota of miles that have been allowed to lapse in the past is used to estimate the number of miles that will probably lapse subject to current expiry rules.

1.24 Derivative financial instruments and hedging

Derivative financial instruments including forward foreign exchange contracts, commodity options (combined written and purchased options together with other options), commodity swaps and other derivative financial instruments, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

1. Summary of significant accounting policies - continued

1.24 Derivative financial instruments and hedging - continued

On the date a derivative contract is entered into, the Group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. Under the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedging item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedging reserve in equity. In respect of option contracts, designated as hedging instruments, the Group splits fair value into the intrinsic value and time value components. Changes in the intrinsic value of options are designated as the hedging instrument, while the remaining component of the option (its time value) is excluded from the hedging relationship. Accordingly, changes in the time value would be accounted for in the income statement.

Where the forecast transaction results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged forecast transaction affects the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss when the hedged forecast transaction affects profit or loss. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 11 to the financial statements.

1. Summary of significant accounting policies - continued

1.25 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use, and a sale is considered highly probable. These assets may be a component of the entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and:

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

2. Financial risk management

2.1 Financial risk factors

As an airline operating internationally, the Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all Group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Company's board of directors provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

In order to manage exposures to risks arising from fluctuations in currency exchange rates and fluctuations in prices on the crude oil and fuel products markets, the Group makes use of derivative financial instruments. These instruments mainly comprise foreign currency forward contracts and options together with fuel hedging instruments.

(a) Market risk

(i) Foreign exchange risk

The general hedging policy guidelines regarding currency and fuel price risks are set by the Board and the Company's finance department is responsible for implementation of these hedging policies. The respective derivative transactions are concluded only with first rate counterparties.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Group is exposed to foreign exchange arising from various currency exposures, primarily with respect to the US dollar and UK sterling. With respect to the US dollar, the Group is in a net payer position from its operating business particularly in view of a significant portion of purchases denominated in this currency, including fuel, operating leases, maintenance and other related costs. In relation to other currencies the Group is in a net surplus position which is attributable to a portion of Group's revenue which is denominated in these currencies. UK sterling is considered to be the main risk exposure in this respect. A subsidiary domiciled overseas, which has been disposed of during the current financial year (see Note 40.1), had a functional currency which was different from the euro. This subsidiary was also subject to currency risk in respect of purchases and intra-group financing denominated in Euro; but these exposures were not deemed material in the context of the Group figures.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

The expected future cash flows in individual major currencies usually over the coming 18 months are budgeted and analysed, and the Group hedges the respective net currency exposure in major currencies, within certain pre-established parameters, by entering into forward foreign exchange contracts. These contracts represent commitments to purchase foreign currency amounts covering the net exposure at a pre-established exchange rate. The Company also utilises foreign currency options when deemed necessary. In accordance with the requirements of IAS 39, the Group designates forecast transactions amounting to the net exposure in individual currencies as hedged items. These forecast transactions, qualifying as highly probable, would typically include the Group's purchases of fuel, lease expenditure and other aircraft related operating costs. These expenses are routinely denominated in US dollar, which currency accounts for a relatively minor portion of the Group's revenues. Forecast transactions designated as hedged items also include revenues denominated in UK sterling.

As at 31 March 2013, the Group forecasts net receipts denominated in UK sterling amounting to €20.0 million (2012: €22.8 million) for the twelve months immediately after the end of the reporting period. The Group also forecasts net payments denominated in US dollar amounting to €73.1 million (2012: €72.6 million) for the twelve months immediately after the end of the reporting period. These exposures were partially hedged as at the end of the reporting period, in accordance with the policy parameters referred to previously, through the use of derivative contracts having a notional amount of €71.5 million (2012: €47.3 million) covering US dollar exposures, and €15.1 million (2012: €8.2 million) covering GBP exposures.

The Group's main on balance sheet risk exposures reflecting the net carrying amount of receivables and payables denominated in foreign currencies at the end of the reporting periods were as follows:

	Group		Company	
	2013 €000	2012 €000	2013 €000	2012 €000
Net UK sterling liability position	(7,518)	(5,866)	(7,518)	(5,866)
Net US dollar liability position	(15,470)	(23,566)	(15,950)	(23,689)

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

If as at the end of the reporting period the euro had strengthened/weakened by 10% against the UK sterling and US dollar with all other variables held constant, pre-tax loss for the year would change as follows:

	Group		Company	
	(+) 10% €000	(-) 10% €000	(+) 10% €000	(-) 10% €000
UK sterling				
At 31 March 2013	683	(835)	683	(835)
At 31 March 2012	533	(652)	533	(652)
US dollar				
At 31 March 2013	1,406	(1,719)	1,450	(1,772)
At 31 March 2012	2,142	(2,618)	2,154	(2,632)

If the Euro had strengthened/weakened by 10% against the US dollar and UK sterling with all other variables held constant, equity (prior to tax effects) as at the end of the reporting period would change as follows:

	Group and Company	
	(+) 10% €000	(-) 10% €000
At 31 March 2013	5,221	(6,382)
At 31 March 2012	5,023	(6,478)

The amounts disclosed in the table above are attributable to changes in the fair values of hedging derivative financial instruments as a result of reasonable possible shifts in exchange rates at the end of the reporting period.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from borrowings issued at variable rates (Note 24) and advances to related parties subject to floating interest rates which expose the Group to cash flow interest rate risk. The Group's borrowings mainly consist of facilities subject to variable interest rates which are principally based on reference rates. Management monitors the impact of changes in market interest rates on amounts reported in the income statement in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The Group's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

During the financial year ended 31 March 2013, fuel expenses amounted to €65 million (2012: €66 million) as disclosed in Note 28.2 to the financial statements and accounted for approximately 26% (2012: 27%) of the total operating expenses of the Group from continuing operations. Fluctuations in crude oil, jet fuel and other fuel product prices may have a significant effect on the Group's results. Different hedging instruments with regard to the crude oil and fuel products markets are used to limit fuel price risk. The Group's policy during the current and preceding years is aimed at hedging, in normal circumstances, a minimum of 40% of the expected fuel expenditure of the ensuing twenty-four months. As at 31 March 2013, the notional amounts of the hedging derivatives outstanding amounted to approximately €46.2 million (2012: €28.2 million) in view of the prevailing market and trading conditions (refer to Note 11).

Commodity options used by the Group are contractual arrangements under which the writer (seller) grants the purchaser the right, but not the obligation, either to notionally buy (a call option) or sell (a put option) the notional quantity of a commodity at a predetermined price (strike price) during a set period of time. Such contracts are typically settled on a net basis by comparing the strike price to the reference market price applicable during the set period.

Commodity swap agreements are commitments to exchange one set of cash flows based on fixed contracted fuel prices (determined by reference to the contract's notional amount) for another set of cash flows determined by variable prices. Alternatively, two sets of cash flows determined by variable prices may be exchanged particularly when the two sets of variable prices are determined by reference to different commodity reference prices.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(iii) Price risk - continued

If as at 31 March 2013 the price of fuel products had strengthened/weakened by 10% with all other variables held constant, equity (prior to tax effects) as at the end of the reporting period would change as follows:

	Group and Company	
	(+) 10% €000	(-) 10% €000
At 31 March 2013	(6,187)	6,187
At 31 March 2012	(4,232)	4,232

(b) Credit risk

Credit risk principally arises from cash and cash equivalents and credit exposures to customers, including outstanding debtors and committed transactions. The Group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Continuing operations:				
Loans and receivables category:				
Cash and cash equivalents (Note 17)	31,091	20,326	31,022	17,574
Term placements with banks (Note 16)	17,407	2,578	15,000	-
Trade and related receivables	37,209	24,369	37,209	24,369
Amounts owed by subsidiaries	-	-	63	2,320
Amounts due from ultimate shareholder	36,400	46,200	36,400	46,200
Other receivables	7,719	8,876	7,719	8,784
	129,826	102,349	127,413	99,247
Financial instruments held for hedging:				
Derivative financial instruments (Note 11)	4,561	5,072	4,561	5,072
	134,387	107,421	131,974	104,319

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Discontinued operations:				
Loans and receivables category:				
Cash and cash equivalents (Note 18)	1,707	1,663	-	-
Trade and other receivables (Note 18)	1,013	1,862	-	-
Loans to associates (Note 18)	153	213	153	213
	2,873	3,738	153	213

The maximum exposure to credit risk at the end of the reporting date in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group has no significant past due or impaired financial assets with the exception of the amounts disclosed in respect of trade and other receivables together with loans to subsidiaries and associates. The Group does not have any renegotiated financial assets which would otherwise be past due or impaired and it only holds collateral in respect of exposures relating to trade and other receivables.

Cash and cash equivalents and term placements with banks

Group undertakings principally bank with local and foreign financial institutions which have high quality credit standing or rating. The main foreign bank counterparties as at the end of the reporting periods have a satisfactory external credit rating, as determined by major rating agencies such as Fitch. The Company's exposures to foreign banking institutions as at 31 March 2013 amounted to approximately €7.2 million (2012: €6.5 million). Group's term placements with banks with contractual terms of more than three months mature within a period of twenty-four (2012: thirty-four) months from the end of the reporting period, whilst the Company's term placements with banks mature within three months from 31 March 2013. These term placements are held principally with local bank counterparties and hence credit risk in this respect is quite limited.

Trade and other receivables

The sale of passage and freight documents is largely processed through agencies that are usually linked to country specific clearing systems for the settlement of passage and freight sales. Other individual agents are checked for creditworthiness and where necessary special collateral is provided for in the respective service contract. The respective credit risk concerning sales agents is relatively low because of the broad distribution.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Trade and other receivables - continued

Receivables and liabilities between airlines, unless otherwise stipulated in the respective agreements, are settled on a bilateral basis or through a clearing house of the International Air Transport Association (IATA). All receivables and liabilities are set-off against one another at monthly intervals, which leads to a considerable reduction in the default risk. In individual cases, special collateral is provided for in the respective service contract.

For all other service relationships, additional collateral is requested depending on the type and extent of the services rendered. Credit references or historical data from a previous relationship, in particular referring to payment behaviour, are utilised to avoid non-performance.

The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The credit quality of the Group's trade and other receivables, which are not impaired or past due financial assets, reflects the nature of these assets which are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. As at 31 March 2013, the Group holds collateral in the form of bank guarantees for the amount of €1,959,011 (2012: €2,776,704) as security in respect of trade receivables. At 31 March 2013 and 2012, no trade or other receivables that would otherwise be past due or impaired have been renegotiated.

