

AIR MALTA p.l.c.

Annual Report and Consolidated Financial Statements
31 March 2009

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Directors' report

The directors present their report and the audited consolidated financial statements of Air Malta p.l.c. for the year ended 31 March 2009.

Principal activities

The principal activity of the Air Malta group, as exercised by the holding company, is the undertaking of airline operations. Ancillary activities of the group include amongst other things, ground handling operations, tour operations, the provision of tourist accommodation and other tourism related activities and insurance. During the current financial year, the group pursued its efforts to divest from non-core operating activities. The parent company holds investments in a number of subsidiaries and associates.

Review of the business and results

General

During the year under review, the business environment was particularly hostile especially for the aviation industry. Internationally, the global financial crisis gave way to the world recession in the last quarter of 2008, inflicting a serious blow to demand for passenger and cargo transport. This coincided with the record level of oil prices that increased aviation fuel costs by 53% throughout the peak months of summer 2008 together with the sharp depreciation of the sterling against the euro.

The spike in fuel prices resulted in an €18,000,000 increase in this year's fuel bill when compared to previous year. Were it not for fuel hedging and a reduction in flying activity, the spiralling increase in fuel prices would have led to a €27,300,000 increase in costs. Similarly, during the year the extraordinary sterling depreciation against the euro resulted in a €12,800,000 plunge in revenues earned from the UK market. These revenue losses were partially offset by currency hedging with a final net hit of €4,700,000 on the operating results. The airline's revenues were also severely impacted by increased subsidised competition, especially on the UK routes.

Holiday Malta Company Limited, the tour operator subsidiary was also hit hard by the depreciation of sterling in relation to the euro and the additional competitive pressures from low cost carriers. Notwithstanding the above Holiday Malta still carried over 70,000 tourists to Malta during the financial year under review.

Air Malta's UK Base operation had been scaled down to 2 aircraft in summer 2008 on account of the shrinkage in tour operator business at the hands of the low cost carriers. Moreover, the service was discontinued in September 2008 following the bankruptcy of the charterer. This was only two months before the termination of the contract with the charterer.

Total passenger numbers carried by the airline have this year totalled to 2,048,582 as compared to 2,149,827 carried in the previous year. Reported passenger numbers have this year decreased by 101,245 passengers as a direct result of a reduction of 185,426 passengers carried on the UK Base operation which ceased in September 2008. Passenger numbers, net of the UK base traffic figures have in fact, during the current financial year increased by 5% from 1,772,138 passengers carried last year up to 1,856,319 passengers carried this year. Air Malta's traffic market share from Malta International Airport has increased from 55% reported last year to 57% reported this year, thereby confirming the commitment of the airline to the Maltese economy, in particular the tourism sector, both in good times and in bad times.

Directors' report - continued

Although traffic figures have improved, the Air Malta group has this year registered a loss of €31,126,000, in contrast with the previous year's profit of €11,040,000. This year's loss has been primarily triggered off by the negative external factors referred to above. This year's loss also includes a restructuring cost of €1,899,000 for staff redundancy payments. This negative result for the year masks the substantial improvements in the group's cost and revenue structures obtained through major restructuring and operational reforms implemented over recent years.

Except for the increase in the operating loss reported this year, which is mainly attributable to the external factors which have severely hit the global aviation industry, the trend in the airline's operating results since the Rescue Plan signed in 2004 up to 2008 have followed a consistent improvement despite rising fuel costs and greater market pressures on yields. Suffice to say that the airline's turnover has increased from €217,000,000 in 2003/04 up to €250,000,000 in the current year. Passenger numbers carried by Air Malta have over the same period increased by 400,000. The seat load factor has consequently improved from 65% in 2003/04 up to 72% in 2008/09. Unfortunately over the same period the fuel cost has increased from €28,000,000 in 2003/04 up to €86,000,000 this year.

Over the past years a number of initiatives have been taken by the airline to close the negative profitability gap. Revenue enhancement measures have been taken over the past six years to improve the Revenue per Available Seat Kilometre (RASK); these initiatives are referred to in more detail under the Revenue Enhancement Measures section of the Directors Report. Similarly a number of initiatives have been taken to reduce the Cost per Available Seat Kilometre (CASK) which initiatives have been further elaborated upon in this report under the Cost Cutting and Efficiency Improvement Measures section. The table below illustrates the movements in RASK and CASK since 2003/04.

	Mar-04 €	Mar-05 €	Mar-06 €	Mar-07 €	Mar-08 €	Mar-09 €
RASK (Pax)	4.44	4.51	4.43	4.91	4.66	4.89
RASK (Pax & Cargo)	4.66	4.72	4.62	5.13	4.90	5.13
Non-fuel CASK	5.03	4.61	4.29	4.27	4.12	4.16
Fuel CASK	0.64	0.79	1.11	1.36	1.26	1.80
Total CASK	5.67	5.40	5.40	5.63	5.38	5.96

The above table shows that irrespective of increased subsidised direct competition on the Malta routes, a general decline in market yields and the negative currency exchange impact on the sterling revenues, Air Malta has over the years managed to increase its RASK by €0.47c (10%). On the other hand, non-fuel CASK has been reduced by €0.87c (17%) over the same period. Unfortunately over the same period the cost of fuel per available seat kilometre has practically tripled from €0.64c in 2003/04 up to €1.80c in 2008/09. Indeed, if it were not for the exceptionally high fuel costs, currency fluctuations and the non-recurrent restructuring costs the airline results for the year ending 31 March 2009 would have been positive.

Financial Results

The income statements of the group and company are set out on page 25.

Directors' report - continued

During the financial year ended 31 March 2009, group turnover amounted to €274,938,000, a decrease of €26,987,000 on the €301,925,000 reported in the previous year. The group has this year incurred a €35,451,000 loss from continued operations compared to the €8,148,000 loss recorded in the previous year. During this year the group has registered a gain of €4,325,000 from discontinued operations. A significant gain of €19,188,000 from discontinued operations was realised during the previous year. The group reports a loss of €31,126,000 for the financial year under review against a €11,040,000 profit reported last year.

The airline's turnover for the financial year ended 31 March 2009 amounted to €249,512,000, a decrease of €24,232,000 when compared to the €273,744,000 turnover figure recorded in the previous year. The decrease in this year's airline revenue is mainly attributable to a €20,500,000 decrease in revenue generated from the UK base, the negative impact on revenues caused by the sterling depreciation, and a €6,000,000 fall in aircraft lease-outs income. The company realised an operating loss of €33,877,000 in the current financial year as against the €8,301,000 operating loss incurred in the previous year. The company's loss for the year from continuing operations, including financing costs and other investment income amount to €33,279,000 as against €9,197,000 loss reported in previous year.

The company has this year recognised and reported under the results from discontinued operations a €7,647,000 gain from the disposal of its shareholding in Mediterranean Aviation Company Limited and Malpro Limited. Corresponding gains in the previous year arising from the sale of shares in one of its hotels amounted to €12,838,000. The total reported loss of the company for the financial year ended 31 March 2009 amounts to €23,678,000 as compared to a profit of €3,641,000 incurred in the comparative year.

The increase in fuel cost was by far the main factor contributing to the airline's operating loss during the year under review. Fuel costs increased by €17,934,000 to €85,969,000 despite reduced flying activity on the UK Base. Therefore the impact of the increased market price was even greater. After adjusting for the reduced consumption, the impact of higher fuel prices on these results was €27,300,000 after hedging.

Various non-fuel costs like airport charges and Global Distribution System costs also increased due to near-monopoly situations. However, these increases were offset by savings on cost elements where management had more control. In fact the increase in non-fuel unit costs has been limited to 1.9% over the past 3 years.

Total payroll costs rose to €50,828,000 from €48,266,000 during the previous year, after the inclusion of a provision of €1,899,000 for the Voluntary Redundancy Scheme implemented at the end of the year. There were also pay increases resulting from the new collective agreements but these were offset by overtime cost savings and a reduction in headcount. The average labour complement of the airline throughout the year was reduced to 1,427 from 1,529 in the previous year. The 2009 Scheme has since reduced this complement by a further 57 employees. The average labour complement in 2003 stood at 1,942 employees.

Directors' report - continued

The extraordinary fall in the value of sterling against the euro had a material impact on revenues and the operating result; 28% of the airline's turnover during the financial year ended 31 March 2009 was received in sterling and the un-hedged impact on total revenues is €12,800,000. The impact on the operating result was reduced to €4,700,000 on account of the currency hedges. The hedging of currency exposure is carried out on an ongoing basis by the Treasury Section under the guidance of the Financial Risk Management Committee. Treasury follows a risk management strategy based on a gradual build up of a hedge portfolio covering the airline's future net exposure to the dollar and sterling using forward contracts and options. The market value of the currency hedge portfolio at 31st March 2009 is included in the Hedging Reserve in Note 20 to the Financial Statements.

In August 2009, post the financial year end, the Board set up an Emissions Trading Auctioning Committee. Similarly to the Currency and Fuel Hedging Committees, this Committee shall devise a strategy and mechanism to minimise the Company's risk exposure resulting from the emissions price volatility.

The group's loss from continuing operations was €35,451,000 (2007/08 loss of €8,148,000), reflecting the material operating losses of the airline. Profit from discontinued operations reduced this by €4,325,000 to a loss of €31,126,000. These results contrast with a net profit of €11,040,000 reported in the previous year when the airline's operating losses were significantly lower and the group generated a €19,188,000 gain from discontinued operations, mainly resulting from the sale of investments.

The group result includes a pre-tax loss of €3,500,000 reported by the Holiday Malta group which has been significantly impacted by the depreciation of sterling. On the other hand, the insurance subsidiaries of Shield Insurance Company Limited and Osprey Insurance Brokers Company Limited registered a pre-tax profit of €2,200,000 during the year under review.

By the end of the financial year under review the group's cash reserves declined by €29,015,000. Net cash outflows from operations amounted to €35,679,000 (2007/08 net inflows of €4,157,000) while investing activities yielded a net inflow of €16,769,000 (2007/08 net inflows €23,636,000) due to asset disposals. Net loan repayments amounted to €10,105,000 (2007/08 €20,395,000). Consequently, the losses were funded exclusively from internal resources.

However, this has now resulted in a drop in liquidity as cash equivalents at the end of the year stood at €8,666,000 (2007/08 €39,404,000). Similarly, the group's total equity has been materially depleted leaving only €2,320,000 at 31st March 2009.

Management has during summer 2009 drawn up a 3 year business and financing plan that will restore a sound equity base and secure positive financial results. On the basis of such a plan, the Malta Government as principal shareholder has confirmed its intention to inject the necessary capital for the group to implement its 3 year business plan whilst securing a fair return on capital.

Cost Cutting and Efficiency Improvement Measures

During the past 6 years, Air Malta has aggressively sought to cut down on its cost base in order to close the negative profitability gap. In May 2004, the company together with the four Unions signed a Rescue Plan agreement covering a three year period which aimed to reduce costs, increase efficiencies, improve quality of service and boost revenues.

Directors' report - continued

The measures and initiatives implemented during the course of the Rescue Plan resulted into the following annualised savings as compared to the 2004 base year; €16,000,000 in non fuel Direct Operating Costs, €8,700,000 in payroll and €1,000,000 in overheads. Unfortunately over the years the above savings were countervailed by fuel cost escalations.

Between 2002 and 2007, Air Malta embarked upon a fleet replacement program, opting to change all aircraft to Airbus A319s and A320s. The new fleet consists of aircraft with lower fuel burns, higher levels of comfort, more environmentally friendly, reduced maintenance costs and lower direct operating costs than those previously owned.

Following the Rescue Plan, in 2008 the Company embarked on a Cost Rebalancing Programme to further curtail its costs. Since fuel prices continued to escalate, peaking at \$147 per barrel in July 2008, great emphasis was placed on introducing further fuel efficiency measures. The aircraft weight has since been reduced by removing the cargo hold sliding carpets as well as a number of in-flight service items in order to save on fuel burn without affecting the level of in-flight service. The already fuel efficient engines are routinely washed to keep the internal airflow paths clean. Flight Planning procedures have been further optimised for optimum and efficient flights based on prevailing en-route weather conditions and route availability whilst ensuring that the maximum level of safety is retained. Similarly Flight Crew are trained in energy efficient techniques, right choice of flaps for take offs, use of continuous descent profiles, use of efficient climb and taxiing techniques and best use of reverse thrust at landing. Modification to aircraft wings were carried out to reduce fuel burn.

The Flight Operations and Engineering department continued in its objective of automation and integration of its operational suite of software and automatic data flow between systems. This includes schedule data and operational data right from the inception of a flight number until the final conciliation and archiving of the same data. In this process legacy Novell Servers, serving Pervasive databases have been shutdown and an integrated and interfaced Oracle Database system was put in place. This reengineered process expanded well beyond the boundaries of Flight Operations and Engineering since integration and interfacing was put in place with commercial systems encompassing Schedules/Network Planning systems and Reservation systems; Ground Operations systems including Departure Control systems, Load Management Systems and Movement Control systems. Further use of ACARS (Aircraft Communication Addressing and Reporting System) continued to provide real time integration of the ground based servers with the aircraft while in flight and in any part of the world thus ensuring timely and accurate availability of operational and maintenance data.

To achieve the above operational environment necessitated that a very close partnership is established with SABRE (a worldwide giant of Airline software solutions provider based in Dallas Texas). SABRE fully cooperated with Air Malta by providing a number of consultants that integrated with Air Malta's Operations experts and IT partners (SITA) to ensure that the above implementations and efficiency goals are achieved. This partnership resulted in Air Malta Flight Operations to be SABRE's first customer to make use in a completely integrated environment of SABRE's AIRFLITE (Schedules Planning system), CMS (Crew Management System), RocFt (movement control system), Load Manager (Load Control) and in the ensuing year Dispatch Manager (Flight Planning System).

