PARLAMENT TA' MALTA

IT-TNAX-IL LEĠIŻLATURA

P.L. 6396

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Raymond Scicluna
Skrivan tal-Kamra

AIR MALTA – FINANCIAL STATEMENT

***22322. L-ONOR. CLAUDIO GRECH** staqsa lill-Ministru għat-Turiżmu: Jista' l-Ministru jpoġġi fuq il-Mejda tal-Kamra l-*Financial Statement* tal-Air Malta għas-sena li għalqet Marzu 2015?

08/01/2016

ONOR. EDWARD ZAMMIT LEWIS: Ninforma lill-Onor. Interpellant illi, il-Financial Statements tal-Air Malta għas-sena finanzjarja li għalqet Marzu 2015 qed jitpoggew fuq il-Mejda tal-Kamra. Ngħarraf lill-Onor. Interpellant illi dawn il-Financial Statements ilhom disponibbli b'mod pubbliku fuq is-sit elettroniku tal-kumpanija sa minn Ottubru 2015.

Seduta Numru 346
19/01/2016

AIR MALTA p.l.c.

Annual Report and Consolidated
Financial Statements
31 March 2015

Company Registration Number: C 2685

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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 2015.

Principal Activities

The principal activity of Air Malta p.l.c is the undertaking of airline operations. Ancillary activities of the Group include amongst others; ground handling and cargo operations.

Review of the Business and Results

General Overview

Air Malta p.l.c. is currently going through a restructuring process with the intent of returning the Company to profitability in the near future. The results can be divided into two: those of the operation of the Airline and the results of the Group.

With reference to the operation of the Airline, the airline's loss for the financial year ended 31 March 2015 amounted to €16.4 million which is approximately in line with last year's results. The Airline's operating loss however, deteriorated by €11.2 million to €23.9 million in financial year 2015 (FY2015). This was primarily due to the loss of traffic on the Libya route as well as the substantial reduction in passengers travelling to and from Russia due to European sanctions.

With reference to the results of the Group during financial year ended 31 March 2015, the Group incurred losses after tax from continuing operations amounting to €26.4 million (2014: €17.7 million) putting the Group's equity base under further strain. The Group's liabilities exceeded its assets as at 31 March 2015 by €75.6 million (2014: €79.2 million).

Financial Results

After accounting for non-operational costs and profit from discontinued operations (Selmun Palace Hotel), the airline's loss for the financial year 2015 amounted to €16.4 million (2014: €17.5 million).

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

The revenue from airline operations for the reporting period amounted to €218.2 million compared to €234.2 million registered in the preceding financial year. The revenue shortfall was mainly driven due to the sudden loss of the Libya route as well as the European sanctions on Russia which has led to a substantial reduction in passenger travelling to and from Russia

The operational costs continued to decrease although the contractual inflation has reduced the impact of these improvements. The costs from airline operations have reduced from €247.1 million in the financial year ended 31 March 2014 to €242.1 million in the financial year ended 31 March 2015. The decrease in operating costs was partly driven due to reduced flying based on the revenue shortfall described as well as savings in selling, distribution, marketing and some lower restructuring costs, partly offset by increased personnel costs. The decline in oil prices was offset by a devaluation of the Euro/Dollar exchange rate. However, both market movements have been eliminated with existing hedges in place.

The Group registered a loss for the year of €25.7 million, compared to €18.1 million the preceding year.

Directors' report - continued

Restructuring Plan and Restructuring Aid

In June 2012 the European Commission approved a restructuring plan for the company covering the period FY2012 to FY2016 that should have seen the airline turn a hefty €78 million loss registered in FY2011 to a break even by FY2015 and a nominal profit by FY2016.

The salient points of the restructuring plan included:

- Injection of fresh equity capital of €130 million
- Divesting of non strategic Investments and property including Osprey Insurance Brokers Co Ltd, Holiday Malta, Selmun Palace Hotel Company Limited and the sale of property including the Head office building
- The reduction of seat capacity as a compensatory measure

Notwithstanding the difficult market conditions coupled with the delay in the implementation of certain cost initiatives, the company will manage to reduce its losses from €78 million registered in FY2011 to a marginal loss in FY2016.

The Air Malta Board approved a three year Business Plan covering FY2016 to FY2018. The Business Plan shows that the losses sustained in FY2015 can be turned to break even in FY2017 and return to profits in FY2018. The plan also reflects the strategy to return the airline to a net positive cash flow position.

The approved business plan sets out the vision for Air Malta, the implementation activity necessary, and the financial requirements to achieve this plan. The key assumptions of the business plan are:

- The temporary fleet rationalization geared towards operating 8 aircraft, increasing aircraft utilization which will positively impact the company's cost base
- Renegotiation of major contracts, again aimed at reducing further the airline's cost base
- A revenue strategy based on increasing seat load factors that will compensate for the expected reduction yields, generating a stable revenue stream equivalent to current revenue levels
- Improved efficiency and productivity, further improving the company's sustainability

In order to achieve the projected results for the year ending FY2016, the Company will pursue with the implementation of the remaining measures as envisaged in the Restructuring Plan, and the initiatives underlying the three year Business plan referred to previously.

Directors' report - continued

Financing of the Restructuring Plan

The Restructuring Plan targeted the return of the airline to a positive net cash flow position by the end of FY2014, which also required the Company to sell its main remaining property assets.

The main steps in the financing process, principally reflected within the Restucturing Plan and modified in view of the current year results are the following:

- The injection of equity capital of €78 million up to FY2015 and the partial conversion of a €52 million loan to equity such that the end of FY2015 share capital increased by €118 million. The remaining €12 million portion of the loan will be converted to equity in January 2016.
- The sale of property to government for a consideration of €66.2 million which transaction was finalised in November 2014.
- The successful negotiation of banking facilities, which should be sufficient to see the company through the period until it returns to profitability.
- The disposal process of the Company's subsidiaries and other strategic investments, which have been earmarked for sale, include the disposal of Osprey Insurance Brokers Co Ltd and which has been finalised during the year ended 31 March 2015. Furthermore the Company has signed a promise of sale agreement to dispose of its interest in Selmun Palace Hotel Company Limited to government, after all necessary approvals were obtained.
- Renegotiated the Catering Contract with approximately €4 million annual savings, benefits of which will be seen in FY2016 and subsequent years.
- Renegotiations of IT and Telecoms Contracts with savings of €1.25 million annual savings.
- Lease Renewal of two aircraft with savings of €800k annually.
- The optimising of the fleet with annual savings of €8 million per year from FY2016 onwards.

The Government, as principal shareholder, has taken cognisance of, and has approved the assumptions. The principal shareholder will ensure that the Board of Directors is in a position to implement these initiatives and will provide all the necessary backing and support to the Board of Directors and to the airline's management in this respect, as allowed by European legislation and the conditions attached to the Restructuring Plan.

The Government will continue to engage in a dialogue with the European Commission with a view to presenting the progress achieved to date and the outstanding ground which would need to be covered in order to complete Air Malta's restructuring process.

Overall Assessment

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 formally approved Restructuring Plan in June 2012 and continued support of the Plan by the European Commission;

(ii) the current level of commitment in the implementation of the Restructuring Plan and the 3 year Business Plan by the Government of Malta;

(iii) the financing arrangements which have been entirely put into place; and

(iv) the underlying assumption that the Restructuring Plan and the 3 year Business Plan can be implemented within an acceptable timeframe and taking into account the respective Plan's terms.

Directors' report - continued

Dividends

The Directors do not recommend the payment of a dividend.

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:

Maria Micallef – appointed as Chairman on 3 July 2014
Raymond Fenech - resigned as Director and Chairman on 3 July 2014
Eric Fenech Pace
Francis Cassar - appointed on 24 February 2015
Joseph Borg
Joseph A. Gasan
Christopher Grech
George Micallef
Norman Spiteri

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 2015 are included in the Annual Report and Consolidated Financial Statements 2015, 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

Maria Micallef
Chairman

Eric Fenech Pace
Director

15 October 2015

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 fortnightly 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 are 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 2015 the Board of Directors met 31 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 Chairman 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 composed of three non-executive board members, one of which acts as the Chairman 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.

The audit committee met five times in the financial year ending 31 March 2015.

Remuneration Committee

A Remuneration Committee is chaired by the Chairman, and its other member is a 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. The remuneration committee met three times in the financial year ending 31 March 2015.

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. 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. The Risk Committee is chaired by a non-executive Director and comprises the Chief Executive Officer, the Chief Financial Officer (CFO) and two other non-executive Directors. The Risk Committee meets at least three times a year 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.

Corporate Governance Statement - continued

2) Management Committees

On the 13 October 2014 Mr Philip Micallef was appointed as the new CEO of the company.

Senior Management Team

During the year ended 31 March 2015, 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, Flight Operations, Engineering and Information Systems departments. 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.

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 regular basis and are chaired by a non-executive Director. The Committee reports directly to the Board of Directors.

Corporate Governance Statement - continued

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.

During the year Internal Audit carried out a number of audit reviews in accordance with the Internal Audit Plan approved by the Audit Committee.

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.

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 safety reports submitted by staff locally as well as outstation handlers, current safety 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 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;
- 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.

pwc

Independent auditor's report

Report on the Financial Statements for the year ended 31 March 2015

We have audited the consolidated and stand-alone parent Company financial statements of Air Malta p.l.c (together the "financial statements") on pages 14 to 91, which comprise the consolidated and parent Company statements of financial position as at 31 March 2015, 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 4, 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 2015, 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.