The Group's and Company's debtors include significant amounts due from subsidiaries and associates forming part of the Air Malta Group and related parties that are owned or controlled by the Government of Malta. The Group's credit control function monitors intra-Group credit and related party exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors and management does not expect any losses from non-performance or default, other than losses reflected within provisions for impairment.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

As at 31 March 2013, the Group's and Company's trade receivables amounting to €2,808,000 (2012: €5,399,000) and €2,571,000 (2012: €4,067,000) respectively were impaired and the figures of the provisions in this respect are equivalent to these amounts. The individually impaired receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. The Group does not hold any significant collateral as security in respect of the impaired assets.

The movement in provisions for impairment of trade receivables is analysed as follows:

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Continuing operations:				
At beginning of year	4,067	3,536	4,067	3,536
Increase in provisions	228	560	228	560
Bad debts written off	(1,772)	-	(1,772)	-
Reversals of provisions which are no longer required	-	(29)	-	(29)
Other movements	48	-	48	-
At end of year	2,571	4,067	2,571	4,067
Discontinued operations:				
At beginning of year	1,332	1,319	-	-
Increase in provisions	-	30	-	-
Bad debts written off	(1,086)	-	-	-
Reversals of provisions which are no longer required	(16)	(17)	-	-
Other movements	7	-	-	-
At end of year	237	1,332	-	-
Total	2,808	5,399	-	-

Reversals of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The movements in these provisions are disclosed in Note 28.2 and are included in 'Administrative expenses' in the Group's income statement.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

As at 31 March 2013, trade receivables and amounts owed by related parties amounting to €10,701,000 and €188,000 (2012: €3,786,000 and €139,000) respectively were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and in respect of which the Group has obtained no significant collateral. Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

The ageing analysis of the past due trade receivables is as follows:

	2013 €000	2012 €000
Up to 60 days	3,445	1,938
60 to 120 days	2,291	1,032
Over 120 days	4,965	816
	10,701	3,786

The ageing analysis of the current year amounts owed by related parties is such that these amounts have been past due mainly for more than six months.

As at 31 March 2013, the Company also had amounts receivable from associates amounting to €463,000 (2012: €173,000) which were past due but not impaired. Such amounts were mainly past due for less than one year.

As at 31 March 2013, the Company had amounts receivable from subsidiaries amounting to €1,924,000 (2012: €1,715,000) which were impaired. Such amounts were mainly past due. At 31 March 2013, the Company and Group also had amounts receivable from related parties amounting to €373,000 (2012: €817,580) which were impaired. These amounts were past due.

The Group's other receivables principally comprise security deposits effected and payments on account. Credit risk in this respect is managed accordingly, taking cognisance of the Group's operational arrangements with such contracting parties.

Loans to subsidiaries and associates

The Group's and Company's loans referred to in Note 2.1(b) Credit Risk 'Discontinued operations' consist of advances to subsidiaries and associates forming part of the Air Malta Group. The Group's credit control function monitors intra-Group credit exposures and ensures timely performance in the context of overall Group liquidity management. Management does not expect any losses from non-performance or default, except as disclosed below. Loans to subsidiaries and associates which are impaired are reflected in Notes 8 and 9 and the provisions for impairment in this respect are equivalent to the impaired assets. The impaired assets consist of loans to entities which are in adverse trading and operational circumstances.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The movements in the provisions for impairment of loans to subsidiaries are analysed as follows:

	Company	
	2013	2012
	€000	€000
Provisions on loans to subsidiaries		
At beginning of year	10,602	6,429
Increase in provisions	138	4,485
Reversals of provisions which are no longer required in view of waiver of loans	-	(312)
At end of year	10,740	10,602

Derivative financial instruments

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-à-vis the respective derivative counterparties. Foreign exchange derivative transactions are concluded with first rate local banking institutions only, while fuel derivative contracts are entered into with foreign financial institutions which have high quality credit standing or rating. The Group's main foreign derivative counterparties as at the end of the reporting periods have a satisfactory external credit rating, as determined by major rating agencies such as Fitch.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings (Note 24) and payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations. Management monitors liquidity risk by reviewing expected Group cash flows, and ensures that liquid resources and facilities that are expected to be required over the coming year are in place.

Based on the results of the Group's budgeting process, management usually prepares a liquidity plan covering the subsequent twelve month period that reflects the anticipated liquidity position over the period and ensures that pre-established net liquidity levels are met at all times during the period under review. This process is performed and monitored by a central treasury function and the plan is reviewed on an on-going basis.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The overall liquidity requirements of the Group involve maintaining available net liquidity equivalent to a number of weeks' cash outflows from operations depending on seasonality and expected volatility. The risk is actively managed by taking cognisance of the matching of operational cash inflows and outflows including those arising from expected maturities of financial instruments, the Group's committed bank borrowing facilities and shareholder financing that it can access. In view of the Group's financial position and its operating results, the airline's liquidity management process has significantly influenced the Company's Restructuring Plan which has been approved by the European Commission in June 2012 as referred to in Note 1.1.1. As outlined previously in the said note, a number of financing arrangements have been projected in the Restructuring Plan and the key steps in implementing the financing process required include:

- The Rescue Aid Loan from the principal shareholder, amounting to €52 million, has been repaid during the current financial year subsequent to the approval of the Restructuring Plan by the Commission.
- A Promise of Sale Agreement to dispose of the principal property, constituting the remaining main asset owned by the Company, for an amount of €66.2 million has been entered into with Government in December 2011 with a deposit of €20 million which has been paid by Government in January 2012. During the current financial year, contracts of sale were entered into with entities controlled by the Government in relation to property for the amount of €29.8 million, which amount has been received. The deposit of €20 million from Government has been refunded as the properties sold have been released from the terms of the Promise of Sale Agreement.
- The Company has successfully negotiated fresh bank loans amounting to €30 million on the back of the Promise of Sale Agreement referred to above, which loans will be repaid from the sale proceeds. Further facilities of €20 million will be required during the later part of the 5 year plan.
- The disposal process of the Company's subsidiaries and other strategic investments, which have been earmarked for sale, has progressed during the current financial year. The disposal of Holiday Malta Company Limited has been finalised.
- Government has granted a fresh commercial loan of €52 million to the Company. These funds have been used by the Company to pay back the Rescue Aid Loan in line with the European Commission's Rescue and Restructuring Guidelines. The commercial loan will be converted to equity in the later part of the 5 year plan.
- The Company will allocate €78 million of fresh equity to Government. The capital will be called up in tranches in due course in accordance with the programme established in the Restructuring Plan. During the year, 130 million ordinary shares of €1 each have been allotted to the Government and €60 million has been injected into the Company by way of calls in respect of such shares. Capital injected has improved in a significant manner the financial position and liquidity of the Company. By virtue of a subscription agreement dated 6 October 2012, the Government of Malta has undertaken to take up the calls in respect of the unpaid part of the 130,000,000 ordinary shares issued.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The funding requirements and the arrangements necessary to put the funding at the disposal of the Company have been approved by the principal shareholder as outlined above. The Group expects to meet the contractual cash outflows arising from financial liabilities disclosed below, extending beyond the subsequent twelve month period, through operating cash flows and in particular financing cash inflows as referred to previously.

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Group							
At 31 March 2013	Within 3 months €000	3 - 6 Months €000	6 - 12 months €000	1 - 2 years €000	2 - 5 years €000	Over 5 years €000	Total €000
Continuing operations:							
Bank borrowings	295	458	455	18,573	-	-	19,781
Loan from shareholder	877	-	951	41,877	12,824	-	56,529
Loan from related party	477	477	954	1,909	1,909	1,903	7,629
Trade and other payables	42,068	-	-	-	-	-	42,068
	43,717	935	2,360	62,359	14,733	1,903	126,007
Discontinued operations:							
Bank borrowings	3,455	-	-	-	-	-	3,455
Trade and other payables	2,820	-	-	-	-	-	2,820
	6,275	-	-	-	-	-	6,275
Total	49,992	935	2,360	62,359	14,733	1,903	132,282
At 31 March 2012							
Continuing operations:							
Bank borrowings	1,156	2,314	1,259	507	10,318	-	15,554
Loan from shareholder	-	-	57,909	-	-	-	57,909
Trade and other payables	43,344	-	-	-	-	-	43,344
	44,500	2,314	59,168	507	10,318	-	116,807
Discontinued operations:							
Bank borrowings	3,570	-	-	-	-	-	3,570
Trade and other payables	5,288	-	-	-	-	-	5,288
	8,858	-	-	-	-	-	8,858
Total	53,358	2,314	59,168	507	10,318	-	125,665

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Company	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	1 - 2 years €000	2 - 5 years €000	Over 5 years €000	Total €000
At 31 March 2013							
Bank borrowings	295	458	455	18,573	-	-	19,781
Loan from shareholder	887	-	951	41,877	12,824	-	56,539
Loan from related party	477	477	954	1,909	1,909	1,903	7,629
Trade and other payables	48,209	-	-	-	-	-	48,209
	49,868	935	2,360	62,359	14,733	1,903	132,158
At 31 March 2012							
Bank borrowings	1,156	2,314	1,259	507	10,318	-	15,554
Loan from shareholder	-	-	57,909	-	-	-	57,909
Trade and other payables	48,824	-	-	-	-	-	48,824
	49,980	2,314	59,168	507	10,318	-	122,287

The Group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (Note 11). The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at 31 March 2013 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Company

	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	More than 12 months €000	Total €000
At 31 March 2013					
Foreign exchange derivatives:					
- Outflows	(35,796)	(11,247)	(19,160)	(7,200)	(73,403)
- Inflows	36,742	11,524	19,678	7,384	75,328
	946	277	518	184	1,925

Group and Company

	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	More than 12 months €000	Total €000
At 31 March 2012					
Foreign exchange derivatives:					
- Outflows	(3,516)	(3,516)	(48,608)	-	(55,640)
- Inflows	3,483	3,482	49,887	-	56,852
	(33)	(34)	1,279	-	1,212

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The Group's derivative financial liabilities as at 31 March 2013, which will be settled on a net basis are not deemed material for the purpose of disclosing the contractual undiscounted cash flows.

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group usually monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. In view of the fact that the Group has negative equity or net liability position as at 31 March 2013, the Group's gearing ratio is not currently deemed to be a relevant benchmark for capital management. The current and prior year adverse financial results have impacted the financial position of the Group in particular the equity levels.