The above projects and implementations necessitated that many business processes are re-engineered requiring significant changes in the human interface with the systems. Careful change management had to be exercised and training of staff had to be ensured to guarantee that the significant changes in this modern efficient way of operating an airline is put in place successfully.

Directors' report - continued

Despite a 7% increase in operating activity from 4,329 million Available Seat Kms (ASKs) in 2003/04 up to 4,624 million ASKs in 2008/09, since July 2004 the company has managed to cut down its employees' headcount by 515 employees (26.5%). In line with the Rescue Plan no forced redundancies have been carried out over the period. The reduction in employee numbers was achieved by way of Voluntary Redundancy Schemes, Early Retirement Schemes, boarding out, retirement of age and outsourcing. The above reduction in staff has resulted into considerable annualised savings in payroll.

The company continues in its drive to reduce unit cost by converting, when possible, fixed costs into variable costs. Over the past few years, Air Malta has outsourced a number of activities in order to have a more flexible cost structure whilst ensuring that service quality was maintained through stringent service level agreements. Air Malta has over the past two to three years reaped substantial savings and improved quality of service rendered by the outsourcing of its IT function to an international reputable service provider (SITA), cabin cleaning to a local operator, in-flight entertainment which has been changed from a cost to a revenue generator and the outsourcing of sales reservations and revenue accounting to an Air Malta joint venture with World Aviation Group Limited. In this joint venture resources and expertise have been merged which have rendered considerable cost savings by way of improved efficiencies whilst creating further business opportunities by servicing third party clients.

Similarly other substantial savings have been realised from the reissue or renegotiation of existing contracts, particularly in respect of catering, transport and ground handling agreements in foreign airports.

Selling and distribution costs have this year marginally decreased when compared to previous year, in spite of an ever increasing upward trend in supplier contract fees by way of GDS fees. Air Malta has taken a number of measures to contain distribution and selling costs as part of its ongoing Cost Rebalancing Programme. Among the main measures taken during the year under review one can mention the further curtailment of overhead expenses in its overseas and local sales offices. In its overseas offices the company continued with its strategy of consolidation by transferring all back office operations to Malta and with the remaining staff concentrating solely on sales efforts. Over the past three years staff at the overseas offices were reduced from 121 to 70 employees. Besides savings in payroll other savings were realised in rent through the relocation to smaller offices.

Other cost cutting initiatives taken relate to the reduction of sales commissions paid to third parties in line with industry norms, renegotiation of contractual obligations and charges with computer reservations systems' suppliers, more use of the Call Centre for front-end customer handling and channelling of an appreciable part of the business to the Air Malta internet booking engine, this being the most cost effective distribution medium.

The company constantly seeks to identify and implement new cost cutting initiatives throughout the year. Management has developed a reporting framework, which is monitored by the Corporate Management Board whereby new initiatives are discussed, cost owners identified, targets set and savings monitored on a regular basis.

Directors' report - continued

Revenues

Notwithstanding the steep drop in the value of the sterling against the euro and the decline in traffic during winter 2008/09 due to the global recession, scheduled passenger revenue has during the current year continued to grow over previous year's performance. Traffic figures have increased by an average of 3.8% over same period last year, with summer 2008 showing an increase of 7%. Fifth Freedom traffic figures have increased significantly by 21% over last year. Yield declined by 1% when compared to last year. Were it not for the sterling depreciation, yield would have improved over the previous year.

This year scheduled passenger revenue from the UK, which market represents 29% of total sales, suffered a 4% drop due to the sterling's depreciation as well as lower yields. Even though Air Malta withstood the competitive pressure, subsidised low cost competition on the UK routes impacted yields considerably.

Faced with this scenario, Air Malta remained faithful to its call to support the Malta tourism sector and the company invested heavily in promoting destination Malta in the core markets. The airline further supported the local manufacturing industry and the import/export sector by carrying cargo, mail and courier. Air Malta is now the only remaining carrier that provides this service directly to the UK as neither low cost carriers nor charter airlines offer such service and British Airways have as of winter 2009/10 exited the UK/Malta market.

At 72%, the average seat load factor for scheduled operations was 4% higher than previous year, and this notwithstanding a 6% drop in winter 2008/09 as demand slowed down due to the onset of recession in the travel market. RASK was up by 5% when compared to the previous financial year. This positive result was achieved for both summer and winter seasons thanks to better revenue management, improved network planning and some capacity trimming in winter.

Malta charter operations' revenue has this year increased by 6.8% with traffic figures increasing by 15%. The increase in traffic did not translate into a commensurate increase in revenues as a direct result of the negative exchange of the sterling with the euro; 45% of charter traffic is to the UK. The effect of subsidised low cost carriers' operations from the UK had a marked negative effect on Air Malta's charter operation both in terms of demand and yield.

With the demise of XLAir, Air Malta's charterer for the UK Base operation, the contract which was planned to end in November 2008 was terminated two months earlier. As a result of a summer only operating period when compared to a full year operation during the previous year, 51% less passengers were carried this year which resulted in a €20,500,000 drop in revenues.

Revenue from freighter operations saw an increase of 4% for the full year to a total of €5,274,000. The negative last quarter of the financial year resulted in an 11% drop on cargo revenue carried on the scheduled network as compared to last year. Total cargo revenues carried this year, including the freighter operations has decreased by €812,000 (5%). Thanks to aggressive sales campaigns, mail and courier revenue saw an appreciable increase of 14% over last year. Ground operations revenues have this year decreased by 6% mainly resulting from increased competitive pricing rather than due to loss of market share.

Directors' report - continued

Revenue Enhancement Measures

Air Malta's network strategy is set to increase capacity on routes with the highest potential for growth of both point-to-point as well as interline passengers while operating ad-hoc charter programmes to marginal routes that cannot be sustained on a year round scheduled basis. The airline seeks to concentrate most of its scheduled routes within the 2.5 hours flying distance zone as it makes it less vulnerable to escalating fuel prices, consequently more economically viable. Summer 2008 operations, excluding the UK Base, were operated with a fleet of 11 aircraft, one aircraft less than summer 2007, yet carrying more passengers. With less seat capacity, Air Malta took the opportunity to consolidate its schedule route network and trim a number of marginal routes that were unsustainable and concentrate more frequency on the core profitable markets. Winter 2008/09 operations were similar to the previous winter but with better planning. Utilising a fleet of 8 aircraft, seat capacity was shaped according to demand, higher in November and March, with fewer flights in January and February.

Air Malta continues to support Malta's tourism industry in more ways than one. It co-operates and works with the Malta Tourism Authority in promoting tourism to Malta, this is mostly evident in the joint participation at international tourism fairs across Europe. Air Malta sponsors high profile events such as the Isle of MTV programme and the P1 Powerboat race which promote Malta as a tourism destination. Other airlines seek to fly to Malta with a shorter term commitment than Air Malta. Some tend to operate in summer only, creaming off the profit potential of the route. Since Air Malta is committed to support the tourism and communications sectors of the local economy, it takes a longer term view and invests in route development and often sustains the service at a loss also in winter.

During the year under review, the Revenue Management Section continued to develop processes and systems to ensure maximisation of revenues on the airline's inventory. Initiatives included the advanced planning of special offers, use of discounted fares to improve airline's competitiveness and seat factors, maximisation of revenues during peak days and introducing new pricing structures and customised pricing for group bookings. In the coming weeks the company will invest in further technology to upgrade its Revenue Management platform in order to enable it to grow its sales over the internet.

Air Malta's pricing strategy has been aimed to develop competitive fares with more flexible conditions, tailor-made to suit individual markets by offering various tiers of prices and matching available capacity with demand. During the year under review, Air Malta continued to adjust its pricing policies in tandem with the competition and the industry's best practice, by adjusting ticketing terms and conditions as well as by putting special offers on the market. The resultant effect was that, notwithstanding the pressure on fares by subsidised carriers on its core routes, average yield has remained practically at same levels of previous year while scheduled traffic rose by almost 4%.

The company has consolidated its marketing strategy towards allocating most of its funds to tactical advertising on its major routes during the leaner periods as opposed to blanket advertising on all routes. The focus of the airline's advertising campaigns is on the short-break leisure sector. This is a fast growing segment and traffic occurs year round but primarily outside the summer peak. During the current financial year, Air Malta promoted the short-break holidays market by offering one-way fares on its website, increasing frequencies to large city airports within mainland Europe accompanied by aggressive sales and marketing campaigns. Towards the end of the year, the growth in this market was negatively impacted by the recession; we are however confident that as we move out of the global recession this market will continue to grow.

Directors' report - continued

Air Malta has continued with its strategy of entering into close collaboration with other carriers by signing two new code share agreements in the last quarter of the financial year with Turkish Airlines and bmi. Code share agreements with international reputable carriers extend Air Malta's market reach far beyond the prime destination airports it flies to, a service which LCC refrain from giving. Furthermore, the interline e-ticketing initiative which started in earnest the previous year, enables such passengers to seamlessly book flights and travel with Air Malta via other carrier's websites or reservations systems. Revenue generated from code share passengers in the year being reported totaled to €9,300,000, an increase of 38% over last year. Total number of passengers that travelled on Air Malta's code shared flights amounted to 79,500 passengers, an increase of 44% over the previous year.

The company continues to invest heavily in ICT to attain competitive advantage, increase its market reach, modernise its reporting to support effective decision making processes and secure better controls whilst lowering overhead costs through various automations. Air Malta has over the years invested in direct selling tools comprising of the international call centre and the internet website with its powerful internet booking engine. The success of Air Malta's internet booking engine continues to grow with over 21% of sales being booked online during the year under review. Direct selling channels carry much less costs to airlines as well as being a favorite booking option with a growing number of clients. Ancillary revenues generated from the Air Malta Portal on the various services offered have doubled since last year.

As a result of these changes, Air Malta has today developed into an airline with direct access to the market besides selling through intermediary agents and tour operators, enabling the airline to benefit from a wider market and more cost effective sales reach. This has significantly changed the way Air Malta earns its revenue, and the new investment in the latest Revenue Management systems shall further enable the airline to get closer to the customer, positioning it better to anticipate the market and respond accordingly.

Focus on Core Operations

The year under review saw the company aggressively pursuing its policy of divestment from non-core activities. The Malta Environment and Planning Authority finalised its Development Brief for the Hal Ferh Complex in December 2008. This enabled the Lands Department to issue on 20 March 2009 a public tender for the sale of the site currently occupied by the complex conditioned with the purchase of the entire equity held by Air Malta in Hal Ferh Company Limited. It is expected that the transaction for the sale of all the equity in this company will be concluded during year 2009/10. Efforts for the sale of Selmun Palace Hotel Company Limited. are still ongoing.

During July 2008 the company managed to close the transaction for the sale of its premises at 314-316 Upper Richmond Road Putney for £1,025,000 and lease back two floors in same so that it could house both its own operations in UK as well as those of Holiday Malta Company Limited. During the same month the transaction for the sale of Air Malta's 25% shareholding in Mediterranean Aviation Company Limited (Medavia) was also closed and generated proceeds to Air Malta of just under €5,000,000.

In August 2008 the company rescinded the remainder of the emphyteutical grant on premises in Sliema and earned a consideration of €450,000.

Directors' report - continued

In January 2009, negotiations were finalised for the sale of Air Malta's 50% interest in the Head Lease of Malta House 36-38 Piccadilly, London and for the sale of Air Malta's 50% holding in Malpro Limited a company which manages a sub-lease of the above property and leases out offices in same to third parties. Both transactions were closed simultaneously and generated incomes to Air Malta of €7,650,000 for the Head Lease and of €825,000 for the equity in Malpro.

Corporate Social Responsibility

Air Malta is very conscious and takes pride in its Corporate Social Responsibility (CSR). Every year the airline commits more than €300,000 to support various CSR activities in different fields. These include sponsorships, humanitarian, social, environmental, heritage, medical, philanthropic, cultural and sport related initiatives.

Air Malta routinely organises fund raising initiatives onboard its flights in support of worthy causes. Recent onboard fund raising initiatives were held to support Hospice, the Breast Care Support Group and the Community Chest fund.

The airline's personnel also contribute significantly to the company's CSR activities including a monthly contribution from their salary to Dar Tal-Providenza which is then matched by the company. Humanitarian and philanthropic events include blood donation, fund raising for Puttinu Cares and donations to the Rainbow Ward, charity bike rides as well as charity flights to Lourdes for the Malta Hospice movement and Puttinu Cares children. Other organisations that have benefited from Air Malta's CSR initiatives include Caritas, il-Fondazzjoni Patrimonju Malti, Inspire and the Malta Olympic Committee.

Air Malta assists in many ways patients undergoing treatment abroad. It also offers special fares to relatives assisting travelling patients. It is the only airline equipped to fly patients on stretcher and babies using a special housing for a baby incubator as the need arises.

The airline has over the years intensified its environmental initiatives by replacing its fleet to a more environmentally friendly Airbus fleet with lower fuel burns. Apart from reducing and recycling materials generated by its activities the Company has also sponsored a number of tree planting activities and donated 350 olive trees.

Future Prospects

Air Malta has been able to achieve much and radically transform itself during the last six years. These achievements have been obscured by spiralling fuel prices, depreciated sterling, subsidised LCC operations on the Malta market, and the onset of recession. The metamorphosis of the airline has been self financed, which together with unfavourable extraordinary business circumstances have had a marked impact on the airline's equity.

Directors' report - continued

In view of the group's financial position, management has formulated a business and financing plan covering a three year period with a view to improve the company's equity base and its financial results. The three main pillars of the plan consist in an operational plan introducing several business initiatives focusing on revenue enhancements and further cost management to improve the return on core operations, disposal of group's remaining surplus assets that are not relevant to the core operations, and capital injections generating adequate returns, partly through share capital to strengthen the company's equity base and its liquidity position.