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 Company's restructuring process and the implied financing requirements. 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.

pwc

Independent auditor's report - continued

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

Report on Other Legal and Regulatory Requirements for the year ended 31 March 2015

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

FAxisa

Fabio Axisa
Partner

15 October 2015

Statements of financial position

	Notes	As at 31 March			
		2015	2014	**2015**	2014
		Group		**Company**	
		€000	€000	**€000**	€000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**6,259**	7,379	**6,259**	7,379
Investment property	6	**47**	47	**47**	47
Intangible assets	7	**5,787**	4,182	**5,787**	4,182
Investments in subsidiaries	8	**-**	-	**1,805**	1,805
Available-for-sale financial assets	9	**107**	107	**107**	107
Derivative financial instruments	10	**-**	498	**-**	498
Other receivables	12	**5,597**	5,263	**5,597**	5,263
Total non-current assets		**17,797**	17,476	**19,602**	19,281
Current assets					
Inventories	13	**1,118**	1,151	**1,118**	1,151
Trade receivables	14	**26,422**	36,485	**26,422**	36,485
Amounts owed by ultimate shareholder	11	**-**	36,400	**-**	36,400
Amounts owed by subsidiaries		**-**	-	**-**	333
Amounts owed by associates		**19**	882	**19**	882
Amounts owed by related parties		**235**	216	**235**	216
Current tax assets		**842**	397	**826**	328
Other receivables	12	**14,119**	3,522	**14,119**	3,522
Prepayments and accrued income		**4,128**	3,927	**4,122**	3,863
Available-for-sale financial assets	9	**515**	527	**-**	-
Derivative financial instruments	10	**7,401**	1,898	**7,401**	1,898
Term placements with banks	15	**-**	2,418	**-**	-
Cash and cash equivalents	16	**48,964**	47,175	**48,302**	47,025
		103,763	134,998	**102,564**	132,103
Assets classified as held for sale	17	**4,804**	6,407	**8,202**	192
Total current assets		**108,567**	141,405	**110,766**	132,295
Total assets		**126,364**	158,881	**130,368**	151,576

Statements of financial position - continued

	Notes	As at 31 March			
		2015	2014	**2015**	2014
		Group		**Company**	
		€000	€000	**€000**	€000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	**119,016**	76,004	**119,016**	76,004
Share premium	19	**42,762**	42,762	**42,762**	42,762
Revaluation reserve	20	**693**	7,480	**693**	7,480
Hedging reserve	21	**(13,480)**	140	**(13,480)**	140
Accumulated losses		**(224,569)**	(205,587)	**(222,197)**	(212,565)
Total equity		**(75,578)**	(79,201)	**(73,206)**	(86,179)
Non-current liabilities					
Borrowings	22	**1,853**	15,619	**1,853**	15,619
Provisions in respect of maintenance costs	24	**19,036**	31,959	**19,036**	31,959
Deferred income		**1,332**	2,559	**1,332**	2,559
Derivative financial instruments	10	**5,904**	143	**5,904**	143
Total non-current liabilities		**28,125**	50,280	**28,125**	50,280
Current liabilities					
Trade payables		**24,825**	25,853	**24,823**	25,853
Amounts owed to subsidiaries		**-**	-	**5,657**	5,232
Amounts owed to associates		**594**	3	**594**	3
Amounts owed to related parties		**3,948**	2,494	**3,948**	2,494
Sales in advance		**49,038**	47,730	**49,038**	47,730
Other payables		**8,742**	5,692	**8,640**	5,464
Indirect taxation and social security		**3,198**	989	**3,198**	989
Accruals and deferred income		**13,161**	11,790	**13,151**	11,769
Borrowings	22	**17,744**	60,662	**17,744**	60,662
Derivative financial instruments	10	**14,977**	2,276	**14,977**	2,276
Provisions in respect of maintenance costs	24	**26,859**	17,164	**26,859**	17,164
Provision in respect of restructuring costs	26.3.2	**6,229**	7,665	**6,229**	7,665
Other provisions	25	**591**	174	**591**	174
		169,906	182,492	**175,449**	187,475
Liabilities directly associated with assets classified as held for sale	17	**3,911**	5,310	**-**	-
Total current liabilities		**173,817**	187,802	**175,449**	187,475
Total liabilities		**201,942**	238,082	**203,574**	237,755
Total equity and liabilities		**126,364**	158,881	**130,368**	151,576

The notes on pages 21 to 91 are an integral part of these consolidated financial statements.

The financial statements on pages 14 to 91 were authorised for issue by the Board on 15 October 2015 and were signed on its behalf by:

Maria Micallef
Chairman

Eric Fenech Pace
Director

Income statements

	Notes	Year ended 31 March			
		2015	2014	**2015**	2014
		Group		**Company**	
		€000	€000	**€000**	€000
Continuing operations:					
Revenue	26.1	**218,166**	234,161	**218,164**	234,189
Cost of sales	26.2	**(215,165)**	(218,596)	**(215,180)**	(219,307)
Gross profit		**3,001**	15,565	**2,984**	14,882
Selling and distribution costs	26.2	**(16,163)**	(18,661)	**(16,163)**	(18,661)
Administrative expenses	26.2	**(10,924)**	(9,146)	**(10,761)**	(9,124)
Other operating income		**1**	193	**1**	193
Operating loss		**(24,085)**	(12,049)	**(23,939)**	(12,710)
Operating loss before restructuring and other related costs		**(22,970)**	(9,218)	**(22,824)**	(9,879)
Restructuring and other related costs	*26.3.1*	**(1,115)**	(2,831)	**(1,115)**	(2,831)
Operating loss after restructuring and other related costs		**(24,085)**	(12,049)	**(23,939)**	(12,710)
Investment and other related income	28	**661**	12	**2,077**	1,577
Finance income	29	**44**	243	**24**	188
Finance costs	30	**(3,425)**	(4,723)	**(3,452)**	(4,747)
Loss before tax		**(26,805)**	(16,517)	**(25,290)**	(15,692)
Tax income/(expense)	31	**422**	(1,204)	**(75)**	(1,330)
Loss for the year from continuing operations		**(26,383)**	(17,721)	**(25,365)**	(17,022)
Discontinued operations:					
Profit/(loss) for the year from discontinued operations	17	**617**	(370)	**8,946**	(470)
Loss for the year		**(25,766)**	(18,091)	**(16,419)**	(17,492)

The notes on pages 21 to 91 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Note	Year ended 31 March			
		2015	2014	**2015**	2014
		Group		**Company**	
		€000	€000	**€000**	€000
Loss for the year		**(25,766)**	(18,091)	**(16,419)**	(17,492)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges, net of deferred tax	21	**(13,620)**	(2,470)	**(13,620)**	(2,470)
Currency translation differences		**(3)**	2	**-**	-
Other comprehensive income for the year, net of tax		**(13,623)**	(2,468)	**(13,620)**	(2,470)
Total comprehensive income for the year		**(39,389)**	(20,559)	**(30,039)**	(19,962)

The notes on pages 21 to 91 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €000	Share premium €000	Revaluation reserve €000	Hedging reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2013		61,024	42,762	7,480	2,610	(187,498)	(73,622)
Comprehensive income							
Loss for the year		-	-	-	-	(18,091)	(18,091)
Other comprehensive income:							
Cash flow hedges, net of deferred tax	21	-	-	-	(2,470)	-	(2,470)
Currency translation differences		-	-	-	-	2	2
Total other comprehensive income		-	-	-	(2,470)	2	(2,468)
Total comprehensive income		-	-	-	(2,470)	(18,089)	(20,559)
Transactions with owners							
Issue of ordinary share capital	18	14,980	-	-	-	-	14,980
Total transactions with owners		14,980	-	-	-	-	14,980
Balance at 31 March 2014		76,004	42,762	7,480	140	(205,587)	(79,201)
Comprehensive income							
Loss for the year		-	-	-	-	(25,766)	(25,766)
Other comprehensive income:							
Transfer upon realisation through the sale of property	20	-	-	(6,787)	-	6,787	-
Cash flow hedges, net of deferred tax	21	-	-	-	(13,620)	-	(13,620)
Currency translation differences		-	-	-	-	(3)	(3)
Total other comprehensive income		-	-	(6,787)	(13,620)	6,784	(13,623)
Total comprehensive income		-	-	(6,787)	(13,620)	(18,982)	(39,389)
Transactions with owners							
Issue of ordinary share capital	18	43,012	-	-	-	-	43,012
Total transactions with owners		43,012	-	-	-	-	43,012
Balance at 31 March 2015		**119,016**	**42,762**	**693**	**(13,480)**	**(224,569)**	**(75,578)**

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	Revaluation reserve €000	Hedging reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2013		61,024	42,762	7,480	2,610	(195,073)	(81,197)
Comprehensive income							
Loss for the year		-	-	-	-	(17,492)	(17,492)
Other comprehensive income:							
Cash flow hedges, net of deferred tax	21	-	-	-	(2,470)	-	(2,470)
Total other comprehensive income		-	-	-	(2,470)	-	(2,470)
Total comprehensive income		-	-	-	(2,470)	(17,492)	(19,962)
Transactions with owners							
Issue of ordinary share capital	18	14,980	-	-	-	-	14,980
Total transactions with owners		14,980	-	-	-	-	14,980
Balance at 31 March 2014		76,004	42,762	7,480	140	(212,565)	(86,179)
Comprehensive income							
Loss for the year		-	-	-	-	(16,419)	(16,419)
Other comprehensive income:							
Transfer upon realisation through the sale of property	20	-	-	(6,787)	-	6,787	-
Cash flow hedges, net of deferred tax	21	-	-	-	(13,620)	-	(13,620)
Total other comprehensive income		-	-	(6,787)	(13,620)	6,787	(13,620)
Total comprehensive income		-	-	(6,787)	(13,620)	(9,632)	(30,039)
Transactions with owners							
Issue of ordinary share capital	18	43,012	-	-	-	-	43,012
Total transactions with owners		43,012	-	-	-	-	43,012
Balance at 31 March 2015		**119,016**	**42,762**	**693**	**(13,480)**	**(222,197)**	**(73,206)**

The notes on pages 21 to 91 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Year ended 31 March			
		2015	2014	**2015**	2014
		Group		**Company**	
		€000	€000	**€000**	€000
Cash flows from operating activities					
Cash used in operations	33	**(27,616)**	(8,780)	**(27,313)**	(9,482)
Dividends received from subsidiaries		**-**	-	**1,423**	1,577
Other net operating outflows		**(334)**	(107)	**(334)**	(107)
Dividends received from associates		**654**	-	**654**	-
Investment and other related income received		**60**	264	**24**	188
Interest paid and similar charges		**(3,543)**	(3,757)	**(3,452)**	(3,656)
Net tax (paid)/refunded		**(2)**	423	**(2)**	339
Net cash used in operating activities		**(30,781)**	(11,957)	**(29,000)**	(11,141)
Cash flows from investing activities					
Purchases of tangible and intangible assets		**(366)**	(995)	**(366)**	(995)
Proceeds from sale of tangible assets		**36,400**	1	**36,400**	1
Net proceeds from sale of investments in subsidiary undertaking		**-**	-	**1,318**	-
Proceeds from disposal of subsidiary, net of cash disposed		**229**	-	**-**	-
Proceeds from maturity of term placements		**2,418**	15,008	**-**	15,000
Funds advanced under term placements		**-**	(19)	**-**	-
Loans granted to subsidiaries		**-**	-	**(115)**	(120)
Loan repayments received from associates		**16**	31	**16**	31
Net cash generated from investing activities		**38,697**	14,026	**37,253**	13,917
Cash flows from financing activities					
Issue of ordinary share capital		**2,996**	14,980	**2,996**	14,980
Repayments of bank borrowings		**(18,000)**	-	**(18,000)**	-
Repayment of related party loan		**(1,672)**	(1,584)	**(1,672)**	(1,584)
Net cash (used in)/generated from financing activities		**(16,676)**	13,396	**(16,676)**	13,396
Net movement in cash and cash equivalents		**(8,760)**	15,465	**(8,423)**	16,172
Cash and cash equivalents at beginning of year		**46,368**	31,994	**46,035**	30,954
Exchange differences on cash and cash equivalents		**6,696**	(1,091)	**6,696**	(1,091)
Cash and cash equivalents at end of year	16	**44,304**	46,368	**44,308**	46,035

The notes on pages 21 to 91 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

Air Malta p.l.c. is currently going through a restructuring process with the intent of returning the company to positive financial results in the near future. During the financial year ended 31 March 2015, the Group incurred losses after tax from continuing operations amounting to €26.4 million (2014: €17.7 million) putting the Group's equity base under further strain. The Group's liabilities exceeded its assets as at 31 March 2015 by €75.6 million (2014: €79.2 million). As at 31 March 2015, the Group's current liabilities exceeded its current assets by the amount of €16.2 million, excluding sales in advance from the amount of current liabilities.