As outlined in Note 1.1.1, on 27 June 2012 the European Commission has approved the Company's Restructuring Plan. This Restructuring Plan sets out the turnaround strategy for Air Malta p.l.c. for the five-year period FY2012 to FY2016. This strategy is set out over five years after a careful assessment by management of the shortest time required to restore the long-term viability and capital position of the Company, keeping in mind possible future operating conditions. Included within the Restructuring Plan are long-term financing arrangements that will address the Capital position of the Company during the five year period. In particular, apart from the improvement in trading performance and operating cash flows together with management of borrowings as reflected under the Liquidity risk management section above, the equity base of the Company has been strengthened through the following:

- Government has granted a fresh commercial loan of €52 million to the Company. These funds have been used by the Company to pay back the Rescue Aid Loan in line with the European Commission's Rescue and Restructuring Guidelines. The commercial loan will be converted to equity in the later part of the 5 year plan.
- The Company will allocate €78 million of fresh equity to Government. The capital will be called up in tranches in due course in accordance with the programme established in the Restructuring Plan. During the year, 130 million ordinary shares of €1 each have been allotted to the Government and €60 million has been injected into the Company by way of calls in respect of such shares. Capital injected has improved in a significant manner the financial position and liquidity of the Company. By virtue of a subscription agreement dated 6 October 2012, the Government of Malta has undertaken to take up the calls in respect of the unpaid part of the 130,000,000 ordinary shares issued.

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 March 2013 and 2012 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial instruments for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's non-current advances to related parties and of its non-current fixed interest borrowings fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current floating interest rate borrowings as at the end of the reporting periods is not significantly different from the carrying amounts.

Information on the fair value of the Group's term placements with banks is disclosed in Note 16. The fair value of derivative financial instruments is determined in accordance with the Group's accounting policy disclosed in Note 1.24. Fair values are determined using forward exchange market rates at the end of the reporting period for forward foreign exchange contracts and using dealer quotes from counterparties or valuation techniques, including discounted cash flow models, for other derivative contracts (see Notes 11 and 22). The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets.

Disclosure of fair value measurements by level of the following fair value measurement hierarchy is required in accordance with the requirements of IFRSs as adopted by the EU:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (level 3).

At 31 March 2013, all the Group's derivative financial instruments disclosed in Note 11 are categorised as level 2 instruments, since these contracts are fair valued through valuation techniques utilising data solely from observable markets. The fair value of all the Group's available-for-sale assets is approximated by the carrying amount of these assets and accordingly no fair value changes have been reflected. The fair values utilised in this respect have been estimated on the basis of techniques utilising observable inputs categorised as level 2 inputs.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

3. Critical accounting estimates and judgements - continued

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

As referred to in Notes 5 and 6 to the financial statements, the Group's land and buildings category of property, plant and equipment and investment property are fair valued on the basis of professional advice, which considers current market prices in an active market for the properties.

4. Segment reporting

Subsequent to the adoption of the requirements of IFRS 8, 'Operating segments', the Group's management reviewed the disclosures required in this respect and determined that the Group effectively has one operating segment taking cognisance of the information utilised within the Group for the purposes of assessing performance.

5. Property, plant and equipment

Group

	Land and buildings €000	Aircraft and flight equipment €000	Other assets €000	Total €000
At 1 April 2011				
Cost or valuation	53,334	19,233	22,312	94,879
Accumulated depreciation and impairment losses	-	(18,556)	(19,803)	(38,359)
Net book amount	53,334	677	2,509	56,520
Year ended 31 March 2012				
Opening net book amount	53,334	677	2,509	56,520
Additions	-	195	7	202
Transfer to assets classified as held for sale (Note 18)	-	-	(9)	(9)
Disposals	(50,723)	-	(41)	(50,764)
Depreciation charge	(47)	(300)	(848)	(1,195)
Depreciation released on disposals	-	-	39	39
Other movements	(11)	-	-	(11)
Closing net book amount	2,553	572	1,657	4,782
At 31 March 2012				
Cost or valuation	2,600	19,428	22,269	44,297
Accumulated depreciation and impairment losses	(47)	(18,856)	(20,612)	(39,515)
Net book amount	2,553	572	1,657	4,782

5. Property, plant and equipment - continued

	Land and buildings €000	Aircraft and flight equipment €000	Other assets €000	Total €000
Year ended 31 March 2013				
Opening net book amount	2,553	572	1,657	4,782
Additions	43	520	3,789	4,352
Disposals	-	-	(3,003)	(3,003)
Depreciation charge	(3)	(435)	(1,345)	(1,783)
Depreciation released on disposals	-	-	2,993	2,993
Closing net book amount	2,593	657	4,091	7,341
At 31 March 2013				
Cost or valuation	2,643	19,948	23,055	45,646
Accumulated depreciation and impairment losses	(50)	(19,291)	(18,964)	(38,305)
Net book amount	2,593	657	4,091	7,341

The Group's land and buildings were revalued on 31 March 2010 by an independent professionally qualified valuer. Valuations were made on the basis of open market value at that date taking cognisance of the specific location of the properties, the size of the sites and the availability of similar properties in the area. At 31 March 2010, the book value of the properties had been adjusted to the land and building's carrying amount and the resultant surplus, net of applicable deferred taxation, had been credited to the revaluation reserve in shareholders' equity (Note 21).

On 7 December 2011, the Company entered into an irrevocable Promise of Sale Agreement with the Government of Malta in respect of the principal elements of its land and buildings category. The carrying amounts of the Group's land and buildings as at 31 March 2011 have been adjusted to take into account the sale prices contracted within the Promise of Sale Agreement, which prices were considered by the directors to reflect the fair values of land and buildings as at 31 March 2011.

During the preceding financial year, the Company had derecognised the property elements which were the subject of the irrevocable Promise of Sale Agreement from its statement of financial position in view of the terms of this agreement which have in substance shifted the risks and rewards inherent in the assets to the Government. Accordingly, receivables from Government attributable to this transaction, amounting to €46,200,000, had been recognised in the Company's statement of financial position (Note 12).

5. Property, plant and equipment - continued

In view of the Group's intentions in prior year, to dispose of its insurance broker business, property, plant and equipment attributable to this operation have been transferred to assets classified as held for sale.

Company

	Land and buildings €000	Aircraft and flight equipment €000	Other assets €000	Total €000
At 1 April 2011				
Cost or valuation	52,823	19,019	21,307	93,149
Accumulated depreciation and impairment losses	-	(18,342)	(18,807)	(37,149)
Net book amount	52,823	677	2,500	56,000
Year ended 31 March 2012				
Opening net book amount	52,823	677	2,500	56,000
Additions	-	195	7	202
Disposals	(50,223)	-	(41)	(50,264)
Depreciation charge	(47)	(300)	(848)	(1,195)
Depreciation released on disposals	-	-	39	39
Closing net book amount	2,553	572	1,657	4,782
At 31 March 2012				
Cost or valuation	2,600	19,214	21,273	43,087
Accumulated depreciation and impairment losses	(47)	(18,642)	(19,616)	(38,305)
Net book amount	2,553	572	1,657	4,782

5. Property, plant and equipment - continued

	Land and buildings €000	Aircraft and flight equipment €000	Other assets €000	Total €000
Year ended 31 March 2013				
Opening net book amount	2,553	572	1,657	4,782
Additions	43	520	3,789	4,352
Disposals	-	-	(3,003)	(3,003)
Depreciation charge	(3)	(435)	(1,345)	(1,783)
Depreciation released on disposals	-	-	2,993	2,993
Closing net book amount	2,593	657	4,091	7,341
At 31 March 2013				
Cost or valuation	2,643	19,734	22,059	44,436
Accumulated depreciation and impairment losses	(50)	(19,077)	(17,968)	(37,095)
Net book amount	2,593	657	4,091	7,341

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Cost	2,145	2,145	2,145	2,145
Accumulated depreciation	(310)	(272)	(310)	(272)
Net book amount	1,835	1,873	1,835	1,873

6. Investment property

	Group €000	Company €000
At 1 April 2011		
Cost	12,030	12,530
Fair value gains	3,447	3,447
Carrying amount	<u>15,477</u>	<u>15,977</u>
Year ended 31 March 2012		
Opening carrying amount	15,477	15,977
Disposals	(15,477)	(15,977)
Other movements	47	47
Closing carrying amount	<u>47</u>	<u>47</u>
At 31 March 2012 and 31 March 2013		
Cost and carrying amount	<u>47</u>	<u>47</u>

The Group's investment properties are carried at fair value, estimated by an independent professionally qualified valuer. Valuations are made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites and the availability of similar properties in the area.

As also highlighted in Note 5, on 7 December 2011, the Company entered into an irrevocable Promise of Sale Agreement with the Government of Malta in respect of the principal elements of its investment property. The carrying amounts of the Group's investment property as at 31 March 2011 have been adjusted to take into account the sale prices contracted within the Promise of Sale Agreement, which prices were considered by the directors to reflect the fair values of the land and buildings as at 31 March 2011.

During the preceding financial year, the Company had derecognised the property elements which were the subject of the irrevocable Promise of Sale Agreement from its statement of financial position in view of the terms of this agreement which have in substance shifted the risks and rewards inherent in the assets to the Government. Accordingly, receivables from Government attributable to this transaction had been recognised in the Company's statement of financial position (Note 12).

7. Intangible assets

	Group and Company			
	2013 In tonnes	2013 €000	2012 In tonnes	2012 €000
Emission rights and credits for own use				
Year ended 31 March				
Unutilised granted emission rights at 1 April	233,412	2,144	-	-
Emission rights and credits granted	199,939	1,334	211,617	2,036
Emission rights and credits purchased	15,170	50	21,795	108
Total weighted average cost of emission rights granted and purchased during the financial year	215,109	1,384	233,412	2,144
Derogation of emission rights granted	(14,548)	(140)	-	-
Unutilised emission rights at 31 March	433,973	3,388	233,412	2,144
Estimated usage of emission rights and credits during the current and preceding years	(315,097)	(2,364)	(58,353)	(536)
	118,876	1,024	175,059	1,608

With effect from 1 January 2012, air transport has been included in the EU's Emissions Trading Scheme and an aircraft operator is obliged to provide an emissions permit for each tonne of carbon dioxide emitted. In principle, all aircraft operators that perform flights which depart from or arrive at an airport situated in the territory of a Member State of the European Union is required to participate in the EU Emissions Trading Scheme, in respect of carbon dioxide emissions.