The future of Air Malta rests very much on its ability to sell aircraft seats at an adequate return to cover its costs of operations and overheads. Within the current context of a worldwide recession and falling demand for air travel growth prospects, it may take some time before the airline can achieve significant growth. However, Air Malta is confident that the revenue and cost measures being taken, the recent investments in IS and IT, together with a prudent outlook to the market will enable it to take immediate advantage once the economic activity returns to normal. Furthermore the close alliances with global carriers such as: LH, Swiss, BA and SN Brussels has enabled the airline to reach into new markets without the need of direct investment.

Air Malta has taken off most of its legacy baggage, it has attained unprecedented levels of efficiency all round and has not run out of momentum in achieving more. It has proven to be a force to be reckoned with in the market, a truly national asset to an island economy. It has a very young single type efficient fleet, best trained personnel, state-of-the-art ICT systems that enable it to respond quickly and effectively to the market needs. Air Malta is a full service quality airline, truly accepted by world class carriers through various code share agreements.

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 as at the date of signing of the audited consolidated financial statements are:

Lawrence Zammit – Chairman
Joe Fenech Conti – Deputy Chairman
Paul Bonello
Eucharist Mizzi (resigned on 23 June 2008)
Noel Radmilli (deceased on 17 April 2008)
Michael Soler (resigned on 23 June 2008)
Alison Attard (appointed on 23 June 2008)
Anton Attard (appointed on 23 June 2008)
Henriette Busuttil (appointed on 23 June 2008)
Clyde Micallef (appointed on 23 June 2008)

Directors' report - continued

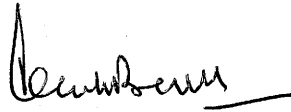
Auditors

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



Lawrence Zammit
Chairman



Paul Bonello
Director

Registered office
Air Malta Buildings
Head Office
Luqa
Malta

27 October 2009

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 Shareholders. All Directors may be removed from their post by the Shareholder appointing them, by 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 including the Chairman. The board regards the Directors as 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 monthly and all Directors receive written reports prior to each board meeting which enable 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 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 Chief Officers. The CEO ensures that management and employees receive adequate and relevant training so that the company remains competitive. The CEO together with the Chief Officers is responsible for implementing the company's strategies and policies.

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

During the financial year ended 31 March 2009 the board of directors met 12 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 judgment 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;
- appoints the Company's Chief Executive Officer, participates in the appointment of senior management and establishes 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 above €120,000, any loans over €45,000, and the performance review and 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 Consolidated Financial Statements, and by means of other company announcements made to the public in general during the year.

Remuneration

The board believes that due to the fact that the board is entirely composed of non-executive Directors, there is no scope in forming a separate Remuneration Committee. The Directors' remuneration is fixed by the Shareholders. Directors' remuneration is disclosed in Note 34 to the Financial Statements. The board determines the remuneration and performance related bonuses of the CEO, the Chief Officers and other senior management of the company, none of whom are directors.

Corporate Governance Statement - continued

Committees established by the Board

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

Audit Committee, Risk Management and Auditors

Audit Committee

The Audit Committee meets regularly 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 made up of four non-executive Directors and is chaired by Mr Paul Bonello, a certified public accountant.

The Chairman of the company, any Director, the CEO, the external auditors, the Chief Officer Internal Audit and any other Chief Officer or 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.

Risk Management Committee

During the financial year under review, a Risk Management Committee was set up in March 2009 to assist the board and the Audit Committee with respect to risk assessment and risk management; specifically, by providing oversight and guidance to management who is responsible for the timely identification, mitigation and management of those risks that could have a material impact on the company.

The members of the Risk Management Committee consist of all the Chief Officers of the company and other Post Holders nominated on the airline's Air Operator Certificate. The Committee is chaired by the CEO and shall meet up as frequently as required but not less than twice a year. A summary of the matters discussed and actions taken at each Risk Management Committee shall be presented to the Audit Committee with an annual risk management report being presented to the board.

Corporate Governance Statement - continued

Internal Audit

The company promotes the independence of the function as a whole and allows internal audit to form objective judgment. 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 Chief Officer Internal Audit. The Chief Officer 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 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.

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.

Corporate Management Board

The CEO leads the Corporate Management Board ("CMB") and it reports directly to the board. The CMB is made up of all the Chief Officers of the company which convenes on a weekly basis and concentrates 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; and
- 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.

Corporate Governance Statement - continued

ICT Governance Committee

The purpose of this Committee is to provide direction to ensure that IT is aligned with current and future business strategies and to assist the board in governing and overseeing the company's IT related issues. The ICT Governance Committee is to ensure that the board has the information it needs to make informed decisions that are essential to achieve the ultimate objectives of IT governance which are;

- the alignment of ICT and the business;
- the delivery of value by ICT to the business;
- the sourcing and use of ICT resources;
- the management of ICT related risks; and
- the measurement of ICT performance.

The ICT Governance Committee is chaired by a Director of the board. The other members include the Chief Officer Commercial, the Chief Officer IT, Corporate Services & Subsidiaries, the Chief Officer Internal Audit, and the General Managers responsible for IS strategy and systems. Bi-monthly meetings are held and minutes are forwarded to the Chairman of the board and the CEO.

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. 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. 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, the Chief Officer Human Resources and any other Chief Officer, General Manager or employee as required depending on the agenda to be discussed.

Financial Risk Management Committee

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

- develop, review and maintain a funding strategy for the company, with a view to ensure proper funding of the company's business activities;
- provide guidelines and ensure control of financial risks emanating from interest rate risk, exchange risk, and liquidity risk;
- authorise the adoption and acquisition of investment instruments, risk hedging instruments and related derivatives;
- recommend to the board ways in which the statement of 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.

Corporate Governance Statement - continued

The Financial Risk Management 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 the company's Chief Officer Finance. The Committee reports directly to the Chairman and the board.

Fuel Hedging Committee

Hedging is risk limitation. Air Malta's hedging policy is dictated by the need to mitigate the risks resulting from excessively high fuel prices. The principal objective of the company's hedging activities is to protect the operating results from sudden and significant increases in Jet fuel prices, while seeking to ensure that we are not competitively disadvantaged in a serious way in the event of a substantial fall in prices. Hedging by Air Malta is not done for speculative reasons but solely to reduce or eliminate uncertainty.

The Fuel Hedging Committee is chaired by the Chief Officer Finance. The members who constitute the Committee comprise of a board director, other senior management and an external consultant. Meetings are held regularly and the Chief Officer Finance reports regularly to the board any decisions and actions taken by the Committee.

Purchasing Committee

The Purchasing Committee keeps under review the company's procurement policies, procedures, practices and regulations with a view to achieving optimum value for money in terms of cost and quality and to ensure maximum accountability and transparency.

The Committee is chaired by the CEO and its members comprise of; the Chief Officer IT, Corporate Services & Subsidiaries, the Chief Officer Finance, the General Manager Corporate Services, the Purchasing Manager and an Engineering Manager. The Committee meets regularly, at least on a monthly basis, and minutes are kept by the Committee's appointed Secretary.

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 Corporate Management Board 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 Management Committee that provides oversight and guidance in the risk identification process, risk analysis, risk evaluation, risk mitigation and management reporting and monitoring of material risks;
- an internal audit function which reviews key financial/operational processes and controls which reports directly to the Audit Committee;
- an ICT Governance Committee that assists the board in governing and overseeing the Company's ICT related issues;
- a Purchasing Committee that monitors that company procurement is done in an accountable and transparent manner;
- 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 throughout the year under review and up to the date of approval of the Financial Statements 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 adjourning such controls to best current practice.

Statement of directors' responsibilities

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 2009 are included in the Annual Report and Consolidated Financial Statements 2009, 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.

Independent auditor's report

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

Report on the Financial Statements

We have audited the consolidated and the stand-alone parent company financial statements of Air Malta p.l.c. (together the "financial statements") on pages 23 to 104 which comprise the consolidated and parent company statements of financial position as at 31 March 2009 and the consolidated and parent company income statements, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 20, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free of 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 judgment, 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 and fair presentation of the financial statements 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 parent company as at 31 March 2009, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements


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

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

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

PRICEWATERHOUSECOOPERS 

167 Merchants Street
Valletta
Malta


David Valenzia
Partner

27 October 2009

Statements of financial position


As at 31 March					
	Notes	Group	Company		
		2009 €000	2008 €000	2009 €000	2008 €000
ASSETS					
Non-current assets					
Property, plant and equipment	5	52,303	55,425	50,877	53,885
Investment property	6	11,760	13,715	12,278	14,274
Investments in subsidiaries	8	-	-	2,073	2,191
Investments in associates	9	363	4,312	389	688
Deferred tax assets	23	1,557	2,220	1,364	1,982
Available-for-sale financial assets	10	1,203	1,203	1,042	1,042
Derivative financial instruments	11	-	192	-	192
Other receivables	12	4,900	4,761	4,900	4,154
Total non-current assets		72,086	81,828	72,923	78,408
Current assets					
Inventories	13	1,553	1,550	1,553	1,547
Trade receivables	14	22,613	25,571	20,939	23,301
Amounts owed by subsidiaries		-	-	3,012	2,183
Amounts owed by associates		777	924	703	905
Amounts owed by related parties		3,784	3,082	3,358	2,858
Current tax assets		1,096	1,397	1,018	1,255
Other receivables		8,584	12,511	7,435	10,565
Prepayments and accrued income		6,186	5,842	5,859	5,322
Available-for-sale financial assets	10	1,987	4,613	-	4,613
Derivative financial instruments	11	7,388	1,364	7,388	1,364
Term bank placements	15	2,160	4,538	-	-
Cash and cash equivalents	16	15,099	40,460	9,835	33,825
Assets classified as held for sale	17	71,227 9,382	101,852 10,337	61,100 14,990	87,738 16,124
Total current assets		80,609	112,189	76,090	103,862
Total assets		152,695	194,017	149,013	182,270

Statements of financial position - continued

As at 31 March					
	Notes	Group 2009 €000	2008 €000	Company 2009 €000	2008 €000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	25,892	25,892	25,892	25,892
Share premium	19	42,762	42,762	42,762	42,762
Hedging reserve	20	3,630	(881)	3,630	(881)
Other reserve	21	(3,497)	(3,497)	-	-
Accumulated losses		(66,467)	(35,848)	(61,707)	(38,029)
Total equity		2,320	28,428	10,577	29,744
Non-current liabilities					
Borrowings	22	3,796	4,529	3,431	4,101
Provisions in respect of maintenance costs	24	24,650	15,986	24,650	15,986
Other payables		19	19	-	-
Total non-current liabilities		28,465	20,534	28,081	20,087
Current liabilities					
Trade payables		25,983	47,503	21,137	42,743
Amounts owed to subsidiaries		-	-	3,170	3,932
Amounts owed to associates		414	2,055	326	2,039
Amounts owed to related parties		1,686	791	1,676	791
Sales in advance		38,376	39,274	36,454	36,641
Current tax liabilities		48	33	-	-
Other payables		4,787	3,151	3,790	1,974
Indirect taxation and social security		1,175	834	1,165	741
Accruals and deferred income		22,278	19,222	20,605	16,043
Borrowings	22	21,072	25,341	20,579	24,843
Derivative financial instruments	11	632	1,562	632	1,562
Provisions in respect of maintenance costs	24	401	652	401	652
Other provisions	25	420	478	420	478
		117,272	140,896	110,355	132,439
Liabilities directly associated with assets classified as held for sale	17	4,638	4,159	-	-
Total current liabilities		121,910	145,055	110,355	132,439
Total liabilities		150,375	165,589	138,436	152,526
Total equity and liabilities		152,695	194,017	149,013	182,270

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

The financial statements on pages 23 to 104 were authorised for issue by the board of directors on 27 October 2009 and were signed on its behalf by:


Lawrence Zammit
Chairman


Paul Bonello
Director

Income statements

		Year ended 31 March			
	Notes	Group	Company		
		2009 €000	2008 €000	2009 €000	2008 €000
Continuing operations:					
Revenue	4	274,938	301,925	249,512	273,744
Cost of sales		(273,688)	(273,253)	(252,738)	(252,177)
Gross result		1,250	28,672	(3,226)	21,567
Selling and distribution costs		(21,307)	(21,617)	(20,196)	(20,369)
Administrative expenses		(15,753)	(14,675)	(10,455)	(9,499)
Other operating income		269	761	-	-
Operating loss		(35,541)	(6,859)	(33,877)	(8,301)
Investment and other related income	28	451	152	3,366	2,141
Results of subsidiaries and associates	29	96	1,260	(498)	(452)
Finance income	30	(366)	264	(360)	454
Finance costs	31	(2,058)	(2,767)	(1,910)	(2,649)
Net losses on aircraft and engine transactions	32	-	(390)	-	(390)
Loss before tax		(37,418)	(8,340)	(33,279)	(9,197)
Tax income	33	1,967	192	1,954	-
Loss for the year from continuing operations		(35,451)	(8,148)	(31,325)	(9,197)
Discontinued operations:					
Profit for the year from discontinued operations	17	4,325	19,188	7,647	12,838
(Loss)/profit for the year		(31,126)	11,040	(23,678)	3,641
Earnings per share for loss from continuing operations attributable to the owners of the company during the year (expressed in € per share)	35	(3.19)	(0.73)		
Earnings per share for profit from discontinued operations attributable to the owners of the company during the year (expressed in € per share)	35	0.39	1.73		

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Note	Share capital €000	Share premium €000	Hedging reserve €000	Other reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2007		25,892	42,762	(3,999)	(3,497)	(46,876)	14,282
Cash flow hedges, net of deferred tax	20	-	-	3,118	-	-	3,118
Currency translation differences		-	-	-	-	(12)	(12)
Net income/(expense) recognised directly in equity		-	-	3,118	-	(12)	3,106
Profit for the year		-	-	-	-	11,040	11,040
Total recognised income for 2008		-	-	3,118	-	11,028	14,146
Balance at 31 March 2008		25,892	42,762	(881)	(3,497)	(35,848)	28,428
Cash flow hedges, net of deferred tax	20	-	-	4,511	-	-	4,511
Currency translation differences		-	-	-	-	507	507
Net income recognised directly in equity		-	-	4,511	-	507	5,018
Loss for the year		-	-	-	-	(31,126)	(31,126)
Total recognised income/(expense) for 2009		-	-	4,511	-	(30,619)	(26,108)
Balance at 31 March 2009		25,892	42,762	3,630	(3,497)	(66,467)	2,320

Exchange differences arising from the translation of the net investment in foreign group entities were deemed immaterial and accordingly have been taken to retained earnings.