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 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 was necessary to help restructure the Company.

The European Commission had communicated its decision confirming approval of Restructuring Aid for Air Malta p.l.c. and it resolved that a €130 million aid amount granted to the Company for its restructuring is in line with EU state aid rules.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.1 Assessment of going concern - continued

The Restructuring Plan is intrinsically linked to the ability of the airline to rapidly and successfully execute a range of cost and revenue initiatives. The Restructuring Plan indicated that the level of losses registered in recent years can be turned around to profitability by FY2015. However, these financial result targets have not been achieved in view of difficult market conditions in certain territories and the delayed implementation of certain cost initiatives envisaged in the Plan.

Accordingly, the airline's operating results from continuing operations for FY2015 are not in line with the projected results reflected within the Restructuring Plan. Based on the experience up to the date of approval of these financial statements, further losses are expected to be incurred during FY2016. The latter is attributable once again to the delayed implementation of the cost initiatives referred to previously, but also to increased competition and persisting difficult market conditions in certain territories.

In this context and taking into account the term of the Restructuring Plan, the Board of Directors of Air Malta p.l.c. have approved a 3 year Business Plan covering the financial years ending 31 March 2016, 2017 and 2018. According to this Business Plan the FY2015 level of losses can be turned around to breakeven by FY2017 and to profitability by FY2018. The Plan also reflects the strategy to return the airline to a positive net cash flow position.

The Business Plan sets out the Directors' and Management's vision for the Company, the implementation activity necessary, and the financing requirements in achieving this plan. The key assumptions within the Business Plan comprise:

- Temporary fleet rationalisation geared towards operating with 8 aircraft, increasing aircraft utilisation levels, with a positive impact on the airline's cost base;
- Revenue strategy based on increasing seat load factors but reducing yields, with a more effective distribution system;
- Cost savings in staff and related employment costs attributable to renegotiation of collective agreements and enhanced productivity measures;
- Adoption of specific mechanisms in relation to fuel price and foreign exchange rate management.

The Government, as principal shareholder, has taken cognisance of, and has approved these assumptions. The principal shareholder will ensure that the Board of Directors is in a position to implement these initiatives and will provide all the necessary backing and support to the Board of Directors and to the airline's management in this respect, as allowed by European legislation and the conditions attached to the Restructuring Plan.

The Government will continue to engage in a dialogue with the European Commission with a view to presenting the progress achieved to date and the outstanding ground which would need to be covered in order to complete Air Malta's restructuring process.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.1 Assessment of going concern - continued

On the basis of legal advice obtained, it is the Board of Directors' view that, in the light of the European Commission's own guidelines and decisional practice, the Commission is likely to continue considering favourably Air Malta's restructuring process, especially in view of:

- the genuine efforts that have been undertaken to date for the implementation of the Restructuring Plan;
- the material progress which Air Malta has achieved as a result of such efforts, especially against the background of a number of unforeseeable developments out of Air Malta's control, which have adversely affected its business and trading performance as well as the adverse trading conditions facing it in the sectors it operates; as well as,
- the ongoing efforts which are underway to meet the objectives set in that plan.

The Government, as Air Malta's principal shareholder, has approved the 3 year Business Plan and the implied actions or strategic moves representing the key assumptions, and accordingly has given the Board the mandate to proceed with the implementation of the Plan, and is confident that the 3 year Business Plan can be implemented in a timely manner and in accordance with its terms, particularly in view of the Plan's robustness.

Financing of the Restructuring Plan

The Restructuring Plan targeted a return of the airline to a positive net cash flow position within the shortest time frame possible, which also required the Company to sell its main remaining property assets. The funding raised would 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 had been formally approved and fully supported by the Government, as the Company's principal shareholder.

The current year financial results and the anticipated results for the forthcoming year have modified the Group's financing requirements emanating from the Restructuring Plan. The funding plan implied within the 3 year Business Plan, consisting predominantly of securing bank funding, has been formally approved by the Government, as the Company's principal shareholder. The bank funding requirements implied within the Business Plan are in place.

One of the financing transactions assumed within the Business Plan is the disposal by Air Malta of the shares in Selmun Palace Hotel Company Limited to the Government, at arm's length consideration based on expert valuation of the Company's property asset, through an irrevocable Promise of Sale agreement. The Promise of Sale Agreement has been signed and the necessary approvals have been secured in this respect.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.1 Assessment of going concern - continued

The main steps in the financing process, principally reflected within the Restructuring Plan and modified as a result of the shortfall in cash flows generated due to the current year financial results, are the following:

- A Promise of Sale Agreement to dispose of the principal property, owned by the Company, for an amount of €66.2 million had been entered into with Government. During the previous 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 had been received. The remaining contracts of sale for the amount of €36.4 million were finalised during the current financial year and the related proceeds were secured.
- The Company has secured new banking facilities and has also managed the conditions of other existing bank facilities such that these are available to support the Company's operational requirements during the years ending 31 March 2016, 2017 and 2018. The Company's Board of Directors is comfortable that the available banking facilities are sufficient to sustain the financial model implied within the 3 year Business 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 Osprey Insurance Brokers Co Ltd was finalised during the year ended 31 March 2015. Moreover, subsequent to 31 March, the Company has entered into an irrevocable Promise of Sale agreement with the Government for the disposal of the Company's interest in Selmun Palace Hotel Company Limited to Government. Proceeds as per the Promise of Sale agreement are based on the market value of the underlying Selmun property which exceeds the carrying amount of the property.
- Government had granted a 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. An amount of €40 million has been converted into equity during the current financial year and the balance will be converted during FY2016.
- The Plan contemplated the allocation in tranches of €78 million of fresh equity to Government. Up to 31 March 2015, €78 million has been fully allocated and the amount has been injected, with €3 million injected during the current year.

Overall assessment

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 formally approved Restructuring Plan in June 2012 and continued support of the Plan by the European Commission;
(ii) the current level of commitment in the implementation of the Restructuring Plan and the 3 year Business Plan by the Government of Malta;
(iii) the financing arrangements which have been entirely put into place; and
(iv) the underlying assumption that the Restructuring Plan and the 3 year Business Plan can be implemented within an acceptable timeframe and taking into account the respective Plan's terms.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.2 Changes in accounting policy and disclosures

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

During the current financial year the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 April 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies impacting the group's financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 April 2014. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to endorsement by the EU. The Group is assessing the impact of IFRS 15.

1. Summary of significant accounting policies - continued

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Acquisition-related costs are expensed as incurred.

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 and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

A listing of the Group's principal subsidiaries is set out in note 38 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 38 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 statement of financial position presented are translated at the closing rate at the end of the reporting period;
(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 is 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 statement of financial position (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.

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.

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.

1.15 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. **Summary of significant accounting policies** - continued

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

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.

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.

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. Summary of significant accounting policies - continued

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.

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. Summary of significant accounting policies - continued

1.22 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.

1.23 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.

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.

1. Summary of significant accounting policies - continued

1.23 Derivative financial instruments and hedging - continued

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 10 to the financial statements.

1.24 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

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 intrinsically 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.

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 2015, the Group forecasts net receipts denominated in UK sterling amounting to €25.7 million (2014: €18.3 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 €84.6 million (2014: €74.6 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 €55.7 million (2014: €71.9 million) covering US dollar exposures, and €14.8 million (2014: €14.9 million) covering UK sterling exposures.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

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	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Net UK sterling asset/(liability) position	**6,744**	(8,206)	**6,744**	(8,039)
Net US dollar asset/(liability) position	**75**	(19,466)	**75**	(19,965)

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%	(-) 10%	(+) 10%	(-) 10%
	€000	€000	€000	€000
UK sterling				
At 31 March 2015	**(616)**	**753**	**(616)**	**753**
At 31 March 2014	731	(893)	746	(911)
US dollar				
At 31 March 2015	**(7)**	**8**	**(7)**	**8**
At 31 March 2014	1,769	(2,162)	1,815	(2,128)

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

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%	(-) 10%
	€000	€000
At 31 March 2015	**(3,305)**	**4,129**
At 31 March 2014	(5,647)	5,863

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.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from borrowings issued at variable rates (Note 22) and advances to related parties subject to fixed 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 2015, fuel expenses amounted to €63 million (2014: €65 million) as disclosed in Note 26.2 to the financial statements and accounted for approximately 26% (2014: 26%) 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 2015, the notional amounts of the hedging derivatives outstanding amounted to approximately €65.1 million (2014: €54.1 million) in view of the prevailing market and trading conditions (refer to Note 10).

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

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.