Every airline participating in the emissions trading system has a limited quantity of emission allowances at its disposal for every calendar year starting as from 1 January 2012, as defined by Article 3e of Directive 2003/87/EC of the European Parliament and of the Council (2011/638/EU). The competent authority has computed the free allocation of allowances to Air Malta p.l.c.. Emissions surpassing this allotment have to be covered by the purchase of additional certificates.

Under EU ETS legislation, an aircraft operator is required to surrender an amount of allowances equivalent to the quantity of actual emissions reported in the annual emission reports. Surrendering of allowances must take place by not later than 30 April each year in respect of the reported emissions of the previous year.

As at 31 March 2013, deferred income in respect of emission rights and credits granted to the Company amounted to €1,000,000 (2012: €1,527,000). Also, the liability of the Company as at 31 March 2013 in relation to emissions made until that date amounted to €2,364,000 (2012: €536,000).

8. Investments in subsidiaries

Company

	Shares in subsidiaries €000	Loans to subsidiaries €000	Total €000
At 1 April 2011			
Cost	2,207	-	2,207
Provisions for impairment	(344)	-	(344)
Carrying amount	1,863	-	1,863
Year ended 31 March 2012			
Opening carrying amount	1,863	-	1,863
Transfer to assets classified as held for sale (Note 18)	(58)	-	(58)
Closing carrying amount	1,805	-	1,805
At 31 March 2012 and 31 March 2013			
Cost	2,149	-	2,149
Provisions for impairment	(344)	-	(344)
Carrying amount	1,805	-	1,805

The net investments transferred to assets classified as held for sale during the preceding financial year relate to the Company's investment attributable to the Group's insurance broking business, which the Group intends to dispose of.

9. Investments in associates

Group

	Shares in associates €000	Loans to associates €000	Total €000
At 1 April 2011			
Cost	12	213	225
Share of undertakings' post acquisition profits and reserves	414	-	414
Carrying amount	426	213	639
Year ended 31 March 2012			
Opening carrying amount	426	213	639
Dividends received	(210)	-	(210)
Transfer to assets classified as held for sale (Note 18)	(216)	(213)	(429)
Closing carrying amount	-	-	-

In the consolidated financial statements the Group's share of results of the associates, disclosed in the tables above, is after tax.

During the year ended 31 March 2012 the Company formulated its intentions to dispose of its investment in World Aviation Group Limited, and accordingly the investment was transferred to assets classified as held for sale. As a result, this investment is not accounted for under the equity method of accounting in these consolidated financial statements.

The Group's share of results of its principal associate, and its share of the respective assets and liabilities were not deemed material for disclosure purposes, taking into account the Group's intentions highlighted above.

Company

	Shares in associates €000	Loans to associates €000	Total €000
At 1 April 2011			
Cost and Carrying amount	12	213	225
Year ended 31 March 2012			
Opening carrying amount	12	213	225
Transfer to assets classified as held for sale (Note 18)	(12)	(213)	(225)
Closing carrying amount	-	-	-

10. Available-for-sale financial assets

Group

	Equity instruments €000	Quoted debt securities €000	Total €000
At 1 April 2011			
Amortised cost	1,971	504	2,475
Provisions for impairment	(1,040)	-	(1,040)
Carrying amount	931	504	1,435
Year ended 31 March 2012			
Opening carrying amount	931	504	1,435
Additions at cost	952	-	952
Disposals	(1,366)	-	(1,366)
Increase in provision for impairment	(162)	-	(162)
Transfer to assets classified as held for sale (Note 18)	(258)	-	(258)
Other movements	12	12	24
Closing carrying amount	109	516	625
At 31 March 2012			
Amortised cost	1,311	516	1,827
Provisions for impairment	(1,202)	-	(1,202)
Carrying amount	109	516	625
Year ended 31 March 2013			
Opening carrying amount	109	516	625
Other movements	-	16	16
Closing carrying amount	109	532	641
At 31 March 2013			
Amortised cost	1,311	532	1,843
Provisions for impairment	(1,202)	-	(1,202)
Carrying amount	109	532	641

10. Available-for-sale financial assets - continued

Analysis of total available-for-sale financial assets:

	€000
At 31 March 2013	
Non-current	107
Current	534
	<u>641</u>
At 31 March 2012	
Non-current	107
Current	518
	<u>625</u>

The Group's non-current available for-sale investments comprise equity instruments in unquoted companies. The Company's directors are of the opinion that the fair value of these instruments cannot be reliably determined, in view of the absence of an active market, comparable market transactions and alternative reliable estimates of fair value.

The weighted average effective interest rates of quoted debt securities as at 31 March 2013 was 3.75% (2012: 3.75%). The fair value of the Group's quoted debt securities as at the end of the reporting period was not significantly different from the carrying amount.

Company

	Equity instruments €000
Non-current	
At 1 April 2011, 31 March 2012 and 31 March 2013	
Cost	688
Provisions for impairment	(581)
	<u>107</u>
Carrying amount	

11. Derivative financial instruments

The fair values of derivative financial instruments held at the end of the reporting period are set out in the following table:

	Group and Company	
	Fair values	
	Assets	Liabilities
	€000	€000
At 31 March 2013		
Derivatives held for hedging (cash flow hedges)		
Foreign exchange derivatives		
- currency forwards	224	-
Fuel price hedging derivatives		
- commodity swaps	691	-
Non-current portion	915	-
Derivatives held for hedging (cash flow hedges)		
Foreign exchange derivatives		
- currency forwards	1,796	-
Fuel price hedging derivatives		
- commodity swaps	1,850	(414)
Current portion	3,646	(414)
Total derivative assets/(liabilities)	4,561	(414)
At 31 March 2012		
Derivatives held for hedging (cash flow hedges)		
Foreign exchange derivatives		
- currency forwards	1,393	(172)
Fuel price hedging derivatives		
- commodity swaps	3,679	(140)
Total current derivative assets/(liabilities)	5,072	(312)

11. Derivative financial instruments - continued

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The currency forward contracts outstanding as at 31 March 2013 have the following contract terms:

	Fair value - assets/ (liabilities) €000
Forward sale of EUR59.0 million against USD (at contracted rate of EUR1:USD1.3127)	1,460
Forward sale of GBP2.9 million against EUR (at contracted rates averaging EUR1:GBP0.8028)	165
Forward sale of GBP9.2 million against USD (at contracted rates averaging EUR1:USD1.5774)	395
	<u>2,020</u>

These contracts mature within a period of one to eighteen months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by these contracts are expected to affect profit or loss.

The currency forward contracts outstanding as at 31 March 2012 have the following contract terms:

	Fair value - assets/ (liabilities) €000
Forward sale of EUR47.3 million against USD (at average contracted rate of EUR1:USD1.3657)	1,295
Forward sale of GBP7 million against EUR (at average contracted rate of EUR1:GBP0.8452)	(74)
	<u>1,221</u>

11. Derivative financial instruments - continued

The terms and approximate notional amounts of the hedging commodity derivatives outstanding as at 31 March 2013 are as follows:

Commodity swap agreements:

Maturity date	Notional amount	Settlement terms	Fair value - assets/ (liabilities) €000
Contracts expiring on 31 October 2013	USD31,347,000	Pay-fixed (\$97.14 - \$112.8 range), receive-floating	840
Contracts expiring on 31 March 2014	USD8,739,000	Pay-fixed (\$95.76 - \$104.67 range), receive-floating	593
Contracts expiring on 31 October 2014	USD12,752,000	Pay-fixed (\$94.46 - \$101.97 range), receive-floating	621
Contracts expiring on 31 March 2015	USD4,203,000	Pay-fixed (\$97.55 - \$99.9 range), receive-floating	61
Contracts expiring on 31 October 2015	USD2,108,000	Pay-fixed (\$97.65), receive-floating	10
			2,125

11. Derivative financial instruments - continued

These fuel hedging derivative contracts would typically have monthly exercise or settlement dates and upon monthly net cash settlements, amounts recognised in equity in respect of these contracts would be released to the income statement as the forecast hedged transactions would simultaneously affect the results of the Group.

The terms and approximate notional amounts of the hedging commodity derivatives outstanding as at 31 March 2012 are as follows:

Commodity swap agreements:

Contract cover	Notional amount	Settlement terms	Fair value - assets/ (liabilities) €000
Two month period to 30 June 2012	USD1,516,000	Pay-fixed (\$124.3), receive-floating	(27)
Four month period to 31 October 2012	USD6,512,000	Pay-fixed (\$109.3 - \$122.4 range), receive-floating	291
Seven month period to 31 October 2012	USD22,844,000	Pay-fixed (\$98.9 - \$104.8 range), receive-floating	3,050
Five month period to 31 March 2013	USD6,727,000	Pay-fixed (\$100.5 - \$119.4 range), receive-floating	225
			3,539

12. Amounts owed by ultimate shareholder

These amounts receivable from the Government of Malta are in respect of proceeds due to the Company as a result of the irrevocable promise of sale agreement with the Government in relation to the disposal of the Company's main property (Notes 5 and 6) for an amount of €66.2 million. During the preceding financial year, the Company received an amount of €20 million on account and the resultant balance of €46.2 million was deemed receivable by 31 March 2014.

During the current financial year, the Company actually entered into a contract of sale, in respect of certain properties which were the subject of the promise of sale agreement, with related parties controlled by the Government of Malta for the amount of €29.8 million, reflecting the fair value of those assets. Such properties were thus released from all effects of the promise of sale agreement through an agreed modification of the terms of the agreement. Accordingly, the amount of €20 million received on account from the Government of Malta during the previous year was refunded. The Company received the amount of €29.8 million upon disposal and the remaining balance of €36.4 million attributable to the promise of sale agreement is deemed receivable by 31 March 2015.

13. Other receivables

	Group and Company	
	2013	2012
	€000	€000
Non-current:		
Security deposits arising from operating lease agreements	5,168	4,955
Other long-term deposits and receivables	472	585
	5,640	5,540

Security deposits, amounting to €5,168,000 (2012: €4,955,000), will be refunded to the Company on termination of the Company's fleet and engine lease periods up to March 2020.

Other long-term deposits and receivables are principally receivable within five years (2012: five years) from the end of the reporting period.