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company

	Note	Share capital €000	Share premium €000	Hedging reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2007		25,892	42,762	(3,999)	(41,670)	22,985
Cash flow hedges, net of deferred tax	20	-	-	3,118	-	3,118
Net income recognised directly in equity		-	-	3,118	-	3,118
Profit for the year		-	-	-	3,641	3,641
Total recognised income for 2008		-	-	3,118	3,641	6,759
Balance at 31 March 2008		25,892	42,762	(881)	(38,029)	29,744
Cash flow hedges, net of deferred tax	20	-	-	4,511	-	4,511
Net income recognised directly in equity		-	-	4,511	-	4,511
Loss for the year		-	-	-	(23,678)	(23,678)
Total recognised income/(expense) for 2009		-	-	4,511	(23,678)	(19,167)
Balance at 31 March 2009		25,892	42,762	3,630	(61,707)	10,577

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 March			
		Group		Company	
	Notes	2009 €000	2008 €000	2009 €000	2008 €000
Cash flows from operating activities					
Cash (used in)/generated from operations	36	(35,615)	4,121	(35,972)	5,838
Investment and other related income received		1,082	2,873	1,398	3,063
Dividends received from subsidiaries		-	-	2,450	1,465
Dividends received from associates		311	524	295	524
Interest paid and similar charges		(1,831)	(3,295)	(1,501)	(3,000)
Tax paid		(78)	(460)	-	(377)
Tax refunded		452	394	344	-
Net cash (used in)/generated from operating activities		(35,679)	4,157	(32,986)	7,513
Cash flows from investing activities					
Purchases of tangible non-current assets		(3,172)	(2,920)	(2,909)	(2,808)
Net outcome on sale of tangible non-current assets		9,844	406	9,844	405
Other outflows in respect of aircraft and engine transactions		-	(710)	-	(710)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of		-	31,139	-	30,175
Proceeds from disposal of associates		5,224	-	5,224	-
Loans granted to subsidiaries and associates		(226)	(53)	(1,310)	(1,148)
Loan repayments received from subsidiaries and associates		-	10	343	194
Acquisition of available-for-sale financial assets		(1,938)	(4,503)	-	(4,503)
Proceeds from redemption of available-for-financial assets upon maturity		4,659	-	4,659	-
Funds advanced under term placements		(3,585)	(6,244)	-	-
Proceeds from maturity of term placements		5,963	6,511	-	-
Net cash generated from investing activities		16,769	23,636	15,851	21,605
Cash flows from financing activities					
Proceeds from bank borrowings		11,951	728	11,608	-
Repayments of bank borrowings		(22,056)	(21,123)	(21,993)	(21,041)
Net cash used in financing activities		(10,105)	(20,395)	(10,385)	(21,041)
Net movement in cash and cash equivalents		(29,015)	7,398	(27,520)	8,077
Cash and cash equivalents at beginning of year		39,404	34,440	33,055	27,412
Exchange differences on cash and cash equivalents		(1,723)	(2,434)	(1,921)	(2,434)
Cash and cash equivalents at end of year	16	8,666	39,404	3,614	33,055

The net cash flows attributable to the group's discontinued operations, included in the amounts reflected above, are disclosed in Note 17 to the financial statements.

The notes on pages 29 to 104 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

These consolidated financial statements include the financial statements of Air Malta p.l.c. and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 available-for-sale financial assets and derivative financial instruments.

During the financial year ended 31 March 2009, the group incurred losses from continuing operations amounting to €35.5 million with the group's equity base reducing to €2.3 million as a result.

In view of the group's financial position, management has formulated a business and financing plan covering a three year period subsequent to 31 March 2009 with a view to improving the airline's equity base and its financial results, and generating adequate returns on capital. This plan is based on three main pillars:

- i) an operational and business plan introducing several business initiatives focusing on revenue enhancement and cost management that would contribute to improving the return on its core operations over a three year period;
- ii) the disposal of the group's remaining surplus assets that are not relevant to the core operations (refer to Note 17 to the financial statements); and
- iii) capital injections, partly through share capital, to strengthen the airline's capital base and its liquidity position.

The business plan refers to a number of options available to the airline regarding aircraft deployment and utilisation, fleet management, route network rationalisation and re-organisation of certain activities to achieve further economic efficiencies. The group is also committed to giving more priority to commercialisation of certain aspects of its activities and re-assessing from a strategic perspective its key operational issues. This process, which was commenced a number of years ago, has been stepped up after the end of the reporting period to ensure that the required decisions in respect of the matters outlined above are made and implemented with the support of the shareholder. Management is confident that the company, with the shareholder's support, is able to handle and restructure its activities in view of these changes, taking cognisance of the relevant legislative and regulatory framework.

The business and financing plan identifies the estimated level of capital required during the forthcoming three year period while the airline re-establishes its operating performance. It caters for the repayment and servicing of all borrowings which become due during this period. The level of capital required identified by the plan, raised through equity injections and proceeds from the sale of surplus assets, projects a level of cash surplus at the end of the period deemed adequate by management.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The Government, as the principal shareholder, is committed to the implementation of the business plan and accordingly the shareholder funding requested in the financing plan has been approved by Cabinet. This investment plan requires approval by the Maltese House of Representatives and will be reviewed by the European Commission subsequent to the signing date of these financial statements.

On the basis of the legal advice obtained by the airline up to the date of authorisation for issue of the financial statements, the group and its principal shareholder are confident that the related European Commission approvals will be obtained in due course considering also the possible alternative mechanisms available in terms of the applicable legislative framework. Taking cognisance of the relevant regulatory requirements in this regard, the current economic conditions, the state of the airline industry in general, the strategic importance of Air Malta for Malta in particular, the relative impact of the matter at hand on the EU and the outcome of similar recent cases within the EU, the board of directors and the principal shareholder are confident with respect to the required approvals.

Management is committed to updating on an ongoing basis the business and financing plan to reflect the impact, if any, of changing events and circumstances. The financial information is updated as events unfold in relation to the outcome of all the initiatives referred to above; it is also updated to reflect changes in market factors and economic conditions in general and the airline's reactions thereto, and to reflect the comparison of actual financial results registered to the projected financial information. Management is confident that, on the basis of evidence available as at the date of approval of these financial statements, the changes to the business and financing plan envisaged will not require material changes to the capital or financing requirements.

In the intervening period and until all necessary approvals are obtained and shareholder financing is actually injected, the process of disposal of surplus assets continues and the group has secured temporary banking facilities which will be made available in the short-term to sustain the airline's cash flows. Management is confident that these banking facilities will be available throughout this period on the basis of Cabinet's approval of the funding request in the financing plan and the commitment by Government to inject the required equity as identified by the plan once all regulatory approvals have been obtained.

Taking cognisance of all the factors outlined above, the company's board of directors are of the opinion that the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate and that no material uncertainty is present in this respect.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgment in the process of applying the group's accounting policies (see Note 3 – Critical accounting estimates and judgments).

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 2008. 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards that are 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 the group's accounting periods beginning after 1 April 2008. 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 with the exception of IFRIC 13: Customer Loyalty Programmes, effective for annual periods beginning on or after July 1, 2008, which the group is considering. IFRIC 13 addresses accounting by entities that operate or otherwise participate in customer loyalty programmes for their customers. IFRIC 13 applies to sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted services. The interpretation requires that an entity recognises credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (refer to accounting policy 1.7 for the accounting policy on goodwill). All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group. Separate disclosure is made of minority interests.

A listing of the group's principal subsidiaries is set out on pages 102 and 103.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Transactions and minority interests

The company applies the economic entity model to accounting for transactions with minority shareholders. Under the economic entity model, minorities are deemed to be equity participants and transactions with equity participants are equity transactions. Accordingly, on acquisition of an interest in subsidiary undertakings from minority shareholders, assets and liabilities are not restated and the difference between the purchase price and the book value of the minority interest is recorded in equity. Also gains or losses on partial disposals are recorded in equity.

(c) Associates

Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group exercises significant influence, but which it does not control.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition (refer to accounting policy 1.7 for the accounting policy on goodwill). Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

The interest in the associate is carried in the statement of financial position at an amount that reflects the share of the net assets of the associates. 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 the group has incurred obligations or made payments on behalf of the associates. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also 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.

A listing of the group's principal associates is set out on page 104.

1.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

1. Summary of significant accounting policies - continued

1.4 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 and 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. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates.

(c) Group companies

Income statements of foreign entities are translated into the group's presentation currency at the weighted average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

1.5 Tangible fixed assets – property, plant and equipment

Property, plant and equipment comprising aircraft and flight equipment, hotels and related assets, office land and buildings and other assets, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on the straight line method to allocate the cost of each asset to its residual value over its estimated useful operational life as described below.

In the case of aircraft (including the related rotables, engines and major spares) used for the group's own flight operations, residual values are taken as 17.5% of cost and estimated useful operational lives as 15 years.

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%.

Hotel land and buildings are mainly held on long-term leases and the costs thereof are amortised over the period of the respective leases.

The cost of 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. The cost of properties held on long-term leases are amortised over the period of the respective leases.

1. Summary of significant accounting policies - continued

1.5 Tangible fixed assets – property, plant and equipment - continued

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.

Major modifications and improvements to fixed assets are capitalised and depreciated over their estimated useful economic lives.

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

If the recoverable amount of property, plant and equipment falls below its carrying amount and the diminution in value is likely to be permanent, the carrying amount is reduced to the recoverable amount. Any impairment loss is recognised as an expense in the income statement. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement

1.6 Tangible fixed assets – investment property

Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the group. The group adopts the cost model under IAS 40: Investment property, whereby investment property is stated in the statement of financial position at cost less accumulated depreciation and impairment losses. Maintenance expenses and repairs are recognised as an expense. Subsequent expenditure that increases the value of property is capitalised if it extends the useful life. The capitalised costs of buildings are amortised over 100 years at most, in accordance with their useful lives. If the recoverable amount of land and buildings falls below its carrying amount and the diminution in value is likely to be permanent, the carrying amount is reduced to the recoverable amount. Any impairment loss is recognised as an investment expense in the income statement. Realised gains and losses on the sale of investment property are credited or charged to the income statement.

1.7 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Impairment losses on goodwill are not reversed. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amounts of goodwill relating to the entity sold.

1.8 Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for impairment losses as required by the accounting policies above or 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 carrying amount of the asset exceeds its recoverable amount which 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 level for which there are separately identifiable cash flows.

1. Summary of significant accounting policies - continued

1.9 Other financial assets

The group classifies its financial assets 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 and re-evaluates this designation at every reporting date, in those circumstances where the group is permitted to reclassify under the requirements of IAS 39.

(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.

(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 under the requirements of IAS 39. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Regular way purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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 security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the group's right to receive payments is established.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. If any such evidence 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 profit or loss – is removed from equity and recognised in the income statement.

1. Summary of significant accounting policies - continued

1.10 Leased assets

Where a group company is the lessee and where the group 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 the income statement 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 the income statement on a straight line basis over the period of the lease.

1.11 Maintenance of aircraft

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

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

In relation to leased aircraft governed by an operating lease agreement which states that the onus of major non-routine maintenance during the life of the lease rests with the lessee together with strict re-delivery conditions, the company has a legal obligation to carry out maintenance on these aircraft. Maintenance accruals 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 to the income statement based on hours flown.

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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1. Summary of significant accounting policies - continued

1.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. 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 Trade and other payables

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

1.16 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently stated 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.

1.17 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, 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.

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.

Tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period are used to determine deferred income tax.

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

1.18 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.

1.19 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. Ticket sales are included under current liabilities as sales in advance until matched to uplift coupons. The gross sales value of any tickets remaining unused is taken to the income statement 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 collectibility 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 as it accrues unless collectibility is in doubt.

1.20 Sale and leaseback transactions

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

1.21 Borrowing costs

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

1. Summary of significant accounting policies - continued

1.22 Derivative financial instruments and hedging

Derivative financial instruments including forward foreign exchange contracts, interest rate linked collar arrangements, interest rate swap agreements, commodity options (combined written and purchased options together with other options) 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.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period. Fair values of interest rate linked derivative agreements and commodity options are mainly based on dealer quotes obtained at the end of the reporting period from the group's counterparties. The fair value of interest rate swaps is mainly based on the present value of the estimated future cash flows. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining derivatives.

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 ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

1. Summary of significant accounting policies - continued

1.22 Derivative financial instruments and hedging - continued

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedging reserve in equity. In respect of option contracts, designated as hedging instruments, the group splits fair value into the intrinsic value and time value components. Changes in the intrinsic value of options are designated as the hedging instrument, while the remaining component of the option (its time value) is excluded from the hedging relationship. Accordingly changes in the time value would be accounted for in the income statement. Where the forecast transaction results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged forecast transaction affects the income statement.

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

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 the income statement when the hedged forecast transaction affects the income statement. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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

1.23 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 recovered principally through a sale transaction rather than through a continuing use. 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.