If as at 31 March 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%	(-) 10%
	€000	€000
At 31 March 2015	**4,590**	**(4,590)**
At 31 March 2014	5,475	(5,475)

(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**	
	2015	2014	**2015**	2014
Continuing operations:	**€000**	€000	**€000**	€000
Loans and receivables category:				
Cash and cash equivalents (Note 16)	**48,964**	47,175	**48,302**	47,025
Term placements with banks (Note 15)	**-**	2,418	**-**	-
Trade and related receivables	**26,676**	37,583	**26,676**	37,583
Amounts owed by subsidiaries	**-**	-	**-**	333
Amounts due from ultimate shareholder	**-**	36,400	**-**	36,400
Other receivables (Note 12)	**19,716**	8,785	**19,716**	8,785
	95,356	132,361	**94,694**	130,126
Financial instruments held for hedging:				
Derivative financial instruments (Note 10)	**7,401**	2,396	**7,401**	2,396
	102,757	134,757	**102,095**	132,522

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

	Group		Company	
	2015	2014	**2015**	2014
Discontinued operations:	**€000**	€000	**€000**	€000
Loans and receivables category:				
Cash and cash equivalents (Note 17.2.1)	**55**	904	**-**	-
Trade and other receivables (Note 17.2.1)	**461**	884	**-**	-
Loans to associates (Note 17.2.2)	**106**	122	**106**	122
Loans to subsidiaries (Note 17.2.2)	**-**	-	**8,084**	-
	622	1,910	**8,190**	122

The maximum exposure to credit risk at the end of the reporting period 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, 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 2015 amounted to approximately €8.4 million (2014: €6.6 million). As at 31 March 2014, Group's term placements with banks with contractual terms of more than three months matured within a period of twelve months from the end of the reporting period; 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.

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Trade and other receivables - continued

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 2015, the Group holds collateral in the form of bank guarantees for the amount of €1,953,000 (2014: €2,402,000) as security in respect of trade receivables.

The Group's and Company's debtors include amounts due from subsidiaries, associates 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.

As at 31 March 2015, the Group's and Company's trade receivables amounting to €2,440,000 (2014: €2,375,000) 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	
	2015	2014	**2015**	2014
Continuing operations:	**€000**	€000	**€000**	€000
At beginning of year	**2,375**	2,571	**2,375**	2,571
Increase in provisions	**164**	469	**164**	469
Bad debts written off	**(99)**	(665)	**(99)**	(665)
At end of year	**2,440**	2,375	**2,440**	2,375
Discontinued operations:				
At beginning and end of year	**237**	237	**-**	-
Total	**2,677**	2,612	**2,440**	2,375

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 26.2 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 2015, trade receivables and amounts owed by related parties amounting to €3,003,000 and €Nil (2014: €11,947,000 and €513,000) 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 aging analysis of the past due trade receivables is as follows:

	2015	2014
	€000	€000
Up to 60 days	**1,312**	4,186
60 to 120 days	**469**	4,496
Over 120 days	**1,222**	3,265
	3,003	11,947

As at 31 March 2015, the Company also had amounts receivable from associates amounting to €16,000 (2014: €864,000) which were past due but not impaired. Such amounts were mainly past due for less than one year.

As at 31 March 2015, the Company had amounts receivable from subsidiaries amounting to €1,113,000 (2014: €841,000) which were impaired. Such amounts were mainly past due. At 31 March 2015, the Company and Group also had amounts receivable from related parties amounting to €587,000 (2014: €325,000) 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. 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. 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	
	2015	2014
	€000	€000
Provisions on loans to subsidiaries		
At beginning of year	**10,860**	10,740
(Decrease)/Increase in provisions	**(8,659)**	120
At end of year	**2,201**	10,860

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 22) 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 other 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 and the 3 year Business Plan 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 3 year Business Plan. The key steps in implementing the financing process required, principally reflected within the Restructuring Plan and modified as a result of the shortfall in cash flows generated due to the current year financial results and those anticipated for FY2016, include:

- A Promise of Sale Agreement to dispose of the principal property, owned by the Company, for an amount of €66.2 million had been entered into with Government. During the previous 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 had been received. The remaining contracts of sale for the amount of €36.4 million were finalised during the current financial year and the related proceeds were secured.
- The Company has secured new banking facilities and has also managed the conditions of other existing bank facilities such that these are available to support the Company's operational requirements during the years ending 31 March 2016, 2017 and 2018. The Company's Board of Directors is comfortable that the available banking facilities are sufficient to sustain the financial model implied within the 3 year Business 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 Osprey Insurance Brokers Co Ltd was finalised during the year ended 31 March 2015. Moreover, subsequent to 31 March, the Company has entered into an irrevocable Promise of Sale agreement with the Government for the disposal of the Company's interest in Selmun Palace Hotel Company Limited to Government. Proceeds as per the Promise of Sale agreement are based on the market value of the underlying Selmun property which exceeds the carrying amount of the property.
- Government had granted a 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. An amount of €40 million has been converted into equity during the current financial year and the balance will be converted during FY2016.
- The Plan contemplated the allocation in tranches of €78 million of fresh equity to Government. Up to 31 March 2015, €78 million has been fully allocated and the amount has been injected, with €3 million injected during the current year.

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 2015	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	3,994	-	-	-	-	-	3,994
Loan from shareholder	535	-	12,530	-	-	-	13,065
Loan from related party	477	477	954	1,903	-	-	3,811
Trade and other payables	54,453	-	-	-	-	-	54,453
	59,459	477	13,484	1,903	-	-	75,323
Discontinued operations:							
Bank borrowings	3,319	-	-	-	-	-	3,319
Trade and other payables	474	-	-	-	-	-	474
	3,793	-	-	-	-	-	3,793
Total	**63,252**	**477**	**13,484**	**1,903**	**-**	**-**	**79,116**
At 31 March 2014							
Continuing operations:							
Bank borrowings	1,216	229	18,344	-	-	-	19,789
Loan from shareholder	926	-	40,938	12,728	-	-	54,592
Loan from related party	477	477	954	1,909	1,903	-	5,720
Trade and other payables	52,066	-	-	-	-	-	52,066
	54,685	706	60,236	14,637	1,903	-	132,167
Discontinued operations:							
Bank borrowings	3,558	-	-	-	-	-	3,558
Trade and other payables	1,870	-	-	-	-	-	1,870
	5,428	-	-	-	-	-	5,428
Total	**60,113**	**706**	**60,236**	**14,637**	**1,903**	**-**	**137,595**

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Company

	Within 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	€000	€000	€000	€000	€000	€000	€000
At 31 March 2015							
Bank borrowings	3,994	-	-	-	-	-	3,994
Loan from shareholder	535	-	12,530	-	-	-	13,065
Loan from related party	477	477	954	1,903	-	-	3,811
Trade and other payables	60,011	-	-	-	-	-	60,011
	65,017	**477**	**13,484**	**1,903**	**-**	**-**	**80,881**
At 31 March 2014							
Bank borrowings	1,216	229	18,344	-	-	-	19,789
Loan from shareholder	926	-	40,938	12,728	-	-	54,592
Loan from related party	477	477	954	1,909	1,903	-	5,720
Trade and other payables	51,774	-	-	-	-	-	51,774
	54,393	**706**	**60,236**	**14,637**	**1,903**	**-**	**131,875**

The Group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (Note 10). 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 2015 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Company

	Within 3 months	3 - 6 months	6 - 12 months	More than 12 months	Total
	€000	€000	€000	€000	€000
At 31 March 2015					
Foreign exchange derivatives:					
- Outflows	(12,575)	(4,477)	(28,089)	-	(45,141)
- Inflows	14,884	5,473	32,126	-	52,483
	2,309	**996**	**4,037**	**-**	**7,342**

Group and Company

	Within 3 Months	3 - 6 months	6 - 12 months	More than 12 months	Total
	€000	€000	€000	€000	€000
At 31 March 2014					
Foreign exchange derivatives:					
- Outflows	(13,233)	(21,449)	(33,478)	(7,114)	(75,274)
- Inflows	12,729	20,462	32,579	7,076	72,846
	(504)	(987)	(899)	(38)	(2,428)

The Group's derivative financial liabilities as at 31 March 2015, which will be settled on a net basis are not deemed material for the purpose of disclosing the contractual undiscounted cash flows.

2. Financial risk management - continued

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 2015, 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, the Company's Restructuring Plan set 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. However, the financial result targets within the Restructuring Plan have not been achieved in view of difficult market conditions in certain territories and the delayed implementation of certain cost initiatives envisaged in the Plan. Accordingly, in view of the financial results registered during the current and preceding financial years, the Board of Directors of Air Malta p.l.c. have approved a 3 year Business Plan covering the financial years ending 31 March 2016, 2017 and 2018. Included within the Restructuring Plan and the 3 year Business Plan are long-term financing arrangements that will address the Capital position of the Company during the period of the respective Plan. 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 had granted a 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. An amount of €40 million has been converted into equity during the current financial year and the balance will be converted during FY2016.
- The Company allocated €78 million of equity to Government. The capital has been called up in tranches in accordance with the programme established in the Restructuring Plan. By virtue of the subscription agreement, the Government of Malta has taken up the calls in respect of the 130,000,000 ordinary shares issued. Up to 31 March 2015, €78 million has been fully allocated and the amount has been injected, with €3 million injected during the current year. Capital injected has improved in a significant manner the financial position and liquidity of the Company.

2.3 Fair values of financial instruments

At 31 March 2015 and 2014 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.

2. Financial risk management - continued

2.3 Fair values of financial instruments - continued

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 15. 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 10 and 21). 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 2015, all the Group's derivative financial instruments disclosed in Note 10 are categorised as level 2 instruments, since these contracts are fair valued through valuation techniques utilising data solely from observable markets.

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.

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 and Company

	Land, buildings and improvements €000	Aircraft and flight equipment €000	Other assets €000	Total €000
At 1 April 2013				
Cost or valuation	3,067	18,418	21,648	43,133
Accumulated depreciation and impairment losses	(153)	(17,761)	(17,878)	(35,792)
Net book amount	2,914	657	3,770	7,341
Year ended 31 March 2014				
Opening net book amount	2,914	657	3,770	7,341
Additions	93	231	671	995
Disposals	-	-	(389)	(389)
Reclassification	-	(260)	260	-
Depreciation charge	(123)	(302)	(846)	(1,271)
Depreciation released on disposals	-	-	362	362
Other movements	-	341	-	341
Closing net book amount	2,884	667	3,828	7,379
At 31 March 2014				
Cost or valuation	3,160	18,730	22,190	44,080
Accumulated depreciation and impairment losses	(276)	(18,063)	(18,362)	(36,701)
Net book amount	2,884	667	3,828	7,379
Year ended 31 March 2015				
Opening net book amount	2,884	667	3,828	7,379
Additions	-	200	166	366
Depreciation charge	(158)	(521)	(807)	(1,486)
Closing net book amount	**2,726**	**346**	**3,187**	**6,259**
At 31 March 2015				
Cost or valuation	3,160	18,930	22,356	44,446
Accumulated depreciation and impairment losses	(434)	(18,584)	(19,169)	(38,187)
Net book amount	**2,726**	**346**	**3,187**	**6,259**

5. Property, plant and equipment - continued

Fair valuation of property

The Group's land and buildings, within property, plant and equipment, were last revalued on 31 March 2010 by an independent professionally qualified valuer. The book value of the property had been adjusted to the revaluation in prior years and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 20).