14. Inventories

	Group and Company	
	2013	2012
	€000	€000
Aircraft engineering spares	1,082	1,275
Other stocks	147	125
	1,229	1,400

15. Trade receivables

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Trade receivables – gross	37,117	27,761	37,117	27,761
Less: provisions for impairment of trade receivables	(2,571)	(4,067)	(2,571)	(4,067)
Trade receivables – net	34,546	23,694	34,546	23,694

16. Term placements with banks

These term placements comprise bank deposits with contractual terms of three months or more. The Group's placements mature within twenty-four (2012: thirty-four) months from the end of the reporting period, while the Company's placements mature within three months. Interest receivable is presented within 'Finance income' (Note 31). The weighted average effective interest rate on the Group's assets as at 31 March 2013 was 1.91% (2012: 2.35%) while the Company's weighted effective interest rate on these assets as at 31 March 2013 was 1.02%. The fair value of the term bank placements as at that date was not significantly different from the carrying amount.

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Maturity of deposits with banks:				
- within one year	17,152	2,139	15,000	-
- between one and two years	255	439	-	-
	17,407	2,578	15,000	-

17. Cash and cash equivalents

For the purposes of the statements of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Attributable to continuing operations:				
Cash at bank and in hand	31,091	20,326	31,022	17,574
Bank overdrafts (Note 24)	(68)	(156)	(68)	(156)
	31,023	20,170	30,954	17,418
Attributable to discontinued operations:				
Cash at bank and in hand (Note 18)	1,707	1,663	-	-
Bank overdrafts	(736)	(850)	-	-
	971	813	-	-
Total cash and cash equivalents	31,994	20,983	30,954	17,418

The Group's bank balances reflected in the table above are call accounts and deposits with contractual terms of three months or less. Bank and cash balances include an amount of €2,477,000 (2012: €2,190,000) that is held in overseas bank accounts subject to currency restrictions which lead to delays in remittance to Malta. As at 31 March 2013, bank balances amounting to €2,356,000 are pledged in favour of bankers but are considered to be an integral part of the Group's cash management and accordingly treated as cash and cash equivalent.

18. Assets classified as held for sale and discontinued operations

18.1 Amounts presented in the income statement

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Loss after tax of discontinued operations (see Note 18.1.1)	(289)	(2,879)	-	-
Post-tax dividend income receivable from assets classified as held for sale during the current year – attributable to discontinued operations	-	-	-	1,295
Post-tax gain recognised on disposal of subsidiary (see Note 18.1.2)	1,075	-	163	-
Movement in provisions attributable to subsidiaries classified as held for sale	-	-	(347)	(6,295)
Movement in other provisions (see Note 27)	418	-	418	-
Other items	122	-	122	-
Profit /(loss) for the year from discontinued operations	1,326	(2,879)	356	(5,000)

18.1.1 During the preceding financial year, the Group resolved to dispose of its insurance broking subsidiary, Osprey Insurance Brokers Company Ltd. In previous years the Group resolved to dispose of its tour operator business, which comprises Holiday Malta Company Limited, based in the United Kingdom, and its subsidiary undertakings. This disposal has been finalised during the current financial year. Also, in prior years, the Group had also publicly announced its intention to dispose of its hotel property. The subsidiaries comprising the tour operator, hotel and insurance broker are reported in these consolidated financial statements as discontinued operations in accordance with the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'. The financial information relating to the hotel, tour operator and insurance broking businesses has been presented in the note on an aggregated basis in view of the fact that the nature of each respective activity is related to the other discontinued activities. Also, no separate activity is deemed sufficiently material on an individual basis for the sake of ensuring that disclosures within this note support a true and fair view of the results and financial position of the Group.

18. Assets classified as held for sale and discontinued operations - continued

18.1 Amounts presented in the income statement - continued

An analysis of the result of the discontinued operations is as follows:

	2013	2012
	€000	€000
Revenue	2,649	10,724
Operating costs	(2,777)	(13,511)
Other operating income	60	-
Operating loss	(68)	(2,787)
Finance income	3	107
Finance costs	(147)	(137)
Loss before tax of discontinued operations	(212)	(2,817)
Tax	(77)	(62)
Loss after tax of discontinued operations	(289)	(2,879)
Operating cash flows	(1,415)	(2,824)
Investing cash flows	715	400
Financing cash flows	-	1,003
Total cash flows	(700)	(1,421)

Expenses by nature

	2013	2012
	€000	€000
Flight, accommodation and related costs	2,112	7,730
Employee benefit expense (Note 29)	369	1,350
Depreciation of property, plant and equipment	25	24
Marketing and advertising costs	(35)	475
Net movement in provisions for impairment of trade receivables	(16)	13
Impairment of property and related charges	-	1,336
Other expenses	322	2,583
Total operating costs	2,777	13,511

18. Assets classified as held for sale and discontinued operations - continued

18.1 Amounts presented in the income statement - continued

18.1.2 On 7 September 2012, the Group disposed of its interest in Holiday Malta Company Limited, which was a subsidiary of the Group, together with its subsidiaries. The resulting gain on disposal is reflected in the table below:

	Group	Company
	2013	2013
	€000	€000
Assets attributable to disposed subsidiary		
- Property, plant and equipment	40	-
- Trade and other receivables	1,299	-
- Cash and bank balances	3,102	-
Liabilities attributable to disposed subsidiary		
- Trade and other payables	(5,232)	-
Other items	-	121
Proceeds on disposal	(284)	(284)
Post-tax gain on disposal of subsidiary	(1,075)	(163)

18.1.3 The movement in provisions attributable to subsidiaries classified as held for sale comprise provisions on equity investments in the companies and on loans to such entities (Note 18.2.2) together with provisions on amounts receivable from such subsidiaries.

18.2 Amounts presented in the statement of financial position

18.2.1 Group

	2013	2012
	€000	€000
Assets classified as held for sale:		
Assets attributable to hotel, tour operator and insurance broking businesses		
- Property, plant and equipment	3,965	4,030
- Trade and other receivables	1,013	1,862
- Other assets	315	386
- Cash and bank balances	1,707	1,663
Investments in associate (see Note below)	370	429
	7,370	8,370
Liabilities directly associated with assets classified as held for sale:		
Liabilities attributable to hotel, tour operator and insurance broking businesses		
- Bank borrowings	3,455	3,570
- Trade and other payables	2,820	5,288
	6,275	8,858

18. Assets classified as held for sale and discontinued operations - continued

18.2 Amounts presented in the statement of financial position - continued

During the preceding financial year, the Company formulated its intentions to dispose of its investment in World Aviation Group Limited, and accordingly the investment was transferred to assets classified as held for sale (refer to Note 9). The investments reclassified comprise the Group's equity investment carried at €216,000 (based on equity accounting up to reclassification) and loans with a carrying amount of €153,000.

18.2.2 Company

Assets classified as held for sale:

	Shares in subsidiaries €000	Loans to subsidiaries €000	Shares in associates €000	Loans to associates €000	Total €000
Year ended 31 March 2013					
Opening carrying amount	58	-	12	213	283
Disposal	(5,024)	-	-	-	(5,024)
Reversal of provision upon disposal	5,024	-	-	-	5,024
Additions	1,364	138	-	-	1,502
Repayment of loan	-	-	-	(60)	(60)
Increase in provisions for impairment	(1,364)	(138)	-	-	(1,502)
Closing carrying amount	58	-	12	153	223
Year ended 31 March 2012					
Opening carrying amount	-	4,323	-	-	4,323
Additions	-	162	-	-	162
Reclassified from investments in subsidiaries	58	-	-	-	58
Reclassified from investments in associates	-	-	12	213	225
Increase in provisions for impairment	-	(4,485)	-	-	(4,485)
Loan written off	-	(312)	-	-	(312)
Reversal of provision on loan written off	-	312	-	-	312
Closing carrying amount	58	-	12	213	283

18. Assets classified as held for sale and discontinued operations - continued

18.2 Amounts presented in the statement of financial position - continued

Provisions for impairment reported within the carrying amounts above are analysed as follows:

	Shares in subsidiaries €000	Loans to subsidiaries €000	Total €000
Year ended 31 March 2013			
At beginning of year	(6,423)	(10,602)	(17,025)
Net movement in provisions for impairment	(1,364)	(138)	(1,502)
Reversal upon disposal	5,024	-	5,024
At end of year	(2,763)	(10,740)	(13,503)
	Shares in subsidiaries €000	Loans to subsidiaries €000	Total €000
Year ended 31 March 2012			
At beginning of year	(6,423)	(6,429)	(12,852)
Net movement in provisions for impairment	-	(4,173)	(4,173)
At end of year	(6,423)	(10,602)	(17,025)

Loans to associates are unsecured and repayable on demand. At 31 March 2013, these loans are subject to a weighted average effective interest rate of 3% (2012: 2.5%) per annum.

19. Share capital

	Group and Company	
	2013	2012
	€000	€000
Authorised		
156,000,000 ordinary shares of €1 (2012: 35,000,000 ordinary shares of €2.329373 each)	156,000	81,528
Issued and fully paid		
1,000,393 ordinary shares of €1 each (2012: 11,115,478 ordinary shares of €2.329373 each)	1,000	25,892
Issued but not fully paid		
78,000,000 (2012: nil) ordinary shares of €1 each 46.20% paid up	36,000	-
52,000,000 (2012: nil) ordinary shares of €1 each 46.20% paid up	24,024	-
	61,024	25,892

19. Share capital - continued

By virtue of an extraordinary general meeting held on 27 September 2012, the shareholders resolved to reduce the issued share capital of the Company from €25,892,094 divided into 11,115,478 ordinary shares with a nominal value of €2.329373 each to €1,000,393 divided into 1,000,393 ordinary shares with a nominal value of €1 each. This reduction was to be effected through the set-off of an amount of €24,891,701, out of the Company's accumulated losses as at 31 March 2012, against the share capital of the Company.

The shareholders further resolved to increase the authorised share capital of the Company from €81,528,055 divided into 35,000,000 ordinary shares with a nominal value of €2.329373 each to €156,000,000 divided into 156,000,000 ordinary shares with a nominal value of €1 each.