1.24 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2. Financial risk management

2.1 Financial risk factors

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

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

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The group is exposed to foreign exchange arising from various currency exposures, primarily with respect to the US dollar and UK sterling. With respect to the US dollar, the group is in a net payer position from its operating business particularly in view of a significant portion of purchases denominated in this currency, including fuel, operating leases, maintenance and other related costs. In relation to other currencies the group is in a net surplus position which is attributable to a portion of group's revenue which is denominated in these currencies. UK sterling is considered to be the main risk exposure in this respect. A number of subsidiaries domiciled overseas (see Note 41) have a functional currency which is different from the euro. These subsidiaries are also subject to currency risk in respect of purchases and intra-group financing denominated in euro; but these exposures are not deemed material in the context of the group figures.

The expected future cash flows in individual major currencies usually over the coming 24 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 could also include revenues denominated in UK sterling.

2. Financial risk management - continued

As at 31 March 2009, the group forecasts net receipts denominated in UK sterling amounting to €36.3 million (2008: €63.8 million) for the twelve month period ending 31 March 2010 and €37.1 million (2008: €44.1 million) for the subsequent twelve months. The group also forecasts net payments denominated in US dollar amounting to €64.8 million (2008: €81.3 million) for the twelve month period ending 31 March 2010 and €53.1 million (2008: €85.1 million) for the subsequent twelve months. These exposures were 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 €20.2 million (2008: €45.6 million) covering UK sterling exposures and a notional amount of €39.6 million (2008: €28.9 million) covering US dollar exposures.

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

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Net UK sterling liability position	(5,558)	(10,330)	(5,558)	(10,330)
Net US dollar liability position	(22,943)	(14,987)	(23,095)	(16,225)

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 2009	505	(618)	505	(618)
At 31 March 2008	939	(1,148)	939	(1,148)
US dollar				
At 31 March 2009	2,120	(2,591)	2,100	(2,566)
At 31 March 2008	1,357	(1,659)	1,475	(1,803)

2. Financial risk management - continued

If as at 31 March 2009, the UK sterling had strengthened/weakened by 10% against the US dollar and euro whilst the euro had strengthened/weakened by 10% against the US dollar with all other variables held constant, equity (prior to tax effects) as at the year-end would not change in a substantial manner taking cognisance of the amounts presented on the statement of financial position of Air Malta p.l.c. The impact on equity would consist of the effects of the changes in exchange rates reflected above on the fair valuation of the group's foreign currency derivatives classified as hedging instruments. In view of the nature and terms of such derivative contracts as at 31 March 2009, these effects were not deemed material for disclosure purposes for the sake of giving a true and fair view.

If as at 31 March 2008 the UK sterling had strengthened/weakened by 10% against the US dollar with all other variables held constant, equity (prior to tax effects) as at the year-end would change as follows:

	Group and Company	
	(+) 10% €000	(-) 10% €000
At 31 March 2008	(1,618)	1,618

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 year-end.

(ii) Cash flow and fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates comprise bank borrowings (Note 22). In this respect, the group is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 22) and advances to related parties subject to floating interest rates which expose the group to cash flow interest rate risk. The group's borrowings mainly consist of facilities subject to variable interest rates which are principally based on reference rates. Management monitors the impact of changes in market interest rates on amounts reported in the profit and loss account 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.

Whenever deemed necessary, the group uses interest rate swaps, as cash flow hedges of future variable interest payments, which have the economic effect of converting long-term borrowings from floating rate instruments to fixed rate loans. Under the interest rate swaps, the group agrees with the derivative counterparties to exchange at specified intervals (mainly quarterly or on a six monthly basis), the difference between fixed contract rates and variable rate interest amounts calculated by reference to the agreed notional principal amounts.

2. Financial risk management - continued

(iii) Price risk

During the financial year ended 31 March 2009, fuel expenses amounted to €86 million (2008: €68 million) as disclosed in Note 26 to the financial statements and accounted for approximately 28% (2008: 22%) 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 the fuel price risk. These instruments mainly comprise combined purchased call and written put options, together with other options and commodity swap agreements. The group's policy during the current and preceding years aimed at hedging, in normal circumstances, a minimum of 40% of the expected fuel expenditure of the ensuing twelve months. As at 31 March 2009, the notional amounts of the hedging derivatives outstanding amounted to approximately €51 million (2008: €8 million) in view of the prevailing market and trading conditions (refer to Note 11).

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

Combined purchased call and written put options represent the combination of a purchase of a call option by the group and the simultaneous sale of a put option to the same derivative counterparty. These combination options substantially amount to a collar arrangement with a floor and a cap (fluctuation band) whereby settlements are effected by either party, usually on a monthly basis, if and only if, the reference market price for the particular month during the set period does not fall within the band.

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.

Disclosure of sensitivity analysis for price risk attributable to a reasonable shift in the price of fuel products as at the end of the reporting periods, reflecting how the results for the year and equity would have been affected by applying the change in the relevant risk variable to the risk exposures in existence at that date, was not deemed necessary in view of the nature and terms of the outstanding fuel derivative hedging instruments as at 31 March 2009 (Note 11). A reasonable shift in the price of fuel products would not have had a material impact on the fair valuation of the derivative contracts as at the end of the reporting period. Disclosure of sensitivity analysis for the preceding reporting period was not deemed necessary in view of the low notional amounts of the outstanding fuel derivative hedging instruments as at the 31 March 2008.

2. Financial risk management - continued

(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	
	2009	2008	2009	2008
	€000	€000	€000	€000
Loans and receivables category:				
Cash and cash equivalents (Note 16)	15,099	40,460	9,835	33,825
Term bank placements (Note 15)	2,160	4,538	-	-
Trade and other receivables	46,844	52,691	46,206	49,288
Loans to subsidiaries and associates (Notes 8, 9 and 17)	275	62	12,747	11,917
	64,378	97,751	68,788	95,030
Available-for-sale financial assets:				
Debt securities (Note 10)	2,341	4,967	354	4,967
Financial instruments held for hedging:				
Derivative financial instruments (Note 11)	7,388	1,556	7,388	1,556
	74,107	104,274	76,530	101,553

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

Cash and cash equivalents and term bank placements

Group undertakings principally bank with local and foreign financial institutions which have high quality credit standing or rating. The group's main foreign bank counterparties as at the end of the reporting periods have an external credit rating at least equivalent to A, as determined by major rating agencies such as Fitch. Exposures to foreign banking institutions as at 31 March 2009 amounted to approximately €7.6 million (2008: €12 million). Term bank placements with contractual terms of more than three months mature within a period of five (2008: five) months from the end of reporting period and are held principally with local bank counterparties, hence credit risk in this respect is quite limited.

2. Financial risk management - continued

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.

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 2009, the group holds collateral in the form of bank guarantees for the amount of €2,925,000 (2008: €2,585,000) as security in respect of trade receivables. At 31 March 2009 and 2008, no trade or other receivables that would otherwise be past due or impaired have been renegotiated.

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

As at 31 March 2009, the group's and company's trade receivables amounting to €4,299,000 (2008: €3,184,000) and €2,803,000 (2008: €2,819,000) respectively were impaired and the amount 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.

2. Financial risk management - continued

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

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
At beginning of year	3,184	3,215	2,819	2,770
Increase in provisions	1,654	49	390	49
Reversals of provisions which are no longer required	(426)	(80)	(426)	-
Other movements	(113)	-	20	-
	4,299	3,184	2,803	2,819

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 and are included in 'Administrative expenses' in the group's profit and loss account.

As at 31 March 2009, trade receivables and amounts owed by related parties amounting to €2,445,000 and €2,732,000 (2008: €1,132,000 and €1,443,000) 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:

	2009	2008
	€000	€000
Up to 30 days	875	-
30 to 60 days	600	-
60 to 90 days	175	-
90 to 120 days	131	-
Over 120 days	664	1,132
	2,445	1,132

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

As at 31 March 2009, the company also had amounts receivable from subsidiaries amounting to €1,709,000 (2008: Nil) which were past due but not impaired. Such amounts were mainly past due for more than 30 days but less than one year.

2. Financial risk management - continued

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

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

	2009 €000	2008 €000
Provisions on loans to subsidiaries		
At beginning of year	2,259	4,507
Increase in provisions	124	-
Reversals of provisions which are no longer required	(11)	(2,248)
	2,372	2,259

	Group		Company	
	2009 €000	2008 €000	2009 €000	2008 €000
Provisions on loans to associates				
At beginning of year	2,124	2,071	2,199	2,146
Increase in provisions	13	53	13	53
Reversals of provisions which are no longer required in view of waiver of loans	(1,938)	-	(1,938)	-
	199	2,124	274	2,199

Available-for-sale investments

The group's investments principally consist of Treasury Bills and debt instruments issued by the Government. These instruments are quoted on the Malta Stock Exchange and credit risk in this respect is quite limited.

2. Financial risk management - continued

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 an external credit rating at least equivalent to A, 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 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 ongoing basis. As outlined in Note 1.1 the group has formulated a business and financing plan covering the three year period subsequent to 31 March 2009 in which the group's estimated capital and funding requirements over this period to sustain its projected cash flows were established. The group is working on securing the required shareholder and other financing earmarked in the plan, and management is confident that this financing will be obtained based on evidence available up to the signing date of these financial statements.

The overall liquidity requirements of the Air Malta 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 as referred to previously. In this context management has also continued with the process of disposing of non-core assets and further disposals are expected in the coming year (refer to Note 17 to the financial statements).

The group will meet the contractual cash outflows arising from financial liabilities disclosed below, extending beyond the subsequent twelve month period, through operating cash flows and other financing cash inflows also referred to in the business and financing plan.

2. Financial risk management - continued

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

Group

	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	1 - 2 years €000	2 - 5 years €000	Over 5 years €000	Total €000
At 31 March 2009							
Bank borrowings	8,190	3,803	13,148	2,676	1,271	347	29,435
Trade and other payables	56,323	-	-	19	-	-	56,342
	64,513	3,803	13,148	2,695	1,271	347	85,777
At 31 March 2008							
Bank borrowings	1,500	9,739	18,095	1,305	2,936	291	33,866
Trade and other payables	71,913	232	1,411	19	-	-	73,575
	73,413	9,971	19,506	1,324	2,936	291	107,441

Company

	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	1 - 2 years €000	2 - 5 years €000	Over 5 years €000	Total €000
At 31 March 2009							
Bank borrowings	6,966	949	13,125	2,629	1,131	-	24,800
Trade and other payables	51,869	-	-	-	-	-	51,869
	58,835	949	13,125	2,629	1,131	-	76,669
At 31 March 2008							
Bank borrowings	1,028	9,540	14,717	1,270	2,831	-	29,386
Trade and other payables	68,263	-	-	-	-	-	68,263
	69,291	9,540	14,717	1,270	2,831	-	97,649

2. Financial risk management - continued

The table below analyses the group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at 31 March 2009 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Company

	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	Total €000
At 31 March 2009				
Fuel derivatives	(319)	(312)	(131)	(762)

The group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (Note 11). The table below analyses the group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at 31 March 2008 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Company

	Within 3 months €000	3 - 6 months €000	6 - 12 months €000	Total €000
At 31 March 2008				
Foreign exchange derivatives:				
- Outflows	(6,060)	(8,208)	(2,227)	(16,495)
- Inflows	5,372	7,273	1,973	14,618
	(688)	(935)	(254)	(1,877)

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 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. The group's gearing ratio as at 31 March 2009 was as follows:

2. Financial risk management - continued

	2009 €000
Total borrowings	24,868
Less: cash and cash equivalents	(15,099)
Net debt	9,769
Total equity	2,320
Total capital	12,089
Net debt/total capital	81%

The group's high gearing ratio is principally attributable to the reduction in the group's equity base to €2.3 million. The business and financing plan covering the three year period subsequent to 31 March 2009, referred to in Note 1.1 to the financial statements, identifies the capital requirements of the group for the purposes of securing a solid equity base. This significant equity injection has been approved by the principal shareholder as outlined previously. As at 31 March 2008, the group's cash and cash equivalents exceeded total borrowings primarily in view of proceeds from the disposal of Tigne Development Company Limited.

The group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. It is envisaged that the difficult trading environment caused by severe competition and other market factors will prevail during the next financial year. These factors are reflected in the funding requirements highlighted in the business and financing plan. Also, the group continues to be committed to dispose of further non-core assets to manage the level of gearing, the availability of liquidity and the group's capital base (refer to Note 17 to the financial statements).

The directors are constantly reviewing the adequacy of the capital level in the context of the changing business environment and expected operating results of the group on the basis of management's budgets and forecasts. The business and financing plan is the principal tool utilised in this respect. The monitoring process takes cognisance of the group's intentions to continue with the ongoing reforms that are required to ensure that the operational results and cash flows are such that the capital base is safeguarded and availability of liquidity resources managed in the manner outlined.

2.3 Fair values of financial instruments

At 31 March 2009 and 2008 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial instruments for disclosure purposes is 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 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 and fixed interest rate bank borrowings as at the end of the reporting periods is not significantly different from the carrying amounts.

2. Financial risk management - continued

Information on the fair value of the group's available-for-sale financial assets and term bank placements is disclosed in Notes 10 and 15. The fair value of derivative financial instruments is determined in accordance with the group's accounting policy disclosed on page 39. Fair values are determined using forward exchange market rates at the end of the reporting period for forward foreign exchange contracts and using dealer quotes from counterparties or valuation techniques, including discounted cash flow models, for other derivative contracts (see Notes 11 and 20). The valuation techniques used are supported by observable market prices or rates since their variables include only data 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.