Valuations were made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location. The directors have reviewed the carrying amount of the property as at 31 March 2015 and no adjustments to the carrying amount were deemed necessary as at that date.

The group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's land and buildings, within property, plant and equipment, consist of aircraft hangar and maintenance areas that are owned and managed by the Company. The Group's investment property comprises airspace that is held for capital appreciation and is not occupied by the Group (refer to Note 6). All the recurring property fair value measurements at 31 March 2015 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 March 2015.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, is reflected in the table above and in Note 6 for investment property.

5. Property, plant and equipment - continued

Property classified within investment property with a carrying amount of €47,000, has not been revalued since initial recognition. The directors have assessed the fair values of these properties at 31 March 2015, which fair values were deemed to fairly approximate the carrying amounts.

Valuation processes

The valuations of the properties are reviewed regularly on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both:

- information provided by the company which is derived from its financial systems and is subject to the company's overall control environment; and
- assumptions and valuation models used by the valuers; with assumptions being typically market related and based on professional judgement and market observation.

The information provided to the valuer, together with the assumptions and the valuation models used by the valuer, are reviewed by the Board of directors as part of its overall responsibilities. This would include a review of any fair value movements over the period and the consideration of the valuation report itself. At the end of every reporting period, the Board assesses whether any significant changes or developments have been experienced since the last external valuation.

Valuation techniques

The external valuations of the Level 3 property have been performed using an adjusted sales comparison approach. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs. The significant input to this approach is generally sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, exact location and condition of the property.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description by class based on highest and best use	**Fair value at 31 March 2015 €000**	**Valuation technique**	**Significant unobservable input**	**€**
Redevelopment as commercial premises	**2,600**	Adjusted sales comparison approach	Sales price per square metre	160

The higher the sales price per square metre the higher the resultant fair valuation. The highest and best use of the group's property differs from their current use taking cognisance of the potential redevelopment.

5. Property, plant and equipment - continued

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

	Group and Company	
	2015	2014
	€000	€000
Cost	**2,145**	2,145
Accumulated depreciation and impairment losses	**(387)**	(348)
Net book amount	**1,758**	1,797

6. Investment property

	Group and Company
	€000
At 1 April 2013, 31 March 2014 and 31 March 2015	
Cost and carrying amount	**47**

The Group's investment property is carried at fair value, estimated by an independent professionally qualified valuer. Valuations are determined on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area and, whenever possible, having regard to recent market transactions for similar properties in the same location.

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 5.

7. Intangible assets

7.1 Emissions

	Group and Company			
Emission rights and credits for own use	**2015 In tonnes**	**2015 €000**	2014 In tonnes	2014 €000
Year ended 31 March				
Unutilised granted emission rights at 1 April	**610,588**	**4,182**	433,973	3,388
Emission rights and credits granted	**177,402**	**1,271**	197,069	926
Emission rights and credits purchased	**95,206**	**582**	21,750	107
Emission rights and credits sold	**(36,750)**	**(248)**	-	-
Total weighted average cost of emission rights granted, purchased and sold during the financial year	**235,858**	**1,605**	218,819	1,033
Derogation of emission rights granted	**-**	**-**	(42,204)	(239)
Unutilised emission rights at 31 March	**846,446**	**5,787**	610,588	4,182
Estimated usage of emission rights and credits during the current and preceding years	**(695,367)**	**(4,811)**	(583,721)	(3,619)
	151,079	**976**	26,867	563

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 are 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 2015, deferred income in respect of emission rights and credits granted to the Company amounted to €1,185,000 (2014: €1,102,000). Also, the liability of the Company as at 31 March 2015 in relation to emissions made until that date amounted to €4,811,000 (2014: €3,619,000).

7. Intangible assets - continued

7.2 Landing rights

Air Malta p.l.c. operates landing rights or airport slots in approximately 40 destinations in Europe, Middle East and North Africa, which rights or slots have been originally secured for no, or for a nominal consideration. During the current financial year, the Company engaged external professional valuers to assess the valuation of these landing rights or slots. These external valuers have estimated the upper end value of the Company's Heathrow and Gatwick slots to be in the region of €50 million as at 30 September 2014, on the basis of recent market transactions with adjustments for schedule and frequencies held per week.

8. Investments in subsidiaries

Company

	Shares in subsidiaries €000
At 1 April 2013, 31 March 2014 and 31 March 2015	
Cost	2,149
Provisions for impairment	(344)
Carrying amount	**1,805**

9. Available-for-sale financial assets

Group

	Equity instruments €000	Quoted debt securities €000	Total €000
At 1 April 2013			
Amortised cost	1,308	534	1,842
Provisions for impairment	(1,201)	-	(1,201)
Carrying amount	107	534	641
Year ended 31 March 2014			
Opening carrying amount	107	534	641
Other movements	-	(7)	(7)
Closing carrying amount	107	527	634
At 31 March 2014			
Amortised cost	1,308	527	1,835
Provisions for impairment	(1,201)	-	(1,201)
Carrying amount	107	527	634

9. Available-for-sale financial assets - continued

	Equity instruments €000	Quoted debt securities €000	Total €000
Year ended 31 March 2015			
Opening carrying amount	107	527	634
Other movements	-	(12)	(12)
Closing carrying amount	107	515	622
At 31 March 2015			
Amortised cost	1,308	515	1,823
Provisions for impairment	(1,201)	-	(1,201)
Carrying amount	**107**	**515**	**622**

Analysis of total available-for-sale financial assets:

	€000
At 31 March 2015	
Non-current	107
Current	515
	622
At 31 March 2014	
Non-current	107
Current	527
	634

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 2015 was 3.74% (2014: 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 2013, 31 March 2014 and 31 March 2015	
Cost	688
Provisions for impairment	(581)
Carrying amount	**107**

10. 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 €000	Liabilities €000
At 31 March 2015		
Derivatives held for hedging (cash flow hedges)		
Non-current portion		
Fuel price hedging derivatives		
- commodity swaps	-	(5,904)
	-	(5,904)
Current Portion		
Foreign exchange derivatives		
- currency forwards	7,401	(100)
Fuel price hedging derivatives		
- commodity swaps	-	(14,877)
	7,401	(14,977)
Total derivative assets/(liabilities)	**7,401**	**(20,881)**
At 31 March 2014		
Derivatives held for hedging (cash flow hedges)		
Non-current portion		
Fuel price hedging derivatives		
- commodity swaps	498	(143)
	498	(143)
Current portion		
Foreign exchange derivatives		
- currency forwards	-	(1,960)
Fuel price hedging derivatives		
- commodity swaps	1,898	(316)
	1,898	(2,276)
Total derivative assets/(liabilities)	**2,396**	**(2,419)**

10. 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 2015 have the following contract terms:

	Fair value - assets/ (liabilities) €000
Forward sale of EUR30.4 million against USD (at contracted rate of EUR1:USD1.3059)	5,575
Forward sale of GBP0.8 million against EUR (at contracted rates averaging EUR1:GBP0.8068)	(100)
Forward sale of GBP10 million against USD (at contracted rates averaging EUR1:USD1.6789)	1,826
	7,301

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 2014 have the following contract terms:

	Fair value - assets/ (liabilities) €000
Forward sale of EUR60.3 million against USD (at contracted rate of EUR1:USD1.3396)	(1,363)
Forward sale of GBP0.8 million against EUR (at contracted rates averaging EUR1:GBP0.8433)	(1)
Forward sale of GBP11.7 million against USD (at contracted rates averaging EUR1:USD1.5692)	(596)
	(1,960)

10. Derivative financial instruments - continued

The terms and approximate notional amounts of the hedging commodity derivatives outstanding as at 31 March 2015 are as follows:

Commodity swap agreements:

Maturity date	Notional Amount	Settlement terms	Fair value - assets/ (liabilities) €000
Contracts expiring on 31 October 2015	USD20,098,000	Pay-fixed ($93.62 -$104.864 per barrel range), receive-floating	(8,108)
Contracts expiring on 31 October 2015	EUR8,387,000	Pay-fixed (€698.85 - €710 per metric tonne range), receive-floating	(2,102)
Contracts expiring on 31 October 2015	EUR5,240,000	Pay-fixed (€73.11 - €79.15 per barrel range), receive-floating	(1,559)
Contracts expiring on 31 March 2016	USD7,047,000	Pay-fixed ($90.35 - $101.54 per barrel range), receive-floating	(2,261)
Contracts expiring on 31 March 2016	EUR4,024,000	Pay-fixed (€71.64 - $77.80 per barrel range), receive-Floating	(847)
Contracts expiring on 31 October 2016	USD13,017,000	Pay-fixed ($91.17 - $100.900 per barrel range), receive-floating	(3,891)
Contracts expiring on 31 October 2016	EUR6,424,000	Pay-fixed (€70.37 - €71.13 per barrel range), receive-floating	(953)
Contracts expiring on 31 March 2017	USD3,977,000	Pay-fixed ($91.65 - $95.97 per barrel range), receive-floating	(1,060)
			(20,781)

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.