The shareholders also resolved for the Company to offer 79,633,436 and 53,088,957 ordinary shares of €1 each to all its shareholders on a pro rata basis according to their shareholding as at 27 September 2012, subject to acceptance by not later than 30 October 2012 and not later than 15 January 2013, respectively. On 31 October 2012, 78,000,000 ordinary shares of €1 each were allotted to the Government of Malta and were paid up to the extent of 46.20% by 31 March 2013. Also, on 15 January 2013, 52,000,000 ordinary shares of €1 each were allotted to the Government of Malta and were paid up to the level of 46.20% as at 31 March 2013. By virtue of a subscription agreement dated 6 October 2012, the Government of Malta has undertaken to take up the calls in respect of the unpaid part of the 130,000,000 ordinary shares issued as follows: €14,980,000 by 15 January 2014, €2,996,000 by 15 January 2015, €40,016,000 by 16 January 2015 and €11,984,000 by 15 January 2016.

20. Share premium

	Group and Company	
	2013	2012
	€000	€000
At beginning and end of year	42,762	42,762

21. Revaluation reserve

The reserve represents the revaluation adjustments arising from the fair valuation of the land and buildings component to property, plant and equipment. The movements in the revaluation reserve are analysed as follows:

	Group and Company	
	2013	2012
	€000	€000
At beginning of year	13,868	13,868
Transfer to accumulated losses upon realisation through disposal	(6,388)	-
At end of year	7,480	13,868

The reserve will be transferred to accumulated losses upon execution of the respective contract of sale. The revaluation reserve is non-distributable.

22. Hedging reserve

Group and Company

The fair values of cash flow hedges are recorded in the hedging reserve, in a separate category of equity, as shown below:

	Currency forwards €000	Fuel options and swaps €000	Total €000
At 1 April 2011			
Gross amounts of gains/(losses)	(553)	366	(187)
Movements in year ended 31 March 2012			
Net gains from changes in fair value	1,760	4,033	5,793
Deferred income tax	(422)	(1,540)	(1,962)
	1,338	2,493	3,831
Reclassified to profit or loss as a reclassification adjustment	14	(859)	(845)
Deferred income tax	(5)	301	296
	9	(558)	(549)
At 31 March 2012			
Gross amounts of gains	1,221	3,540	4,761
Deferred income tax	(427)	(1,239)	(1,666)
	794	2,301	3,095

22. Hedging reserve – continued

	Currency forwards €000	Fuel options and swaps €000	Total €000
At 1 April 2012			
Gross amounts of gains	1,221	3,540	4,761
Deferred income tax	(427)	(1,239)	(1,666)
	794	2,301	3,095
Movements in year ended 31 March 2013			
Net gains/(losses) from changes in fair value	3,257	(985)	2,272
Deferred income tax	(1,140)	345	(795)
	2,117	(640)	1,477
Reclassified to profit or loss as a reclassification adjustment	(2,458)	(560)	(3,018)
Deferred income tax	860	196	1,056
	(1,598)	(364)	(1,962)
At 31 March 2013			
Gross amounts of gains	2,020	1,995	4,015
Deferred income tax	(707)	(698)	(1,405)
	1,313	1,297	2,610

The tax impacts relating to this component of other comprehensive income are presented in the above tables. The net fair value gains as at 31 March 2013 on open forward foreign exchange contracts which hedge anticipated future foreign currency transactions will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment when the forecast transactions occur, at various dates up to eighteen months from the end of the reporting period. The net fair value gains as at the end of the reporting period on outstanding commodity derivatives will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment in the periods in which the hedged forecast transactions affect profit or loss. This would occur in the months covered by the terms of the contracts, according to the incidence of exercise or settlement dates, for a period of thirty months following the end of the reporting period.

23. Other reserve

Group

The other reserve arose on consolidation following the acquisition of non-controlling interests in subsidiaries.

	2013 €000	2012 €000
At beginning of year	(3,497)	(3,497)
Transfer to accumulated losses upon disposal of interests in subsidiaries in respect of which this reserve arose	3,497	-
At end of year	-	(3,497)

24. Borrowings

	Group and Company	
	2013	2012
	€000	€000
Current		
Bank overdrafts	68	156
Bank loans	-	4,000
Borrowings from ultimate shareholder	-	52,000
Borrowings from other related party	1,583	-
	1,651	56,156
Non-current		
Bank loans	18,000	10,000
Borrowings from ultimate shareholder	52,000	-
Borrowings from other related party	5,292	-
	75,292	10,000
Total borrowings	76,943	66,156

The Government of Malta, under the terms of Act XVIII of 2010 entitled 'An Act to authorise and regulate the raising of loans for the purposes of entering into re-lending agreements with Air Malta p.l.c.', has consented, following the approval of the European Commission, to the request made by the Company, under the European Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty (2004/C 244/02), to be granted a loan of €52,000,000 to enable the Company to meet its short-term liquidity requirements and enable it to continue its operations until the Restructuring Plan has been put into place. This loan has been repaid during the year ended 31 March 2013.

During the current financial year, the Company entered into a commercial loan agreement with the Government of Malta, with the loan facility amounting to €52,000,000. As at the reporting date, the loan facility was fully utilised. The loan, which is subject to floating interest rates based on EU base reference interest rates, is secured by an irrevocable power of attorney in favour of the lender in respect of specific landing slots allocated to Air Malta p.l.c. and by a general hypothec over the Company's assets excluding property. The loan is repayable through offset against the final two calls in respect of the unpaid part of the ordinary shares issued during the year (see note 19).

The Company has banking facilities for the amount of €30,000,000 (2012: €30,000,000) which facilities are to be repaid from the proceeds of sale of the properties that are the subject of the Promise of Sale Agreement with the Government of Malta within a period not exceeding three years from the issuance of facilities. These facilities are secured by a general hypothec over the Company's assets supported by a special hypothec on the Group and Company's immovable property, which is the subject of the terms of the promise of sale agreement with the Government of Malta (see note 12).

Furthermore as at 31 March 2013, banking facilities of the Group and Company for an amount of €13,976,250 (2012: €13,976,000) are partly secured by a general hypothec supported by a special hypothec on immovable property held by a subsidiary. Bank loans taken out by subsidiaries are secured by charges over their assets and are also supported by guarantees from the holding Company (also refer to borrowings presented in note 18).

24. Borrowings - continued

During the current financial year, the Company entered into a borrowing arrangement with a company, which is ultimately controlled by the Government of Malta. The loan facility is subject to fixed interest rates, repayable through instalments until 1 March 2013 and is partly secured by a special hypothec over property, which is classified as the Company's property, plant and equipment.

The Group's bank borrowings are subject to floating rates of interest. The weighted average effective interest rates for the Group and Company borrowings at the end of the reporting period are as follows:

	Group and Company	
	2013	2012
	%	%
Bank overdrafts	2.54	3.12
Bank loans	4.56	4.65
Borrowings from ultimate shareholder	3.66	6.49
Borrowings from other related party	5.32	-

Maturity of non-current borrowings:

	Group and Company	
	2013	2012
	€000	€000
Between one and two years	59,672	-
Between two and three years	15,620	10,000
	75,292	10,000

25. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2012: 35%).

Group

The movement on the deferred tax account is as follows:

	Deferred tax assets			Deferred tax liabilities			Net €000
	Provisions & other related items €000	Unabsorbed tax losses carried forward €000	Unabsorbed capital losses carried forward €000	Remeasurement of derivative instruments €000	Fair valuation of investment property €000	Revaluation of property, plant and equipment €000	
Balance at 1 April 2012	124	1,699	-	(1,699)	-	-	124
Credited/(charged) to profit or loss	(77)	(260)	-	-	-	-	(337)
Credited/(debited) to other comprehensive income in equity	-	-	-	260	-	-	260
Balance at 31 March 2013	47	1,439	-	(1,439)	-	-	47

25. Deferred taxation - continued

Included in the Group's deferred tax assets as at 31 March 2013 is a balance of €47,000 (2012: €124,000) relating to discontinued operations.

	Deferred tax assets			Deferred tax liabilities			Net €000
	Provisions & other related items €000	Unabsorbed tax losses carried forward €000	Unabsorbed capital losses carried forward €000	Remeasurement of derivative instruments €000	Fair valuation of investment property €000	Revaluation of property, plant and equipment €000	
Balance at 1 April 2011	186	-	-	-	-	-	186
Credited/(charged) to profit or loss	(62)	1,699	-	-	-	-	1,637
Credited/(debited) to other comprehensive income in equity	-	-	-	(1,699)	-	-	(1,699)
Balance at 31 March 2012	124	1,699	-	(1,699)	-	-	124

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 March 2013 and 2012, the Group had the following unutilised tax credits and deductible temporary differences in respect of which deferred taxation has not been recognised:

	2013 €000	2012 €000
Unutilised tax credits arising from:		
Unabsorbed tax losses and capital allowances	249,689	212,870
Unabsorbed capital losses	51,611	46,597
Deductible temporary differences arising principally from non-current assets and provisions	63,583	64,535

Accordingly, the Group has a potential deferred tax asset amounting to €127,709,000 (2012: €113,401,000) which has not been recognised in these financial statements. Whereas tax losses and capital losses have no expiry date and may be carried forward indefinitely, unabsorbed capital allowances are forfeited upon cessation of the trade. Capital losses may be offset solely against future capital gains.

25. Deferred taxation - continued

Company

The movement on the deferred tax account is as follows:

	Deferred tax assets		Deferred tax liabilities			Net €000
	Unabsorbed tax losses carried forward €000	Unabsorbed capital losses carried forward €000	Remeasurement of derivative instruments €000	Fair valuation of investment property €000	Revaluation of property plant and equipment €000	
Balance at 1 April 2011	-	-	-	-	-	-
Credited/(charged) to profit or loss	1,699	-	-	-	-	1,699
Credited/ (debited) to other comprehensive income in equity	-	-	(1,699)	-	-	(1,699)
Balance at 31 March 2012	1,699	-	(1,699)	-	-	-

	Deferred tax assets		Deferred tax liabilities			Net €000
	Unabsorbed tax losses carried forward €000	Unabsorbed capital losses carried forward €000	Remeasurement of derivative instruments €000	Fair valuation of investment property €000	Revaluation of property plant and equipment €000	
Balance at 1 April 2012	1,699	-	(1,699)	-	-	-
Credited/(charged) to profit or loss	(260)	-	-	-	-	(260)
Credited/(debited) to other comprehensive income in equity	-	-	260	-	-	260
Balance at 31 March 2013	1,439	-	(1,439)	-	-	-

26. Provisions in respect of maintenance costs

Group and Company

Provisions in respect of maintenance costs are calculated to allow for unclaimable costs expected to be incurred by the Company in maintaining aircraft under operating leases throughout the unexpired period of the lease and in providing for any compensation to meet re-delivery conditions upon termination of the lease.