4. Segment information

Group

	Airline activities €000	Other activities €000	Total €000
Year ended 31 March 2009			
Total gross segment sales	289,699	1,973	291,672
Less: inter-segment sales	(15,143)	(1,591)	(16,734)
Revenue	274,556	382	274,938
Segment result - Operating (loss)/profit from continuing operations	(37,164)	1,623	(35,541)
Investment and other related income			451
Results of associates	29	67	96
Finance income			(366)
Finance costs			(2,058)
Loss before tax			(37,418)
Tax income			1,967
Loss for the year from continuing operations			(35,451)
Segment assets	135,757	8,966	144,723
Elimination of group balances			(7,565)
Investments in associates	363	-	363
Unallocated assets			5,792
Assets classified as held for sale (Note 17)			9,382
Total assets			152,695
Segment liabilities	(124,285)	(3,808)	(128,093)
Elimination of group balances			7,565
Unallocated liabilities			(25,209)
Liabilities directly associated with assets classified as held for sale (Note 17)			(4,638)
Total liabilities			(150,375)
Capital expenditure	3,154	7	3,161
Depreciation	3,412	15	3,427
Impairment charges (Note 5)	808	-	808
Provisions for impairment of trade debtors	1,228	-	1,228

Information on the segment results from discontinued operations in respect of the hotel operations, which were previously reported as a distinct segment, is presented in Note 17 to the financial statements. Assets classified as held for sale and liabilities directly associated with these assets, attributable to discontinued operations, are analysed in Note 17.

4. Segment information - continued

	Airline activities €000	Other activities €000	Total €000
Year ended 31 March 2008			
Total gross segment sales	316,567	1,833	318,400
Less: inter-segment sales	(14,936)	(1,539)	(16,475)
Revenue	301,631	294	301,925
Segment result - Operating (loss)/profit from continuing operations	(8,275)	1,416	(6,859)
Investment and other related income			152
Results of associates	798	462	1,260
Finance income			264
Finance costs			(2,767)
Net losses on aircraft and engine transactions	(390)	-	(390)
Loss before tax			(8,340)
Tax income			192
Loss for the year from continuing operations			(8,148)
Segment assets	166,421	11,491	177,912
Elimination of group balances			(8,009)
Investments in associates	234	4,078	4,312
Unallocated assets			9,465
Assets classified as held for sale (Note 17)			10,337
Total assets			194,017
Segment liabilities	(135,139)	(4,096)	(139,235)
Elimination of group balances			8,009
Unallocated liabilities			(30,204)
Liabilities directly associated with assets classified as held for sale (Note 17)			(4,159)
Total liabilities			(165,589)
Capital expenditure	2,897	-	2,897
Depreciation	3,478	2	3,480
Impairment charges (Note 7)	445	-	445
Provisions for impairment of trade debtors	(31)	-	(31)

4. Segment information - continued

Segment revenue and operating result include transfers between business segments, which transfers are eliminated on consolidation. Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, inventories, receivables and operating cash, but exclude items such as current tax assets, deferred tax assets and investments. Segment assets attributable to discontinued operations are separately analysed in Note 17 to the accounts.

Segment liabilities include all operating liabilities and consist principally of trade payables and accrued liabilities, but exclude borrowings and current tax liabilities. Segment liabilities directly associated with assets classified as held for sale are disclosed in Note 17.

Capital expenditure comprises additions to property, plant and equipment and investment property.

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 segments is also derived from Malta.

	2009 €000	2008 €000
Revenue on airline activities by route area reflecting the group's operational regions, as follows:		
Northern and Central Europe including UK	194,337	193,667
Mediterranean basin and Middle East	69,972	91,231
	264,309	284,898
Aircraft leasing revenue	1,617	7,774
Ground related and other revenue (Malta)	8,630	8,959
	274,556	301,631

Residual revenues included in the figures disclosed above amount to €4,760,000 (2008: €5,013,000).

5. Property, plant and equipment

Group

	Land and buildings €000	Aircraft and flight equipment - own use €000	Aircraft and flight equipment - leased out €000	Other assets €000	Total €000
At 1 April 2007					
Cost	65,523	25,188	4,332	22,618	117,661
Accumulated depreciation and impairment losses	(10,382)	(17,528)	(3,692)	(19,981)	(51,583)
Net book amount	55,141	7,660	640	2,637	66,078
Year ended 31 March 2008					
Opening net book amount	55,141	7,660	640	2,637	66,078
Additions	910	398	-	1,589	2,897
Disposals	-	(1,350)	(3,692)	(407)	(5,449)
Depreciation charge	(1,299)	(1,032)	(31)	(890)	(3,252)
Depreciation released on disposals	-	1,294	3,422	389	5,105
Exchange differences	-	-	-	50	50
Reclassification to investment property (Note 6)	(10,004)	-	-	-	(10,004)
Closing net book amount	44,748	6,970	339	3,368	55,425
At 31 March 2008					
Cost	56,087	24,236	640	23,827	104,790
Accumulated depreciation and impairment losses	(11,339)	(17,266)	(301)	(20,459)	(49,365)
Net book amount	44,748	6,970	339	3,368	55,425

5. Property, plant and equipment - continued

	Land and buildings €000	Aircraft and flight equipment - own use €000	Aircraft and flight equipment - leased out €000	Other assets €000	Total €000
Year ended 31 March 2009					
Opening net book amount	44,748	6,970	339	3,368	55,425
Impairment charges recognised in income statement (effect on accumulated depreciation and impairment losses)	-	(808)	-	-	(808)
Additions	262	587	-	2,312	3,161
Reclassifications	495	339	(339)	(495)	-
Disposals	(1,375)	(7)	-	(1,064)	(2,446)
Depreciation charge	(1,062)	(913)	-	(1,272)	(3,247)
Depreciation released on disposals	294	6	-	644	944
Exchange differences	-	-	-	(111)	(111)
Reclassification to investment property (Note 6)	(615)	-	-	-	(615)
Closing net book amount	42,747	6,174	-	3,382	52,303
At 31 March 2009					
Cost	54,857	24,816	640	22,311	102,624
Accumulated depreciation and impairment losses	(12,110)	(18,642)	(640)	(18,929)	(50,321)
Net book amount	42,747	6,174	-	3,382	52,303

The impairment charges recognised during the current financial year are attributable to flight equipment, in view of the management's decision to cease utilisation of these assets within the group's operations. The assets are deemed to have no recoverable amount and accordingly, the flight equipment's carrying amount has been entirely written down through impairment charges.

The reclassifications to investment property during the current and preceding financial years relate to transfer upon change in use evidenced by end of owner-occupation or commencement of operating lease arrangements in this respect.

5. Property, plant and equipment - continued

Company

	Land and buildings €000	Aircraft and flight equipment - own use €000	Aircraft and flight equipment - leased out €000	Other assets €000	Total €000
At 1 April 2007					
Cost	60,035	25,188	4,332	18,750	108,305
Accumulated depreciation and impairment losses	(10,268)	(17,528)	(3,692)	(17,031)	(48,519)
Net book amount	49,767	7,660	640	1,719	59,786
Year ended 31 March 2008					
Opening net book amount	49,767	7,660	640	1,719	59,786
Additions	910	398	-	1,500	2,808
Disposals	-	(1,350)	(3,692)	(331)	(5,373)
Depreciation charge	(1,299)	(1,032)	(31)	(794)	(3,156)
Depreciation released on disposals	-	1,294	3,422	314	5,030
Reclassification to investment property (Note 6)	(5,210)	-	-	-	(5,210)
Closing net book amount	44,168	6,970	339	2,408	53,885
At 31 March 2008					
Cost	55,469	24,236	640	19,919	100,264
Accumulated depreciation and impairment losses	(11,301)	(17,266)	(301)	(17,511)	(46,379)
Net book amount	44,168	6,970	339	2,408	53,885

5. Property, plant and equipment - continued

	Land and buildings €000	Aircraft and flight equipment - own use €000	Aircraft and flight equipment - leased out €000	Other assets €000	Total €000
Year ended 31 March 2009					
Opening net book amount	44,168	6,970	339	2,408	53,885
Impairment charges recognised in income statement (effect on accumulated depreciation and impairment losses)	-	(808)	-	-	(808)
Additions	262	587	-	2,060	2,909
Reclassifications	-	339	(339)	-	-
Disposals	(1,375)	(7)	-	(1,064)	(2,446)
Depreciation charge	(1,020)	(913)	-	(1,059)	(2,992)
Depreciation released on disposals	294	6	-	644	944
Reclassification to investment property (Note 6)	(615)	-	-	-	(615)
Closing net book amount	41,714	6,174	-	2,989	50,877
At 31 March 2009					
Cost	53,688	24,816	640	20,915	100,059
Accumulated depreciation and impairment losses	(11,974)	(18,642)	(640)	(17,926)	(49,182)
Net book amount	41,714	6,174	-	2,989	50,877

6. Investment property

	Group €000	Company €000
At 1 April 2007		
Cost	4,291	9,723
Accumulated depreciation	(352)	(431)
Net book amount	<u>3,939</u>	<u>9,292</u>
Year ended 31 March 2008		
Opening net book amount	3,939	9,292
Depreciation charge	(228)	(228)
Reclassification from property, plant and equipment (Note 5)	10,004	5,210
Closing net book amount	<u>13,715</u>	<u>14,274</u>
At 31 March 2008		
Cost	14,637	15,199
Accumulated depreciation	(922)	(925)
Net book amount	<u>13,715</u>	<u>14,274</u>
Year ended 31 March 2009		
Opening net book amount	13,715	14,274
Disposals	(132)	(132)
Depreciation charge	(180)	(221)
Depreciation released on disposals	23	23
Reclassification from property, plant and equipment (Note 5)	615	615
Reclassification to assets classified as held for sale (see Note 17b)	(2,281)	(2,281)
Closing net book amount	<u>11,760</u>	<u>12,278</u>
At 31 March 2009		
Cost	12,769	13,332
Accumulated depreciation	(1,009)	(1,054)
Net book amount	<u>11,760</u>	<u>12,278</u>

In the opinion of the directors, the market value of the investment property as at the end of the reporting period was not significantly different to its carrying amount.

The transfer from investment property, to assets classified as held for sale reflected in the table above and effected during the current financial year relates to reclassification of property in view of management's intentions to dispose of such assets, which disposal materialised during the current financial year.

6. Investment property - continued

The following amounts have been recognised in the income statement:

	Group and Company	
	2009	2008
	€000	€000
Rental income from investment property	532	470

Investment property disclosed includes property leased out by the company under operating leases with the following carrying amounts:

	At 31 March 2009 €000	At 31 March 2008 €000	At 1 April 2007 €000
Cost	10,763	10,095	4,720
Accumulated depreciation	(847)	(595)	(143)
Net book amount	9,916	9,500	4,577

The movement in the net book amount of leased assets is analysed as follows:

	2009 €000	2008 €000
Opening net book amount	9,500	4,577
Depreciation charge	(199)	(199)
Reclassification from property, plant and equipment	615	5,122
Closing net book amount	9,916	9,500

7. Intangible assets

Group

	Goodwill €000
At 1 April 2007	
Opening and closing carrying amounts	445
Year ended 31 March 2008	
Opening carrying amount	445
Impairment charges recognised in income statement	(445)
Closing carrying amount	-

7. Intangible assets - continued

The impairment charges recognised in the preceding financial year are attributable to goodwill arising on acquisition of interests in subsidiaries which were experiencing adverse trading conditions and were incurring financial losses as a result of these market conditions.

8. Investments in subsidiaries

Company

	Shares in subsidiaries €000	Loans to subsidiaries €000	Total €000
At 1 April 2007			
Cost	2,765	5,658	8,423
Provisions for impairment	(1,365)	(4,507)	(5,872)
Carrying amount	1,400	1,151	2,551
Year ended 31 March 2008			
Opening carrying amount	1,400	1,151	2,551
Loans granted	-	321	321
Cost of investments written off	(63)	-	(63)
Repayments of loans	-	(184)	(184)
Waiver of loans	-	(2,798)	(2,798)
Movement in provisions for impairment	116	2,248	2,364
Closing carrying amount	1,453	738	2,191
At 31 March 2008			
Cost	2,702	2,997	5,699
Provisions for impairment	(1,249)	(2,259)	(3,508)
Carrying amount	1,453	738	2,191
Year ended 31 March 2009			
Opening carrying amount	1,453	738	2,191
Loans granted	-	31	31
Cost of investments written off	(322)	-	(322)
Waiver of loans	-	(11)	(11)
Movement in provisions for impairment	297	(113)	184
Closing carrying amount	1,428	645	2,073
At 31 March 2009			
Cost	2,380	3,017	5,397
Provisions for impairment	(952)	(2,372)	(3,324)
Carrying amount	1,428	645	2,073

Loans to subsidiaries are unsecured and repayable on demand. At 31 March 2009, loans to subsidiaries amounting to €126,000 (2008: €95,000) are subject to a weighted average effective interest rate of 2.75% (2008: 5.25%) per annum, whereas all other loans are interest free.