10. Derivative financial instruments - continued

The terms and approximate notional amounts of the hedging commodity derivatives outstanding as at 31 March 2014 are as follows:

Commodity swap agreements:

Maturity date	Notional amount	Settlement terms	Fair value - assets/ (liabilities) €000
Contracts expiring on 30 September 2014	USD6,350,000	Pay-fixed ($97.42 - $104.80 per barrel range), receive-floating	223
Contracts expiring on 31 October 2014	USD21,491,000	Pay-fixed ($94.46 - - - $101.97 per barrel range), receive floating	1,411
Contracts expiring on 31 October 2014	EUR8,306,000	Pay-fixed (€715 – €725 per metric tonne range), receive-floating	(273)
Contracts expiring on 31 March 2015	USD7,262,000	Pay-fixed ($95.46 - $99.9 per barrel range), receive-floating	336
Contracts expiring on 31 March 2015	USD788,000	Pay-fixed ($74.49 per barrel), receive-floating	(103)
Contracts expiring on 31 March 2015	EUR1,924,000	Pay-fixed (€714.25 - €719.25 per metric tonne), receive-floating	(60)
Contracts expiring on 31 October 2015	USD10,692,000	Pay-fixed ($93.62 - $98.15 per barrel range), receive-floating	450
Contracts expiring on 31 October 2015	EUR3,512,000	Pay-fixed (€702.25 - €710 per metric tonne range), receive-floating	(102)
Contracts expiring on 31 March 2016	USD2,025,000	Pay-fixed ($95.25 - $96.15 per barrel range), receive-floating	55
Contracts expiring on 31 March 2016	EUR1,685,000	Pay-fixed (€72.65 - €72.72 per barrel range), receive-floating	(14)
Contracts expiring on 31 October 2016	EUR3,211,604	Pay-fixed (€71.05 - €71.13 per barrel range), receive-floating	(16)
			1,937

11. Amounts owed by ultimate shareholder

	Group and Company	
	2015	2014
	€000	€000
Current	**-**	36,400

The amounts receivable from the Government of Malta were 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. During the current financial year, the Company entered into a contract of sale, in respect of certain properties, which were subject to the promise of sale agreement, with related parties controlled by the Government of Malta for the amount of €36.4 million, reflecting the fair value of those assets. The Company received the amount of €36.4 million upon disposal.

12. Other receivables

	Group and Company	
	2015	2014
	€000	€000
Security deposits arising from operating lease agreements	**6,457**	5,136
Indirect tax recoverable	**877**	831
Other deposits and receivables	**12,382**	2,818
	19,716	8,785
Non-current	**5,597**	5,263
Current	**14,119**	3,522
	19,716	8,785

Security deposits at 31 March 2015, amounting to €1,348,000, are classified as current as these are refundable on termination of fleet and engine leases which will occur during the financial year ending 31 March 2016.

Security deposits, amounting to €4,803,000 (2014: €4,300,000), are classified as non-current and will be refunded on termination of fleet and engine leases of the Company by March 2020.

Other deposits and receivables as at 31 March 2015, classified as current, include margin call accounts amounting to €10,763,000 in respect of derivative transactions with counterparties.

Non-current other receivables are principally receivable within five years (2014: five years) from the end of the reporting period.

13. Inventories

	Group and Company	
	2015	2014
	€000	€000
Aircraft engineering spares	**969**	1,005
Other stocks	**149**	146
	1,118	1,151

14. Trade receivables

	Group and Company	
	2015	2014
	€000	€000
Trade receivables – gross	**28,862**	38,860
Less: provisions for impairment of trade receivables	**(2,440)**	(2,375)
Trade receivables – net	**26,422**	36,485

15. Term placements with banks

These term placements comprise bank deposits with contractual terms of three months or more. The Group's placements as at 31 March 2014 matured within twelve months from the end of the reporting period. Interest receivable is presented within 'Finance income' (Note 29). The weighted average effective interest rate on the Group's assets as at 31 March 2014 was 1.63%. The fair value of the term bank placements as at that date was not significantly different from the carrying amount.

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Maturity of deposits with banks:				
- within one year	**-**	2,418	**-**	-
- between one and two years	**-**	-	**-**	-
	-	2,418	**-**	-

16. 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	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Attributable to continuing operations:				
Cash at bank and in hand	**48,964**	47,175	**48,302**	47,025
Bank overdrafts (Note 22)	**(3,994)**	(990)	**(3,994)**	(990)
	44,970	46,185	**44,308**	46,035
Attributable to discontinued operations:				
Cash at bank and in hand (Note 17)	**55**	904	**-**	-
Bank overdrafts	**(721)**	(721)	**-**	-
	(666)	183	**-**	-
Total cash and cash equivalents	**44,304**	46,368	**44,308**	46,035

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 €3,980,000 (2014: €2,400,000) that is held in overseas bank accounts subject to currency restrictions which lead to delays in remittance to Malta. As at 31 March 2015, bank balances amounting to €33,535,000 (2014: €19,145,000) 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.

17. Assets classified as held for sale and discontinued operations

17.1 Amounts presented in the income statements

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Profit/(loss) after tax of discontinued operations (see Note 17.1.1)	**253**	(344)	**-**	-
Post-tax gain recognised on disposal of subsidiary (see Note 17.1.2)	**385**	-	**1,260**	-
Net movement in provisions for impairment attributable to subsidiaries classified as held for sale (see Note 17.1.3)	**-**	-	**7,969**	(120)
Movement in other provisions	**-**	-	**(262)**	(324)
Other items	**(21)**	(26)	**(21)**	(26)
Profit/(loss) for the year from discontinued operations	**617**	(370)	**8,946**	(470)

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

17.1 Amounts presented in the income statements - continued

17.1.1 In prior years, the Group resolved to dispose of its insurance broking subsidiary, Osprey Insurance Brokers Co Ltd and its hotel subsidiary, Selmun Palace Hotel Company Limited. The disposal of the insurance broker has been finalised towards the end of the current financial year. The subsidiaries comprising the 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 and insurance broking businesses has been presented in the note on an aggregated basis. 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.

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

	Group	
	2015	2014
	€000	€000
Revenue	**609**	402
Operating costs	**(217)**	(650)
Other operating income	**16**	27
Operating profit/(loss)	**408**	(221)
Finance income	**1**	2
Finance costs	**(118)**	(125)
Profit/(loss) before tax of discontinued operations	**291**	(344)
Tax	**(38)**	-
Loss after tax of discontinued operations	**253**	(344)
Operating cash flows	**(864)**	(819)
Investing cash flows	**16**	31
Total cash flows	**(848)**	(788)

Expenses by nature

	Group	
	2015	2014
	€000	€000
Employee benefit expense (Note 27)	**145**	167
Depreciation of property, plant and equipment	**-**	1
Exchange differences	**(171)**	19
Other expenses	**537**	776
Total operating costs	**511**	963

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

17.1 Amounts presented in the income statement - continued

17.1.2 On 6 February 2015, the Group disposed of its interest in Osprey Insurance Brokers Co. Ltd, which was a subsidiary of the Group. The resulting gain on disposal is reflected in the table below:

	Group	Company
	2015	**2015**
	€000	**€000**
Assets attributable to disposed subsidiary		
- Property, plant and equipment	5	-
- Trade and other receivables	1,523	-
- Cash and bank balances	1,089	-
- Deferred tax asset	8	-
- Available-for-sale investments	266	-
Liabilities attributable to disposed subsidiary		
- Trade and other payables	(1,958)	-
Carrying amount	-	58
Other items	47	47
Proceeds on disposal	(1,365)	(1,365)
Post-tax gain on disposal of subsidiary	(385)	(1,260)

17.1.3 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 17.2.2) together with provisions on amounts receivable from such subsidiaries and from entities previously designated as subsidiaries held for sale. The significant reversal of provisions registered during the current financial year is attributable to the irrevocable promise of sale agreement entered into with respect to the disposal of Selmun Palace Hotel Company Limited. Proceeds are based on market valuation of the underlying property, which valuation exceeds carrying amount, giving rise to increased net assets available to meet a portion of the Company's loans to the subsidiary. This gain is not reflected in the consolidated financial statements in view of the fact that the underlying property asset is classified as held for sale in the consolidated financial statements.

17.2 Amounts presented in the statement of financial position

17.2.1 Group

	2015	2014
	€000	€000
Assets classified as held for sale:		
Assets attributable to hotel and insurance broking businesses		
- Property, plant and equipment	**3,959**	3,964
- Trade and other receivables	**461**	884
- Other assets	**7**	317
- Cash and bank balances	**55**	904
Investments in associate (see Note below)	**322**	338
	4,804	6,407

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

17.2 Amounts presented in the statement of financial position - continued

	2015 €000	2014 €000
Liabilities directly associated with assets classified as held for sale:		
Liabilities attributable to hotel, and insurance broking businesses		
- Bank borrowings	**3,437**	3,440
- Trade and other payables	**474**	1,870
	3,911	5,310

17.2.2 Company

In previous years, 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. 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 €106,000 (2014: €122,000).

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 2015					
Opening carrying amount	58	-	12	122	192
Disposal	(58)	-	-	-	(58)
Repayment of loan	-	-	-	(16)	(16)
Additions	-	115	-	-	115
Net movements in provisions for impairment	-	7,969	-	-	7,969
Closing carrying amount	**-**	**8,084**	**12**	**106**	**8,202**
Year ended 31 March 2014					
Opening carrying amount	58	-	12	153	223
Repayment of loan	-	-	-	(31)	(31)
Additions	-	120	-	-	120
Net movements in provisions for impairment	-	(120)	-	-	(120)
Closing carrying amount	**58**	**-**	**12**	**122**	**192**

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

17.2 Amounts presented in the statement of financial position - continued

17.2.2 Company - 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 2015			
At beginning of year	(2,763)	(10,860)	(13,623)
Net movement in provisions for impairment	-	7,969	7,969
At end of year	**(2,763)**	**(2,891)**	**(5,654)**
Year ended 31 March 2014			
At beginning of year	(2,763)	(10,740)	(13,503)
Net movement in provisions for impairment	-	(120)	(120)
At end of year	**(2,763)**	**(10,860)**	**(13,623)**

Loans to associates are unsecured and repayable on demand. At 31 March 2015, these loans are subject to a weighted average effective interest rate of 3% (2014: 3%) per annum.

18. Share capital

	Group and Company	
	2015 €000	2014 €000
Authorised		
156,000,000 (2014: 156,000,000) ordinary shares of €1 each	**156,000**	156,000
Issued and fully paid		
1,000,393 (2014: 1,000,393) ordinary shares of €1 each	**1,000**	1,000
Issued but not fully paid		
78,000,000 ordinary shares of €1 each 90.8% paid up (2014: 57.7% paid up)	**70,800**	45,000
52,000,000 ordinary shares of €1 each 90.8% paid up (2014: 57.7% paid up)	**47,216**	30,004
	119,016	76,004

18. Share capital - continued

By virtue of an extraordinary general meeting held on 27 September 2012,the shareholders resolved that the Company offers 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 90.8% (2014: 57.7%) by 31 March 2015. 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 90.8% (2014: 57.7%) as at 31 March 2015. By virtue of a subscription agreement dated 6 October 2012, the Government of Malta has undertaken to take up the final call amounting to €11,984,000 in respect of the unpaid part of the 130,000,000 ordinary shares issued by 15 January 2016.