26. Provisions in respect of maintenance costs - continued

Group and Company - continued

The amount of the provisions at 31 March 2013 and 2012 represent the excess of amounts charged to profit or loss over the actual costs incurred.

	2013 €000	2012 €000
Year ended 31 March		
At beginning of year	40,696	36,292
Charged to profit or loss:		
- Additional provisions, including effects of unwinding non-current provisions	16,046	12,825
Used during year	(8,457)	(8,421)
At end of year	48,285	40,696

Analysis of total provisions:

	2013 €000	2012 €000
At 31 March		
Non-current	38,430	37,190
Current	9,855	3,506
	48,285	40,696

Through its aircraft lease agreements, the Company entered into an arrangement with the lessors to pay in advance maintenance reserves so as to meet maintenance and re-delivery lease conditions. As at 31 March 2013, these reserves which are reflected with the provisions disclosed above, amounted to €50,472,000 (2012: €44,476,000). Furthermore, the Company has agreed to provide to the lessor irrevocable letters of credit as security to cover costs related to maintenance of engines. At 31 March 2013, the amounts in this respect amounted to €51,263,000 (2012: €45,423,000) (Note 37).

27. Other provisions

	Group and Company	
	2013	2012
	€000	€000
At 1 April	418	418
Reversal of provisions which are no longer required	(418)	-
At 31 March	-	418

The above principally represented provisions in relation to potential liabilities attributable to the affairs of previously held investments of the Group. These provisions were classified as current liabilities.

28. Information on operating results

28.1 Revenue and other operating income from continuing operations

With the exception of leasing income, income from airline activities is principally derived from flights to and from Malta. The Group's revenue from other business activities is also derived from Malta.

	Group	
	2013	2012
	€000	€000
Revenue on airline activities	209,903	200,538
Aircraft leasing revenue	5,732	3,616
Ground related and other revenue	11,335	9,922
	226,970	214,076

28. Information on operating results – continued

28.2 Expenses by nature

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Aircraft fuel and oils	64,909	66,399	64,909	66,399
Aircraft operating lease rentals	31,736	30,206	31,736	30,206
Aircraft maintenance	24,008	22,622	24,008	22,622
Other flight related costs	49,572	49,832	49,632	50,159
Restructuring costs (Note 28.3.1)	11,446	4,239	11,446	4,239
Marketing, distribution and representation costs	10,463	9,802	10,463	9,802
Depreciation of property, plant and equipment (Note 5)	1,783	1,195	1,783	1,195
Employee benefit expense (Note 29)	40,757	42,759	40,780	42,759
Net movement in provisions for impairment of trade receivables (included in 'Administrative expenses')	228	560	228	560
Exchange differences	(845)	734	(845)	734
Other expenses	18,029	18,900	19,068	19,882
Total cost of sales, selling and distribution costs and administrative expenses	252,086	247,248	253,208	248,557

The amounts disclosed in the table above relate solely to continuing operations.

28.3 Restructuring and other related costs

28.3.1 Restructuring costs recognised in profit or loss

	Cost of sales	Selling and distribution costs	Administrative expenses	Total
	€000	€000	€000	€000
At 31 March 2013				
Costs related to:				
Voluntary redundancy and early retirement schemes	5,098	-	-	5,098
Professional and related fees	900	646	4,802	6,348
	5,998	646	4,802	11,446
At 31 March 2012				
Costs related to:				
Professional and related fees	-	-	4,239	4,239
	-	-	4,239	4,239

28. Information on operating results - continued

28.3 Restructuring and other related costs - continued

28.3.1 Restructuring costs recognised in profit or loss - continued

In addition to costs attributable to voluntary redundancy and early retirement schemes, the amounts recognised as restructuring costs during the current financial year and reflected in the tables above, comprise professional fees, service charges and other related consultancy fees incurred in the planning and implementation of projects and measures defined within the Restructuring Plan as approved by the European Commission on 27 June 2012. These projects and measures comprise a wide range of activities impacting on all the key operational aspects of the airline and accordingly this range is reflected in the nature of expenditure presented as restructuring and related costs.

Besides expenditure disclosed in the tables above, the net impact on profit or loss of leasing out aircraft not supporting the scale and scope of the Company's operations envisaged within the approved Restructuring Plan, amounting to a net charge of €869,000 (2012: €447,000), has been included in restructuring and related costs. The leasing out of the aircraft is considered a restructuring measure taking cognisance of the contents of the Restructuring Plan.

28.3.2 Provision in respect of restructuring costs

As at 31 March 2011, the Company had reflected as a provision in its statement of financial position the estimated impact amounting to €28.2 million, of restructuring costs attributable to voluntary and early retirement schemes established as part of the Restructuring Plan.

	2013 €000	2012 €000
Current:		
At beginning of year	26,814	28,200
Charged to profit or loss	5,098	-
Reclassification of amounts previously presented within other liabilities	-	4,914
Utilised during the year	(15,318)	(6,300)
Loan from related party	(7,607)	-
At end of year	8,987	26,814

The provision which has been adjusted during the financial year ended 31 March 2012, covers:

- obligations under voluntary and early retirement schemes as a result of the restructuring process;
- one-time payment obligations emanating from restructuring agreements; and
- obligations to effect payments to a limited number of former staff members actually entitled to benefits under previous early retirement schemes.

These obligations are intrinsically linked to the implementation of the Company's Restructuring Plan and accordingly are considered as restructuring costs. The obligations emanating from voluntary and early retirement schemes are treated as termination benefits for accounting purposes.

28. Information on operating results - continued

28.3 Restructuring costs - continued

28.3.2 Provision in respect of restructuring costs - continued

Until 31 March 2012, the Company had effected payments amounting to €6.3 million, to a company which is controlled by the Government of Malta, in relation to the administration of the voluntary and early retirement schemes. Air Malta p.l.c. and this related party have, during the current year, entered into a payment services agreement whereby the related party will manage and process payments due to employees who are eligible and approved by Air Malta p.l.c. to benefit from the voluntary redundancy and early retirement schemes.

Up to 31 March 2013, 453 staff members have been granted entitlement to the voluntary and early retirement schemes established as part of the Restructuring Plan. Further provisions were deemed necessary during the current year in respect of such voluntary redundancy and early retirement schemes. Whilst significant payments were effected out of these provisions as reflected in the table above, the Company entered into a borrowing arrangement with the payment management service provider referred to previously in respect of its obligations towards this related party under the payment services agreement, for the amount of €7,607,000 (refer to Note 24).

During the current financial year, the Company has continued to implement a number of projects earmarked as part of the restructuring process. Estimated future costs related to these projects amount to approximately to €5.8 million, but such expenses have not been reflected in the provision for restructuring costs as at 31 March 2013 in view of the timing of the decisions relating to such projects. These expenses are expected to be incurred during the financial years ending 31 March 2014 and 2015.

28. Information on operating results - continued

28.4 Auditors' fees

Fees charged by auditors for services rendered during the financial periods ended 31 March 2013 and 2012 relate to the following:

	Group	
	2013	2012
	€000	€000
Audit services – annual statutory		
- Parent Company auditors:		
- Company	155	155
- subsidiaries	18	90
Other services		
- Parent Company auditors: Company		
- tax advisory and compliance services	24	8
- other non-audit services	21	29

Fees for audit services are approved by the Audit Committee, having been reviewed for cost effectiveness. The Committee also reviews and approves the nature and extent of non-audit services to ensure that independence is maintained.

Taxation services include compliance services such as tax return preparation, along with advisory services such as consultation on tax matters, tax advice relating to transactions, and other tax planning and advice.

Other non-audit services primarily include advisory services related to transaction support.

The figures included in the table above also reflect amounts relating to the Group's discontinued operations.

29. Employee benefit expense

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Wages and salaries	39,078	41,728	38,754	40,463
Social security costs	2,071	2,381	2,026	2,296
	41,149	44,109	40,780	42,759

Costs in relation to voluntary and early retirement schemes are reflected in note 28.3 to the financial statements.

Employee benefit expense included in the Group's figures above relating to discontinued operations amount to €369,000 (2012: €1,350,000).

During the preceding financial year, the Group incurred staff termination costs (not reflected in the table above) amounting to €179,000 as a result of the cessation of operations of a subsidiary.

29. Employee benefit expense - continued

Average number of persons employed during the year:

	Group		Company	
	2013	2012	2013	2012
By category				
Cost of sales	826	986	826	943
Administrative	75	159	71	145
Selling and distribution	114	146	114	146
	1,015	1,291	1,011	1,234

Group figures in respect of employee numbers, disclosed in the table above, include 4 (2012: 57) employees attributable to discontinued operations.

30. Investment and other related income

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Gross dividends receivable from investments in subsidiaries	-	-	-	3,896
Other movements attributable to other financial assets	35	(172)	-	(204)
Provision for impairment of available-for-sale investment	-	(162)	-	-
	35	(334)	-	3,692

31. Finance income

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Interest receivable and similar income from subsidiaries	-	-	-	11
Interest receivable and similar income from associates	3	3	3	3
Interest receivable from bank deposits	155	325	88	170
	158	328	91	184

Company figures disclosed above in respect of interest receivable and similar income from subsidiaries include an amount of €11,000 in 2012 relating to discontinued operations. Interest income earned by the Group attributable to discontinued operations is disclosed in note 18 to the financial statements.

32. Finance costs

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Interest payable on bank loans and overdrafts	981	514	981	514
Interest payable to subsidiaries	-	-	24	19
Interest payable to ultimate shareholder (Note 24)	2,931	3,316	2,931	3,316
Interest payable to related party	95	-	95	-
Bank charges and similar expenses, including exchange differences on borrowings	1,160	741	1,265	741
	5,167	4,571	5,296	4,590

Company figures disclosed above in respect of interest payable to subsidiaries do not include amounts relating to discontinued operations. Interest costs incurred by the Group, mainly arising from bank financing, attributable to these discontinued operations is disclosed in note 18 to the financial statements.