9. Investments in associates

Group

	Shares in associates €000	Loans to associates €000	Total €000
At 1 April 2007			
Cost	4,177	2,143	6,320
Share of undertakings' profits and reserves	2,376	-	2,376
Provisions for impairment	(205)	(2,071)	(2,276)
Carrying amount	6,348	72	6,420
Year ended 31 March 2008			
Opening carrying amount	6,348	72	6,420
Loans granted	-	53	53
Cost of investments written off	(38)	-	(38)
Repayments of loans	-	(10)	(10)
Share of results	1,221	-	1,221
Effects of dilution in interest:			
- derecognition of carrying amount	(723)	-	(723)
- share of proceeds of share issue	392	-	392
Dividends received	(524)	-	(524)
Movements in provisions for impairment	-	(53)	(53)
Reclassification to available-for-sale investments (Note 10)	(742)	-	(742)
Reclassification to assets classified as held for sale (see Note 17b)	(1,684)	-	(1,684)
Closing carrying amount	4,250	62	4,312
At 31 March 2008			
Cost	1,231	2,186	3,417
Share of undertakings' profits and reserves	3,224	-	3,224
Provisions for impairment	(205)	(2,124)	(2,329)
Carrying amount	4,250	62	4,312
Year ended 31 March 2009			
Opening carrying amount	4,250	62	4,312
Loans granted	-	226	226
Cost of investments written off	(56)	-	(56)
Waiver of loans	-	(1,938)	(1,938)
Share of results	136	-	136
Dividends received	(311)	-	(311)
Movements in provisions for impairment	29	1,925	1,954
Reclassification to assets classified as held for sale (see Note 17c)	(3,960)	-	(3,960)
Closing carrying amount	88	275	363
At 31 March 2009			
Cost	367	474	841
Share of undertakings' profits and reserves	(266)	-	(266)
Provisions for impairment	(13)	(199)	(212)
Carrying amount	88	275	363

9. Investments in associates - continued

During the current year the group reclassified its interest in Malpro Limited to non-current assets held for sale in view of management's intentions to dispose of this asset; such disposal materialised during the year. Subsequent to 31 March 2009, the group disposed of its interests in Sabratha Duty Free Company Limited, Stakes Holding Limited and Heritage Insurance Management (Malta) Limited and accordingly the carrying amount of these investments has been reclassified to assets held for sale as at 31 March 2009 (see Note 17c). As at 31 March 2008 the carrying amount of the group's investment in Mediterranean Aviation Company Limited had been reclassified to non-current assets classified as held for sale in view of disposal of this interest subsequent to 31 March 2008 during the current financial year. Stakes Holding Limited was deemed to be an associate in view of the fact that the group was in a position to exercise significant influence over this company as it was entitled under the entity's Memorandum and Articles of Association to elect one out of its five directors.

During the preceding financial year, the group's interest in an associate, Lufthansa Technik (Malta) Limited, was diluted from 25% to 8% in view of issue of shares to the associate's other shareholders. As at 31 March 2008, the group ceased to have significant influence over this associate and accordingly its carrying amount as at that date had been reclassified as an available-for-sale investment (Note 10). The impacts of this dilution on the group's financial results and its financial position are disclosed in the table above.

The group's share of results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets €000	Liabilities €000	Revenues €000	Profit €000	Interest held %
2009					
Sabratha Duty Free Company Limited	1,276	713	2,418	75	50
Stakes Holding Limited	313	1	14	15	18
World Aviation Group Limited	319	285	144	29	50
Heritage Insurance Management (Malta) Limited	92	59	231	17	49
	2,000	1,058	2,807	136	
2008					
Malpro Limited	2,692	1,164	525	268	50
Mediterranean Aviation Company Limited (reclassified as asset held for sale as at 31 March 2008)	9,102	5,245	10,306	678	25
Sabratha Duty Free Company Limited	1,931	1,408	2,855	152	50
Stakes Holding Limited	341	1	39	39	18
World Aviation Group Limited	446	289	177	81	50
Heritage Insurance Management (Malta) Limited	79	47	227	3	49
	14,591	8,154	14,129	1,221	

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

9. Investments in associates - continued

Company

	Shares in associates €000	Loans to associates €000	Total €000
At 1 April 2007			
Cost	3,695	2,236	5,931
Provisions for impairment	(177)	(2,146)	(2,323)
Carrying amount	3,518	90	3,608
Year ended 31 March 2008			
Opening carrying amount	3,518	90	3,608
Loans granted	-	53	53
Repayments of loans	-	(10)	(10)
Movement in provisions for impairment	-	(53)	(53)
Reclassification to assets classified as held for sale (see Note 17b)	(2,329)	-	(2,329)
Reclassification to available-for-sale investments (Note 10)	(581)	-	(581)
Closing carrying amount	608	80	688
At 31 March 2008			
Cost	785	2,279	3,064
Provisions for impairment	(177)	(2,199)	(2,376)
Carrying amount	608	80	688
Year ended 31 March 2009			
Opening carrying amount	608	80	688
Loans granted	-	226	226
Cost of investments written off	(56)	-	(56)
Waiver of loans	-	(1,938)	(1,938)
Movement in provisions for impairment	29	1,925	1,954
Reclassification to assets classified as held for sale (see Note 17c)	(485)	-	(485)
Closing carrying amount	96	293	389
At 31 March 2009			
Cost	96	567	663
Provisions for impairment	-	(274)	(274)
Carrying amount	96	293	389

Loans to associates are unsecured and repayable on demand. At 31 March 2009, loans to associates amounting to €290,000 (2008: €64,000) are subject to a weighted average effective interest rate of 1.50% (2008: 4.00%) per annum.

10. Available-for-sale financial assets

Group

	Equity instruments €000	Quoted debt securities €000	Government of Malta Treasury Bills €000	Total €000
At 1 April 2007				
Amortised cost	566	354	-	920
Provisions for impairment	(459)	-	-	(459)
Carrying amount	107	354	-	461
Year ended 31 March 2008				
Opening carrying amount	107	354	-	461
Additions at cost	-	-	4,503	4,503
Amortisation of discounts arising on acquisition	-	-	110	110
Reclassification from investments in associates (Note 9)	742	-	-	742
Closing carrying amount	849	354	4,613	5,816
At 31 March 2008				
Amortised cost	1,308	354	4,613	6,275
Provisions for impairment	(459)	-	-	(459)
Carrying amount	849	354	4,613	5,816
Year ended 31 March 2009				
Opening carrying amount	849	354	4,613	5,816
Additions at cost	-	-	1,938	1,938
Amortisation of discounts arising on acquisition	-	-	95	95
Redemption upon maturity	-	-	(4,659)	(4,659)
Closing carrying amount	849	354	1,987	3,190
At 31 March 2009				
Amortised cost	1,308	354	1,987	3,649
Provisions for impairment	(459)	-	-	(459)
Carrying amount	849	354	1,987	3,190

10. Available-for-sale financial assets - continued

Analysis of total available-for-sale financial assets:

	Equity instruments €000	Quoted debt securities €000	Government of Malta Treasury Bills €000	Total €000
At 31 March 2009				
Non-current	849	354	-	1,203
Current	-	-	1,987	1,987
	849	354	1,987	3,190
At 31 March 2008				
Non-current	849	354	-	1,203
Current	-	-	4,613	4,613
	849	354	4,613	5,816

As at 31 March 2008, the group's investment in Lufthansa Technick (Malta) Limited had been reclassified as an available-for-sale financial asset (see table above) in view of the cessation of the group's significant influence over the entity (Note 9). The fair value of this investment as at the end of the reporting period is deemed to fairly approximate its carrying amount reflected above on the basis of the net asset backing of the investee.

Maturity of fixed income debt securities issued by the Government of Malta:

	31 March 2009 €000	31 March 2008 €000
Between one and two years	235	-
Between two and five years	-	235
Over five years	119	119
	354	354

The weighted average effective interest rates of quoted debt securities as at 31 March 2009 was 5.9% (2008: 5.9%). The fair value of the group's quoted debt securities as at the end of the reporting periods was not significantly different from the carrying amount.

'Amortisation of discounts arising on acquisition' of Government of Malta Treasury Bills is included in 'Investment and other related income' (Note 28). These assets are non-interest bearing, but have been acquired at discounted amounts, and mature within three months (2008: three) from the end of the reporting period. The weighted average effective interest rate as at 31 March 2009 was 4.26% (2008: 4.59%). The fair value of the group's Government of Malta Treasury Bills as at that date was not materially different from the amortised cost.

10. Available-for-sale financial assets - continued

Company

	Equity instruments €000	Quoted debt securities €000	Government of Malta Treasury Bills €000	Total €000
At 1 April 2007				
Amortised cost and carrying amount	107	354	-	461
Year ended 31 March 2008				
Opening carrying amount	107	354	-	461
Additions at cost	-	-	4,503	4,503
Amortisation of discounts arising on acquisition	-	-	110	110
Reclassification from investments in associates (Note 9)	581	-	-	581
Closing carrying amount	688	354	4,613	5,655
At 31 March 2008				
Amortised cost and carrying amount	688	354	4,613	5,655
Year ended 31 March 2009				
Opening carrying amount	688	354	4,613	5,655
Amortisation of discounts arising on acquisition	-	-	46	46
Redemption upon maturity	-	-	(4,659)	(4,659)
Closing carrying amount	688	354	-	1,042
At 31 March 2009				
Amortised cost and carrying amount	688	354	-	1,042

10. Available-for-sale financial assets - continued

Analysis of total available-for-sale financial assets:

	Equity instruments €000	Quoted debt securities €000	Government of Malta Treasury Bills €000	Total €000
At 31 March 2009				
Non-current	688	354	-	1,042
At 31 March 2008				
Non-current	688	354	-	1,042
Current	-	-	4,613	4,613
	688	354	4,613	5,655

11. Derivative financial instruments

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

	Group and Company Fair values	
	Assets €000	Liabilities €000
At 31 March 2009		
Derivatives held for hedging (cash flow hedges)		
Foreign exchange derivatives		
- currency options	6,870	-
	6,870	-
Fuel price hedging derivatives		
- combined bought call and written put options	-	(632)
- other options	518	-
	518	(632)
Total derivative assets/(liabilities) - current	7,388	(632)

11. Derivative financial instruments - continued

	Group and Company	
	Fair values	
	Assets	Liabilities
	€000	€000
At 31 March 2008		
Derivatives held for hedging (cash flow hedges)		
Foreign exchange derivatives		
- currency forwards	-	(1,562)
- currency options	867	-
	<u>867</u>	<u>(1,562)</u>
Fuel price hedging derivatives		
- commodity swaps	38	-
- commodity options	651	-
	<u>689</u>	<u>-</u>
Total derivative assets/(liabilities)	<u>1,556</u>	<u>(1,562)</u>
Less non-current portion:		
Foreign exchange derivatives		
- currency options	192	-
Current portion	<u>1,364</u>	<u>(1,562)</u>

11. Derivative financial instruments - continued

The terms and notional amounts of the currency options outstanding as at 31 March 2009 are as follows:

Expiry date	Notional amount	Weighted average strike rate	Fair value - assets €000
Within one year			
Five months up to 31 March 2010	Sell EUR5,200,000	€1 : \$1.49	743
Five months up to 31 March 2010	Sell GBP2,950,000	£1 : €1.25	565
Five months up to 31 March 2010	Sell GBP1,450,000	£1 : \$1.71	321
Seven months up to 31 October 2009	Sell EUR24,080,000	€1 : \$1.44	2,580
Seven months up to 31 October 2009	Sell GBP9,800,000	£1 : €1.25	1,716
Seven months up to 31 October 2009	Sell GBP4,620,000	£1 : \$1.68	945
			6,870

The forecast transactions designated as items being hedged by these option contracts are expected to affect the income statement upon the expiry of the derivative instruments.

The terms and approximate notional amounts of the fuel price options held for hedging purposes, having negative fair values, outstanding at 31 March 2009 are as follows:

Contract cover	Notional amount	Strike prices	Fair value - liabilities €000
Combined bought call, written call and written put options -			
Seven month period 30 November 2009	USD3,980,000	\$65/\$100/\$130	632

11. Derivative financial instruments - continued

The terms and approximate notional amounts of the hedging commodity derivatives, with positive fair values, outstanding as at 31 March 2009 are as follows:

Contract cover	Notional amount	Strike prices	Fair value - Assets €000
Bought call options -			
Twelve month period to 31 March 2010	USD10,125,000	\$132.40	6
Twelve month period to 31 March 2010	USD11,982,000	\$137.14	5
Twelve month period to 31 March 2010	USD12,008,000	\$137.40	5
One month period up to 30 April 2009	USD353,000	\$109.50	23
Combined bought call options and written call options at higher strike -			
Five month period to 31 March 2010	USD1,554,000	\$70.00/\$110.00	67
Five month period to 31 March 2010	USD1,554,000	\$70.00/\$110.00	67
Six month period to 31 October 2009	USD4,538,000	\$80.00/\$102.25	25
Six month period to 31 October 2009	USD2,127,000	\$75.00/\$100.00	19
Six month period to 31 October 2009	USD4,255,000	\$75.00/\$110.00	43
Six month period to 31 October 2009	USD3,971,000	\$70.00/\$110.00	64
Six month period to 31 October 2009	USD7,942,000	\$70.00/\$110.00	130
Six month period to 31 October 2009	USD3,971,000	\$70.00/\$110.00	64
			518

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

The terms and conditions of the derivative instruments outstanding as at 31 March 2008 are disclosed in the consolidated financial statements of the preceding financial year.

12. Other receivables

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Security deposits and outstanding proceeds arising from operating lease agreements	4,584	3,744	4,584	3,744
Other long-term deposits and receivables	316	1,017	316	410
	4,900	4,761	4,900	4,154

Security deposits, amounting to €4,584,000 (2008: €3,744,000), will be refunded to the company on termination of the company's fleet lease period up to March 2020.

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

13. Inventories

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Aircraft engineering spares	1,322	1,322	1,322	1,322
Other stocks	231	228	231	225
	1,553	1,550	1,553	1,547

14. Trade receivables

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Trade receivables – gross	26,912	28,755	23,742	26,120
Less: Provisions for impairment of trade receivables	(4,299)	(3,184)	(2,803)	(2,819)
Trade receivables – net	22,613	25,571	20,939	23,301

15. Term bank placements

These term placements are deposits with contractual terms of three months or more. The placements mature within five months (2008: five) from the end of the reporting period. Term placements with contractual terms of three months or less are included with 'Cash and cash equivalents' (Note 16). Interest receivable is presented within 'Finance income' (Note 30). The weighted average effective interest rate as at 31 March 2009 was 3.26% (2008: 4.32%). The fair value of the group's term bank placements as at that date was not significantly different from the carrying amount.