19. Share premium

	Group and Company	
	2015	2014
	€000	€000
At beginning and end of year	**42,762**	42,762

20. 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	
	2015	2014
	€000	€000
At beginning of year	**7,480**	7,480
Transfer to accumulated losses upon realisation through disposal	**(6,787)**	-
	693	7,480

The revaluation reserve is non-distributable.

21. 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 2013			
Gross amounts of gains	2,020	1,995	4,015
Deferred income tax	(707)	(698)	(1,405)
	1,313	1,297	2,610
Movements in year ended 31 March 2014			
Net losses from changes in fair value	(3,264)	(1,334)	(4,598)
Deferred income tax	1,143	467	1,610
	(2,121)	(867)	(2,988)
Reclassified to profit or loss as a reclassification adjustment	(716)	1,514	798
Deferred income tax	250	(530)	(280)
	(466)	984	518
At 31 March 2014			
Gross amounts of (losses)/gains	(1,960)	2,175	215
Deferred income tax	686	(761)	(75)
	(1,274)	1,414	140
Movements in year ended 31 March 2015			
Net gains/(losses) from changes in fair value	11,157	(18,834)	(7,677)
Deferred income tax	(3,905)	6,592	2,687
	7,252	(12,242)	(4,990)
Reclassified to profit or loss as a reclassification adjustment	(1,896)	(4,122)	(6,018)
Deferred income tax	3,219	(5,831)	(2,612)
	1,323	(9,953)	(8,630)
At 31 March 2015			
Gross amounts of gains/(losses)	**7,301**	**(20,781)**	**(13,480)**

21. Hedging reserve - continued

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 2015 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 twelve months from the end of the reporting period. The net fair value losses 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 twenty-four months following the end of the reporting period.

22. Borrowings

	Group and Company	
	2015	2014
	€000	€000
Current		
Bank overdrafts	**3,994**	990
Bank loans	**-**	18,000
Borrowings from ultimate shareholder	**11,984**	40,000
Borrowings from other related party	**1,766**	1,672
	17,744	60,662
Non-current		
Borrowings from ultimate shareholder	**-**	12,000
Borrowings from other related party	**1,853**	3,619
	1,853	15,619
Total borrowings	**19,597**	76,281

The Company's banking facilities as at 31 March 2015 amounted to €24,800,000. These facilities are mainly secured by:

(a) General and special hypothecary guarantees given by a subsidiary for the amount of €13,400,000 over the subsidiary's property.
(b) Airport landing and take-off rights for the amount of €48,000,000 which are also securing other facilities as per Note 24.
(c) Cash balances pledged in favour of the bank as referenced in Note 16.

22. Borrowings - continued

The Group's banking facilities including discontinued operations (Note 17) as at 31 March 2015 amounted to €27,647,000. These facilities are mainly secured by:

(a) General and special hypothecary guarantees for the amount of €16,061,000 over property
(b) Airport landing and take-off rights for the amount of €48,000,000 which are also securing other facilities as per Note 24
(c) Cash balances pledged in favour of the bank as referenced in Note 16.

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 preceding year (refer to note below).

During the year ended 31 March 2013, 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 call in respect of the unpaid part of the ordinary shares issued during the prior years (note 18).

During the year ended 31 March 2013, the Company entered into a borrowing arrangement with a company, which is ultimately controlled by the Government of Malta. The loan facility is principally subject to fixed interest rates, repayable through instalments until 1 March 2017 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	
	2015	2014
	%	%
Bank overdrafts	**2.92**	4.96
Bank loans	**4.85**	4.85
Borrowings from ultimate shareholder	**3.47**	3.57
Borrowings from other related party	**5.32**	5.32

22. Borrowings - continued

Maturity of non-current borrowings:

	Group and Company	
	2015	2014
	€000	€000
Between one and two years	**1,853**	12,000
Between two and three years	**-**	3,619
	1,853	15,619

23. 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% (2014: 35%).

Group

The movement on the deferred tax account is as follows:

	Deferred tax assets			Deferred tax liabilities			
	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	Net €000
Balance at 1 April 2014	47	109	-	(109)	-	-	47
(Charged)/credited to profit or loss	(47)	(109)	-	34	-	-	(122)
Credited to other comprehensive income in equity	-	-	-	75	-	-	75
Balance at 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**

23. Deferred taxation - continued

	Deferred tax assets			Deferred tax liabilities			
	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	Net €000
Balance at 1 April 2013	47	1,439	-	(1,439)	-	-	47
Charged to profit or loss	-	(1,330)	-	-	-	-	(1,330)
Credited to other comprehensive income in equity	-	-	-	1,330	-	-	1,330
Balance at 31 March 2014	47	109	-	(109)	-	-	47

Included in the Group's deferred tax assets as at 31 March 2014 is a balance of €47,000 relating to discontinued operations.

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 2015 and 2014, the Group had the following unutilised tax credits and deductible temporary differences in respect of which deferred taxation has not been recognised:

	Group and Company	
	2015	2014
	€000	€000
Unutilised tax credits arising from:		
Unabsorbed tax losses and capital allowances	**286,784**	262,074
Unabsorbed capital losses	**49,659**	51,611
Deductible temporary differences arising principally from non-current assets and provisions	**29,276**	39,212

Accordingly, the Group and Company has a potential deferred tax asset amounting to €128,002,000 (2014: €123,514,000) 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.

23. Deferred taxation - continued

Company

The movement on the deferred tax account is as follows:

	Deferred tax assets		Deferred tax liabilities			
	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	Net €000
Balance at 1 April 2014	109	-	(109)	-	-	-
(Charged)/credited to profit or loss	(109)	-	34	-	-	(75)
Credited to other comprehensive income in equity	-	-	75	-	-	75
Balance at 31 March 2015	-	-	-	-	-	-
Balance at 1 April 2013	1,439	-	(1,439)	-	-	-
Charged to profit or loss	(1,330)	-	-	-	-	(1,330)
Credited to other comprehensive income in equity	-	-	1,330	-	-	1,330
Balance at 31 March 2014	109	-	(109)	-	-	-

24. 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.

24. Provisions in respect of maintenance costs - continued

Group and Company

The amount of the provisions at 31 March 2015 and 2014 represent the excess of amounts charged to profit or loss over the actual costs incurred.

	2015	2014
	€000	€000
Year ended 31 March		
At beginning of year	**49,123**	48,285
Charged to profit or loss:		
- Additional provisions, including effects of unwinding non-current provisions	**20,385**	11,778
Used during year	**(23,613)**	(10,940)
At end of year	**45,895**	49,123

Analysis of total provisions:

	2015	2014
	€000	€000
At 31 March		
Non-current	**19,036**	31,959
Current	**26,859**	17,164
	45,895	49,123

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 2015, these reserves which are reflected in the provisions disclosed above, amounted to €60,212,000 (2014: €54,510,000). 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 2015, the amounts in this respect amounted to €59,979,000 (2014: €60,025,000) (Note 35).

25. Other provisions

	Group and Company	
	2015	2014
	€000	€000
At 1 April	**174**	-
Additional provisions	**500**	174
Reversal of provisions which are no longer required	**(83)**	-
At 31 March	**591**	174

25. Other provisions - continued

This caption principally represents provisions in relation to potential liabilities attributable to the affairs of previously held investments and other obligations of the Group. These provisions are classified as current liabilities.

26. Information on operating results

26.1 Revenue 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		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Revenue on airline activities	**202,109**	215,598	**202,109**	215,598
Aircraft leasing revenue	**6,290**	6,346	**6,290**	6,346
Ground related and other revenue	**9,767**	12,217	**9,765**	12,245
	218,166	234,161	**218,164**	234,189

26.2 Expenses by nature

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Aircraft fuel and oils	**63,181**	65,367	**63,181**	65,367
Aircraft operating lease rentals	**30,181**	31,408	**30,181**	31,408
Aircraft maintenance	**28,291**	20,821	**28,291**	20,821
Other flight related costs	**51,670**	51,492	**51,670**	51,492
Restructuring costs (Note 26.3.1)	**(246)**	1,815	**(246)**	1,815
Marketing, distribution and representation costs	**10,491**	12,340	**10,491**	12,340
Depreciation of property, plant and equipment (Note 5)	**1,486**	1,271	**1,486**	1,271
Employee benefit expense (Note 27)	**41,057**	38,991	**41,057**	38,991
Net movement in provisions for impairment of trade receivables (included in 'Administrative expenses')	**65**	129	**65**	194
Exchange differences	**(4,391)**	2,345	**(4,391)**	2,345
Other expenses	**20,467**	20,424	**20,319**	21,048
Total cost of sales, selling and distribution costs and administrative expenses	**242,252**	246,403	**242,104**	247,092

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

26. Information on operating results - continued

26.3 Restructuring and other related costs

26.3.1 Restructuring costs recognised in profit or loss

	Cost of sales €000	Selling and distribution costs €000	Administrative expenses €000	Total €000
At 31 March 2015				
Costs related to:				
Voluntary redundancy and early retirement schemes			(1,000)	(1,000)
Professional and related fees	-	-	754	754
	-	-	(246)	(246)
At 31 March 2014				
Costs related to:				
Voluntary redundancy and early retirement schemes	1,100	-	-	1,100
Professional and related fees	86	19	610	715
	1,186	19	610	1,815

During the current financial year, the provision for restructuring costs attributable to voluntary redundancy and early retirement schemes have been partially reversed in view of the updated estimates.

In addition to costs attributable to voluntary redundancy and early retirement schemes, the amounts recognised as restructuring costs during the current and preceding financial years 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. 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 €1,361,000 (2014: €1,016,000), 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.

26. Information on operating results - continued

26.3 Restructuring and other related costs

26.3.2 Provision in respect of restructuring costs

In preceding years, 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.

	2015	2014
	€000	€000
Current:		
At beginning of year	**7,665**	8,987
Additional provisions	**-**	1,100
Reversal of provisions which are no longer required	**(1,000)**	-
Utilised during the year	**(436)**	(2,422)
At end of year	**6,229**	7,665

The provision which is mainly current in nature, 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.

As highlighted previously, during the current financial year, the provision was partially reversed in view of the updated estimates in respect of voluntary and 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.

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 year ended 31 March 2013, 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 2015, 455 (2014: 453) staff members have been granted entitlement to the voluntary and early retirement schemes established as part of the Restructuring Plan. Whilst payments were effected out of these provisions as reflected in the table above, during the year ended 31 March 2013, 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.