33. Taxation

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Current taxation:				
Current tax (charge)/credit	(293)	347	-	-
Deferred taxation:				
Deferred tax (charge)/credit	(337)	1,637	(260)	1,699
	(630)	1,984	(260)	1,699
Attributable to:				
Continuing operations (reflected on face of income statement)				
- current taxation	(293)	347	-	-
- deferred taxation (Note 25)	(260)	1,699	(260)	1,699
	(553)	2,046	(260)	1,699
Discontinued operations				
- deferred taxation (Note 25)	(77)	(62)	-	-
	(630)	1,984	(260)	1,699

33. Taxation - continued

The tax on the Group's and Company's results before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Loss before tax from continuing operations	(29,953)	(37,630)	(31,259)	(35,051)
Profit/(loss) before tax from discontinued operations (Note 18)	1,403	(2,817)	356	(5,000)
Loss before tax for the year	(28,550)	(40,447)	(30,903)	(40,051)
Tax on loss before tax at the statutory rate of 35%	9,993	14,156	10,816	14,018
Tax effect of:				
Income not subject to tax	-	581	-	-
Movement in deferred tax asset recognised in respect of unutilised tax losses arising in prior years	(260)	1,699	(260)	1,699
Deferred tax asset in respect of unutilised capital losses, unabsorbed tax losses and unabsorbed capital allowances arising the current year not recognised	(12,887)	(13,124)	(12,887)	(12,024)
Disposal of investment in subsidiary and other assets	2,290	-	1,915	-
Unrecognised temporary differences and other movements, mainly attributable to tangible non-current assets and provisions	234	(2,546)	156	(2,088)
Income effectively taxed at reduced rates	-	1,218	-	94
Tax (charge)/credit in the accounts	(630)	1,984	(260)	1,699

34. Directors' emoluments

	Group and Company	
	2013	2012
	€000	€000
Emoluments of directors of Air Malta p.l.c.:		
Total fees and other emoluments charged in these financial Statements	37	45

Insurance premiums of €176,000 (2012: €168,000) have been paid during the year in respect of professional indemnity cover in favour of the directors of Air Malta p.l.c. and other officers.

35. Cash used in operations

Reconciliation of operating loss to cash used in operations:

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Operating loss from continuing operations	(24,979)	(33,053)	(26,054)	(34,337)
Operating loss from discontinued operations (Note 18)	(68)	(2,787)	356	(6,295)
Operating loss for the year	(25,047)	(35,840)	(25,698)	(40,632)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	1,808	1,219	1,783	1,195
Loss on disposal of assets classified as held for sale (Note 18.1.2)	-	-	(163)	-
Impairment of property and related charges	-	1,336	-	-
Gains on disposal of tangible non-current assets	(15)	-	(15)	-
Reversal of gains on disposal of other asset	(137)	-	(137)	-
Net movement in provisions for impairment of trade receivables	212	746	228	733
Movement in provisions in respect of maintenance costs (Note 26)	16,046	12,825	16,046	12,825
Movement in provisions in respect of restructuring costs (Note 28.3.2)	5,098	-	5,098	-
Effects of exchange rate movements	180	167	-	-
Other movements related to investment property	-	(56)	-	(45)
Movement in provisions for impairment relating to investments in subsidiaries	-	-	138	4,173
Loans granted to subsidiaries written off	-	-	-	312
Movement in provisions for impairment of amounts receivable from subsidiary	-	-	(209)	(894)
Amounts receivable from subsidiary written off	-	-	-	2,704
Movement in provisions for impairment of amounts receivable from associate undertaking and related parties	(301)	-	(301)	-
Changes in working capital:				
Inventories	171	311	171	311
Trade and other receivables	(11,068)	(1,393)	(8,562)	(5,716)
Trade and other payables	(535)	(873)	124	886
Provisions in respect of maintenance costs used during the year (Note 26)	(8,457)	(8,421)	(8,457)	(8,421)
Provision in respect of restructuring costs used during the year (Note 28.3.2)	(15,318)	(6,300)	(15,318)	(6,300)
Cash used in operations	(37,363)	(36,279)	(35,272)	(38,869)

36. Commitments

Capital and other commitments

	Group and Company	
	2013	2012
	€000	€000
Capital expenditure in respect of property, plant and equipment:		
- Authorised and contracted for	125	553
- Authorised and not yet contracted for	785	2,847
Other commitments	41,512	46,052
	42,422	49,452

Other commitments arise from agreements with related and other parties entered into by the Group principally in respect of the outsourcing of the IT and other related functions, together with the provision of commercial business improvement consultancy services.

The future expected payments under these contractual arrangements are as follows:

	Group and Company	
	2013	2012
	€000	€000
Not later than one year	9,101	11,676
Later than one year and not later than five years	30,000	29,592
Later than five years	2,411	4,784
	41,512	46,052

36. Commitments - continued

Operating lease commitments – where a Group undertaking is the lessee

The future minimum lease payment obligations under non-cancellable aircraft and engine operating leases are as follows:

	Group and Company	
	2013	2012
	€000	€000
Not later than one year	28,268	29,305
Later than one year and not later than five years	84,976	106,312
Later than five years	5,193	17,637
	118,437	153,254

Operating lease commitments – where a Group undertaking is the lessor

The future minimum lease payments receivable under non-cancellable aircraft and engine operating leases are as follows:

	Group and Company	
	2013	2012
	€000	€000
Not later than one year	3,261	2,179
Later than one year and not later than five years	4,313	2,197
	7,574	4,376

37. Contingencies

The Group's contingent liabilities as at 31 March include:

	2013	2012
	€000	€000
Bank guarantees, documentary credits and other indemnities (refer to Note 17 and 26)	55,355	49,654

As at the end of the reporting period, the Company has contingent liabilities amounting to €1,795,000 (2012: €1,795,000) in respect of guarantees given to secure the banking facilities of subsidiaries.

38. Related party transactions

All companies forming part of the Air Malta Group are considered by the directors to be related parties since these companies are all ultimately owned by Air Malta p.l.c.. Trading transactions between these companies would typically include service charges, Group interest charges and other such items which are normally encountered in a Group context.

In the ordinary course of its operations, the Group carries out business with the Government of Malta, government departments, public sector corporations and other entities owned or controlled by the Government. The Government of Malta ultimately controls the Company by virtue of its 99.9% shareholding and is accordingly represented on the Board of Directors.

In the opinion of the directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Group. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

38. Related party transactions - continued

Except for transactions disclosed or referred to previously, principally the promise of sale agreement and contracts of sale in respect of the Group's main property elements (refer to Note 12) together with borrowings from the principal shareholder and other related party (Note 24), the following significant operating transactions, which were carried out with the respective categories of related parties, have a material effect on the operating results and financial position of the Group.

	Group		Company	
	2013	2012	2013	2012
	€000	€000	€000	€000
Government and other entities controlled by Government:				
- Sales of services	3,900	2,972	3,838	2,882
- Purchases of materials and services	46,657	40,739	46,657	38,401
	50,557	43,711	50,495	41,283
Subsidiaries				
- Sales of services	-	-	1,275	5,895
- Purchases of services	-	-	1,040	1,599
	-	-	2,315	7,494
Associates				
- Sales of services	298	1,040	298	1,040
- Purchases of services	2,931	2,741	2,931	2,610
	3,229	3,781	3,229	3,650
Key management personnel				
- Sales of services	12	14	12	14

Year-end balances with related parties, arising principally from the transactions referred to previously, are reflected in the statement of financial position.

Expenditure amounting to €183,000 (2012: €895,000) has been recharged by the parent Company to associates and other related parties.

Remuneration and other benefits payable to key management personnel, which comprise the Company's directors, are disclosed in note 34 to these financial statements.

Interest receivable from related parties and interest payable to related parties are disclosed in notes 31 and 32 respectively.

39. Statutory information

Air Malta p.l.c. is a public limited liability Company and is incorporated in Malta.

40. The Air Malta Group

Subsidiaries and associates within the Group as at 31 March 2013 and 2012 were the following:

40.1 Subsidiaries

	Group % holding		Company % holding		Country of incorporation
	2013	2012	2013	2012	
Air Malta p.l.c. SkyParks Business Centre, Level 2, Malta International Airport, Luqa	N/A	N/A	N/A	N/A	Malta
Holiday Malta Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London	-	100	-	100	United Kingdom
Holiday Malta Transport Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London (held by Holiday Malta Company Limited)	-	100	-	-	United Kingdom
The Holiday Travel Club Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London (held by Holiday Malta Company Limited)	-	100	-	-	United Kingdom
Holiday Malta (Russia) Limited SkyParks Business Centre, Level 2, Malta International Airport, Luqa (held by KM Holdings Limited) (in liquidation)	100	100	-	-	Malta
Holiday Malta (Italia) S.r.l. Via Giacomo Leopardi 7, 95127 Catania, Sicily (held by KM Holdings Limited) (in liquidation)	100	100	-	-	Italy

40. The Air Malta Group - continued

40.1 Subsidiaries - continued

Subsidiaries and associates within the Group as at 31 March 2013 and 2012 were the following:

	Group % holding		Company % holding		Country of incorporation
	2013	2012	2013	2012	
Holiday Malta (Hellas) Tourism EPE 91, Alexandras Ave, 11474 Athens (held by KM Holdings Limited) (in liquidation)	100	100	-	-	Greece
The Holiday Travel Club Transport Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London (held by The Holiday Travel Club Company Limited)	-	100	-	-	United Kingdom
Travel 2000 S.r.l. Via Giacomo Leopardi 7, 95127 Catania, Sicily (held by Holiday Malta (Italia) S.r.l.) (in liquidation)	100	100	-	-	Italy
Selmun Palace Hotel Company Limited SkyParks Business Centre, Level 2, Malta International Airport, Luqa	100	100	100	100	Malta
Airport Services Company Limited SkyParks Business Centre, Level 2, Malta International Airport, Luqa (in liquidation)	100	100	100	100	Malta
Osprey Insurance Brokers Company Ltd SkyParks Business Centre, Level 2, Malta International Airport, Luqa	100	100	100	100	Malta
Shield Insurance Company Limited SkyParks Business Centre, Level 2, Malta International Airport, Luqa	100	100	100	100	Malta
KM Holdings Limited SkyParks Business Centre, Level 2, Malta International Airport, Luqa	100	-	100	-	Malta

40. The Air Malta Group - continued

40.2 Associates

	Group % holding		Company % holding		Country of incorporation
	2013	2012	2013	2012	
AZZURRAair S.p.A. Viale Papa Giovanni XXIII, 48 24121 Bergamo (in liquidation)	49	49	49	49	Italy
Cottonera Properties Co. Ltd. c/o Malta Investment Management Co. Ltd. Trade Centre, San Gwann Industrial Estate, San Gwann (in liquidation)	49	49	49	49	Malta
World Aviation Group Limited Floor 1, Aviation Centre, Luqa	50	50	50	50	Malta

41 Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