26.4 Auditors' fees

Fees charged by auditors for services rendered during the financial periods ended 31 March 2015 and 2014 relate to the following:

	Group	
	2015	2014
	€000	€000
Audit services – annual statutory		
- Parent Company auditors:		
- Company	**175**	175
- subsidiaries	**18**	18
Other services		
- Parent Company auditors: Company		
- tax advisory and compliance services	**17**	25
- other non-audit services	**-**	94

Fees for audit services are approved by the Audit Committee, after 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. The figures included in the table above also reflect amounts relating to the Group's discontinued operations.

27. Employee benefit expense

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Wages and salaries	**38,950**	37,125	**38,820**	36,967
Social security costs	**2,252**	2,033	**2,237**	2,024
	41,202	39,158	**41,057**	38,991

Costs in relation to voluntary and early retirement schemes are reflected in Note 26.3 to the financial statements.

Employee benefit expense included in the Group's figures above relating to discontinued operations amount to €145,000 (2014: €167,000).

27. Employee benefit expense - continued

Average number of persons employed during the year (excluding directors):

	Group		Company	
	2015	2014	**2015**	2014
By category				
Cost of sales	**864**	836	**864**	836
Selling and distribution	**90**	102	**90**	102
Administrative	**69**	62	**64**	57
	1,023	1,000	**1,018**	995

Group figures in respect of employee numbers, disclosed in the table above, include 5 (2014: 5) employees attributable to discontinued operations.

28. Investment and other related income

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Gross dividend income from investments in subsidiaries	**-**	-	**1,423**	1,577
Gross dividend income from investments in associates – classified as held for sale	**654**	-	**654**	-
Other movements attributable to other financial assets	**7**	12	**-**	-
	661	12	**2,077**	1,577

29. Finance income

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Interest income and similar income from associates	**2**	2	**2**	2
Interest income from bank deposits	**42**	241	**22**	186
	44	243	**24**	188

Interest income earned by the Group attributable to discontinued operations is disclosed in Note 17 to the financial statements.

30. Finance costs

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Interest expense on bank loans and overdrafts	**676**	923	**676**	923
Interest expense to subsidiaries	**-**	-	**27**	24
Interest expense to ultimate shareholder (Note 22)	**1,558**	1,894	**1,558**	1,894
Interest expense to related party	**253**	325	**253**	325
Bank charges and similar expenses	**938**	1,581	**938**	1,581
	3,425	4,723	**3,452**	4,747

Interest costs incurred by the Group, mainly arising from bank financing, attributable to discontinued operations is disclosed in Note 17 to the financial statements.

31. Taxation

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Current taxation:				
Current tax credit	**(497)**	(126)	**-**	-
Deferred taxation:				
Deferred tax charge	**113**	1,330	**75**	1,330
	(384)	1,204	**75**	1,330
Attributable to:				
Continuing operations (reflected on face of income statement)				
- current taxation	**(497)**	(126)	**-**	-
- deferred taxation (Note 23)	**75**	1,330	**75**	1,330
	(422)	1,204	**75**	1,330
Discontinued operations				
- deferred taxation (Note 17)	**38**	-	**-**	-
	(384)	1,204	**75**	1,330

31. 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	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Loss before tax from continuing operations	**(26,805)**	(16,517)	**(25,290)**	(15,692)
Profit/(loss) before tax from discontinued Operations	**655**	(370)	**8,946**	(470)
Loss before tax for the year	**(26,150)**	(16,887)	**(16,344)**	(16,162)
Tax on loss before tax at the statutory rate of 35%	**(9,153)**	(5,910)	**(5,720)**	(5,657)
Tax effect of:				
Dividend income not subject to tax	**(225)**	-	**(225)**	(175)
Movement in deferred tax asset recognised in respect of unutilised tax losses arising in prior years	**113**	1,330	**75**	1,330
Movement in unrecognised deferred tax assets in respect of unutilised capital losses, unabsorbed tax losses and unabsorbed capital allowances arising during the current year	**8,707**	6,265	**8,937**	6,265
Unrecognised temporary differences and other movements, mainly attributable to tangible non-current assets and provisions	**174**	(481)	**(2,992)**	(433)
Tax (credit)/charge in the accounts	**(384)**	1,204	**75**	1,330

32. Directors' emoluments

	Group and Company	
	2015	2014
	€000	€000
Emoluments of directors of Air Malta p.l.c.		
Total fees and other emoluments charged in these financial statements	**51**	44

Insurance premia of €103,000 (2014: €143,000) 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.

33. Cash used in operations

Reconciliation of operating loss to cash used in operations:

	Group		Company	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Operating loss from continuing operations	**(24,085)**	(12,049)	**(23,939)**	(12,710)
Operating profit/(loss) from discontinued operations	**772**	(247)	**8,946**	(470)
Operating loss for the year	**(23,313)**	(12,268)	**(14,993)**	(13,180)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	**1,486**	1,271	**1,486**	1,271
Other movements attributable to property, plant and equipment (Note 5)	**-**	(341)	**-**	(341)
Gain on disposal of assets classified as held for sale (Note 17.1.2)	**(385)**	-	**(1,260)**	-
Loss on disposal of tangible non-current assets	**-**	26	**-**	26
Net movement in provisions for impairment of trade receivables	**(34)**	(538)	**(34)**	(538)
Amounts written off in respect of trade receivables	**99**	667	**99**	667
Net movement in provisions for impairment of amounts receivable from subsidiaries	**-**	-	**262**	(1,611)
Amounts written off in respect of receivables from subsidiaries	**-**	-	**-**	1,363
Net movement in provisions for impairment relating to investments in subsidiaries (Note 17.1)	**-**	-	**(7,969)**	120
Net movement in provisions for impairment of amounts receivable from associated undertaking and related parties	**277**	(192)	**277**	(192)
Movement in provision in respect of maintenance costs (Note 24)	**20,385**	11,778	**20,385**	11,778
Movement in provision in respect of restructuring costs (Note 26.3.2)	**-**	1,100	**-**	1,100
Movement in other provisions (Note 25)	**417**	174	**417**	174
Emission rights and credits granted	**(1,271)**	(926)	**(1,271)**	(926)
Changes in working capital:				
Inventories	**33**	78	**33**	78
Trade and other receivables	**(1,855)**	(1,260)	**(1,288)**	(1,443)
Trade and other payables	**1,594**	5,041	**1,592**	5,534
Provisions in respect of maintenance costs used during the year (Note 24)	**(23,613)**	(10,940)	**(23,613)**	(10,940)
Provision in respect of restructuring costs used during the year (Note 26.3.2)	**(1,436)**	(2,422)	**(1,436)**	(2,422)
Cash used in operations	**(27,616)**	(8,780)	**(27,313)**	(9,482)

Significant non-cash transactions which occurred during the year ended 31 March 2015, mainly comprised a capital call by the Government of Malta in respect of the unpaid part of 130,000,000 shares issued amounting to €40,016,000 (Note 18) which was met through the conversion into equity of an equivalent amount of the Company's borrowings from the Government (Note 22). There were no significant non-cash transactions which occurred during the year ended 31 March 2014.

34. Commitments

Capital and other commitments

	Group and Company	
	2015	2014
	€000	€000
Other commitments	**46,711**	32,629
	46,711	32,629

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	
	2015	2014
	€000	€000
Not later than one year	**12,330**	8,523
Later than one year and not later than five years	**29,265**	23,175
Later than five years	**5,116**	931
	46,711	32,629

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	
	2015	2014
	€000	€000
Not later than one year	**28,991**	27,573
Later than one year and not later than five years	**36,054**	59,442
	65,045	87,015

34. Commitments - continued

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	
	2015	2014
	€000	€000
Not later than one year	**3,448**	3,638
Later than one year and not later than five years	**1,344**	3,489
	4,792	7,127

35. Contingencies

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

	2015	2014
	€000	€000
Bank guarantees, documentary credits and other indemnities (refer to Notes 16 and 24)	**68,055**	62,122

As at the end of the reporting period, the Company has contingent liabilities amounting to €1,795,000 (2014: €1,795,000) in respect of guarantees given to secure the banking facilities of subsidiaries.

36. 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.

36. 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 11) together with borrowings from the principal shareholder and other related party (Note 22), 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	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Government and other entities controlled by Government:				
- Sales of services	**3,657**	2,205	**3,594**	2,147
- Purchases of materials and services	**38,508**	32,451	**38,508**	32,451
	42,165	34,656	**42,102**	34,598
Subsidiaries				
- Sales of services	**-**	-	**3**	28
- Purchases of services	**-**	-	**291**	1,103
	-	-	**294**	1,131
Associates				
- Sales of services	**69**	215	**69**	215
- Purchases of services	**2,871**	2,634	**2,871**	2,634
	2,940	2,849	**2,940**	2,849

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 €272,000 (2014: €280,000) has been recharged by the parent Company to subsidiaries and other related parties.

Remuneration and other benefits payable to key management personnel, which comprise the Company's directors, are disclosed in Note 32 to these financial statements.

Interest income from related parties and interest expense to related parties are disclosed in Notes 29 and 30 respectively.

37. Statutory information

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

38. The Air Malta Group

Subsidiaries and associates within the Group as at 31 March 2015 and 2014 were the following:

Subsidiaries

	Group % holding		Company % holding		Country of incorporation
	2015	2014	**2015**	2014	
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
Holiday Malta (Hellas) Tourism EPE 91, Alexandras Ave, 11474 Athens (held by KM Holdings Limited) (in liquidation)	**100**	100	**-**	-	Greece
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

38. The Air Malta Group - continued

Subsidiaries - continued

	Group % holding		Company % holding		Country of incorporation
	2015	2014	**2015**	2014	
Osprey Insurance Brokers Co Ltd SkyParks Business Centre, Level 2, Malta International Airport, Luqa	**-**	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	**100**	100	Malta

Associates

	Group % holding		Company % holding		Country of incorporation
	2015	2014	**2015**	2014	
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

39. Events subsequent to the end of the reporting period

Subsequent to 31 March 2015, the Company has entered into an irrevocable Promise of Sale agreement with the Government for the disposal by Air Malta of the shares in Selmun Palace Hotel Company Limited to the Government, at arm's length consideration based on expert valuation of the company's Selmun property asset. Proceeds as per the Promise of Sale agreement are based on the market value of the underlying Selmun property which exceeds the carrying amount of the property.