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	
	2009	2008	2009	2008
	€000	€000	€000	€000
Attributable to continuing operations:				
Cash at bank and in hand	15,099	40,460	9,835	33,825
Bank overdrafts (Note 22)	(6,679)	(1,233)	(6,221)	(770)
	8,420	39,227	3,614	33,055
Attributable to discontinued operations:				
Cash at bank and in hand	246	177	-	-
Total cash and cash equivalents	8,666	39,404	3,614	33,055

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 €798,000 (2008: €1,544,000) which is held in overseas bank accounts subject to currency restrictions which lead to delays in remittance to Malta.

17. Assets classified as held for sale and discontinued operations

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Loss after tax of discontinued operations:				
Hotel segment (see Note a)	(791)	(706)	-	-
Post-tax gain recognised on the disposal of assets or disposal group constituting the discontinued operations (see Note b)	5,116	19,894	7,647	12,838
Profit for the year from discontinued operations	4,325	19,188	7,647	12,838

Group

	2009	2008
	€000	€000
Assets classified as held for sale:		
Hotel segment (see Note a)	8,598	8,653
Investments in associates (see table below)	784	1,684
	9,382	10,337
Liabilities directly associated with assets classified as held for sale:		
Hotel segment (see Note a)	4,638	4,159

The group's assets classified as held for sale, other than those relating to the hotel segment, are analysed as follows:

	Shares in associates €000	Investment property €000	Total €000
Year ended 31 March 2009			
Opening carrying amount	1,684	-	1,684
Reclassification from investment property (see Notes 6 and 17b)	-	2,281	2,281
Reclassification from investments in associates (see Notes 9, 17b and 17c)	3,960	-	3,960
Disposals	(4,860)	(2,281)	(7,141)
Closing carrying amount	784	-	784
Year ended 31 March 2008			
Reclassification from investments in associates (see Notes 9 and 17b)	1,684	-	1,684
Closing carrying amount	1,684	-	1,684

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

Company

Assets classified as held for sale:

	Shares in subsidiaries €000	Loans to subsidiaries €000	Shares in associates €000	Investment property €000	Total €000
Year ended 31 March 2009					
Opening carrying amount	2,696	11,099	2,329	-	16,124
Loans granted	-	1,053	-	-	1,053
Repayments of loans	-	(343)	-	-	(343)
Reclassification from investment property (Notes 6 and 17b)	-	-	-	2,281	2,281
Reclassification from investments in associates (Notes 6, 17b, 17c)	-	-	485	-	485
Disposals	-	-	(2,329)	(2,281)	(4,610)
Closing carrying amount	2,696	11,809	485	-	14,990
Year ended 31 March 2008					
Opening carrying amount	5,523	21,179	-	-	26,702
Loans granted	-	774	-	-	774
Disposals	(2,827)	-	-	-	(2,827)
Repayment of loans	-	(10,854)	-	-	(10,854)
Reclassification from investments in associates (Notes 9 and 17b)	-	-	2,329	-	2,329
Closing carrying amount	2,696	11,099	2,329	-	16,124

Movements in provision for impairment reported within the carrying amounts above are analysed as follows:

	Shares in subsidiaries €000	Loans to subsidiaries €000	Shares in associates €000	Total €000
At beginning of year	(2,763)	(552)	-	(3,315)
Reclassification from investments in associates (see Note 17c)	-	-	(163)	(163)
At end of year	(2,763)	(552)	(163)	(3,478)

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

Loans to subsidiaries are unsecured and repayable on demand. At 31 March 2009, loans to subsidiaries amounting to €10,020,000 (2008: €9,238,000) are subject to a weighted average effective interest rate of 2.75% (2008: 5.50%) per annum.

- (a) In prior years, the group had publicly announced its intention to discontinue the operations of its hotel segment. The subsidiaries comprising this segment are reported in these consolidated financial statements as a discontinued operation in accordance with the requirements of IFRS 5: Non-current assets held for sale and discontinued operations. An analysis of the result of the discontinued operations is as follows:

	2009	2008
	€000	€000
Revenue	2,442	2,482
Operating costs	(3,051)	(3,011)
Operating loss – Segment result from discontinued operations	(609)	(529)
Finance costs	(182)	(177)
Loss before and after tax of discontinued operations	(791)	(706)
Operating cash flows	(644)	(978)
Investing cash flows	(11)	(23)
Financing cash flows	343	731
Total cash flows	(312)	(270)

Operating costs disclosed above mainly comprise employee benefit expense and other direct hotel expenditure.

The disposal of hotel interests commenced with an offer for sale of Tigne Development Company Limited. The disposal of this company was completed in April 2007 and the impacts of this transaction are reflected in the financial statements for the preceding year. The operations at Hal Ferh Company Limited have been discontinued in preceding periods and it is expected that the group will proceed with the disposal of its interest in this company within the next financial year. The group had also formulated its intentions to dispose of its interest in Selmun Palace Hotel Company Limited and the company's non-current assets (Note 5), other assets and liabilities had been reclassified as held for sale. Accordingly the assets and liabilities of both companies had been presented as held for sale in the financial statements for the year ended 31 March 2008.

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

	2009	2008
	€000	€000
Assets classified as held for sale:		
- Property, plant and equipment	7,991	7,980
- Other current assets	607	673
	8,598	8,653
Liabilities directly associated with assets classified as held for sale:		
- Bank borrowings	3,514	3,171
- Trade and other payables	1,124	988
	4,638	4,159

- (b) During the current financial year the group disposed of its interest in Mediterranean Aviation Company Limited. As at 31 March 2008, the carrying amount of the investment in Mediterranean Aviation Company Limited had been reclassified from 'Investments in associates' (Note 9) to assets classified as held for sale. During the financial year ended 31 March 2009, the group also disposed of its interest in another associate, Malpro Limited (see Note 9), and a property interest held by the parent company (see Note 6). Accordingly these assets were reclassified as non-current assets held for sale during 2009. The resulting gain on disposal is reflected in the table below:

	Group	Company
	2009	2009
	€000	€000
Net assets disposed of/cost of shares	7,141	4,610
Proceeds on disposal	(12,875)	(12,875)
Pre-tax gain on disposal	(5,734)	(8,265)
Deferred taxation (Note 23)	618	618
Post-tax gain on disposal	(5,116)	(7,647)

As outlined in Note (a), during the preceding financial year the group disposed of its controlling shareholding in Tigne Development Company Limited with the resulting gain on disposal:

	Group	Company
	2008	2008
	€000	€000
Net assets disposed of/cost of shares	6,625	13,681
Proceeds on disposal	(30,169)	(30,169)
Pre-tax gain on disposal	(23,544)	(16,488)
Deferred taxation (Note 23)	3,650	3,650
Post-tax gain on disposal	(19,894)	(12,838)

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

- (c) Subsequent to 31 March 2009, the group disposed of its interests in the following associates: Sabratha Duty Free Company Limited, Stakes Holding Limited and Heritage Insurance Management (Malta) Limited. As at the end of the reporting period the carrying amount of the investments in these associates have been reclassified from 'Investments in associates' (Note 9) to assets classified as held for sale.

18. Share capital

	Group and Company	
	2009	2008
	€000	€000
Authorised		
35,000,000 (2008: 35,000,000) ordinary shares of €2.329373 each	81,528	81,528
Issued and fully paid		
11,115,478 (2008: 11,115,478) ordinary shares of €2.329373 each	25,892	25,892

19. Share premium

	Group and Company	
	2009	2008
	€000	€000
At beginning and end of year	42,762	42,762

20. Hedging reserve

Group and company

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

	Currency forwards and options €000	Commodity options and swaps €000	Total €000
At 1 April 2008			
Gross amounts of (losses)/gains	(1,171)	290	(881)
Movements in year ended 31 March 2009			
Gains/(losses) from changes in fair value	9,891	(11,598)	(1,707)
Deferred income tax	(2,134)	180	(1,954)
	7,757	(11,418)	(3,661)
Transferred to income statement	(2,622)	10,794	8,172
At 31 March 2009			
Gross amounts of gains/(losses)	6,098	(514)	5,584
Deferred income tax	(2,134)	180	(1,954)
	3,964	(334)	3,630
	Currency forwards and options €000	Commodity options and swaps €000	Total €000
At 1 April 2007			
Gross amounts of (losses)/gains	(4,111)	112	(3,999)
Movements in year ended 31 March 2008			
(Losses)/gains from changes in fair value	(680)	4,612	3,932
Transferred to income statement	3,620	(4,434)	(814)
At 31 March 2008			
Gross amounts of (losses)/gains	(1,171)	290	(881)

20. Hedging reserve - continued

The net fair value gains as at 31 March 2009 on open forward foreign exchange contracts and foreign currency options which hedge anticipated future foreign currency transactions will be transferred from the hedging reserve to the income statement 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 options and swaps will be transferred from the hedging reserve to the income statement in the periods in which the hedged forecast transactions affect the income statement. This would occur in the months covered by the terms of the option and swap contracts, according to the incidence of the exercise or settlement dates, for a period of twelve months following the end of the reporting period.

21. Other reserve

Group

The other reserve arises on consolidation following the acquisition of minority interests in subsidiaries.

	2009	2008
	€000	€000
At beginning and end of year	(3,497)	(3,497)

22. Borrowings

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Current				
Bank overdrafts	6,679	1,233	6,221	770
Bank loans	14,393	24,108	14,358	24,073
	21,072	25,341	20,579	24,843
Non-current				
Bank loans	3,796	4,529	3,431	4,101
Total borrowings	24,868	29,870	24,010	28,944

Certain banking facilities of the holding company were secured by charges over liquid assets. Bank loans taken out by subsidiaries are secured by charges over their assets and are also supported by guarantees from the holding company (also refer to borrowings disclosed in Note 17).

22. Borrowings - continued

The interest rate exposure of the group's borrowings is as follows:

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Total borrowings:				
At fixed rates	-	12,110	-	11,647
At floating rates	24,868	17,760	24,010	17,297
	24,868	29,870	24,010	28,944

The weighted average effective interest rates as at the end of the reporting period were as follows:

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
Bank overdrafts	3.51	5.44	3.40	5.17
Bank loans	3.48	4.68	3.47	4.63

Maturity of non-current borrowings:

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Between one and two years	2,348	1,305	2,316	1,270
Between two and five years	1,211	2,935	1,115	2,831
Over five years	237	289	-	-
	3,796	4,529	3,431	4,101

23. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2008: 35%).

The movement on the deferred tax account is as follows:

	Group €000	Company €000
At 31 March 2007	(5,786)	(5,632)
Income statement (Note 33)	3,566	3,650
At 31 March 2008	(2,220)	(1,982)
Tax effect of remeasurement of derivatives (Note 20)	1,954	1,954
Income statement (Note 33)	(1,291)	(1,336)
At 31 March 2009	(1,557)	(1,364)

Deferred income tax assets and liabilities are offset when the taxes concerned relate to the same fiscal authority. The following amounts are offset in the statement of financial position:

	Group		Company	
	2009 €000	2008 €000	2009 €000	2008 €000
Deferred tax assets	(3,511)	(2,220)	(3,318)	(1,982)
Deferred tax liabilities	1,954	-	1,954	-
Net statement of financial position amount	(1,557)	(2,220)	(1,364)	(1,982)

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally within twelve months from the end of the reporting period.

23. Deferred taxation - continued

Deferred tax assets and liabilities, the deferred tax reflected in the income statement and the deferred tax recognised in equity are attributable to the following items:

Group

	At 1 April €000	Charged/ (credited) to income statement €000	Debited to equity €000	At 31 March €000
Year ended 31 March 2009				
Deferred tax liabilities				
Remeasurement of derivatives	-	-	1,954	1,954
Deferred tax assets				
Provisions	(238)	45	-	(193)
Unabsorbed capital allowances and tax losses carried forward	-	(1,954)	-	(1,954)
Unabsorbed capital losses carried forward	(1,982)	618	-	(1,364)
	(2,220)	(1,291)	-	(3,511)
Net deferred tax	(2,220)	(1,291)	1,954	(1,557)
Year ended 31 March 2008				
Deferred tax assets				
Provisions	(133)	(105)	-	(238)
Temporary differences on non-current tangible assets	(228)	228	-	-
Unabsorbed capital allowances and tax losses carried forward	(566)	566	-	-
Unabsorbed capital losses carried forward	(4,859)	2,877	-	(1,982)
	(5,786)	3,566	-	(2,220)

23. Deferred taxation - continued

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 March 2009, the group had unutilised tax credits arising from unabsorbed tax losses and unabsorbed capital allowances amounting to €114,861,000 (2008: €95,230,000) in respect of which deferred taxation has not been recognised. The group also had unutilised capital losses and deductible temporary differences, arising principally on tangible non-current assets and other provisions, amounting to €48,040,000 (2008: €48,037,000) and €15,142,000 (2008: €12,632,000) respectively, the tax effects of which have not been reflected. Accordingly, the group has a potential deferred tax asset amounting to €62,315,000 (2008: €54,565,000) 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.

Company

	At 1 April €000	(Credited)/ charged to income statement €000	Debited to equity €000	At 31 March €000
Year ended 31 March 2009				
Deferred tax liabilities				
Remeasurement of derivative instruments	-	-	1,954	1,954
Deferred tax assets				
Unabsorbed capital allowances and tax losses carried forward	-	(1,954)	-	(1,954)
Unabsorbed capital losses carried forward	(1,982)	618	-	(1,364)
	(1,982)	(1,336)	-	(3,318)
Net deferred tax	(1,982)	(1,336)	1,954	(1,364)
Year ended 31 March 2008				
Deferred tax assets				
Temporary differences on non-current tangible assets	(207)	207	-	-
Unabsorbed capital allowances and tax losses carried forward	(566)	566	-	-
Unabsorbed capital losses carried forward	(4,859)	2,877	-	(1,982)
	(5,632)	3,650	-	(1,982)

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.

The amount of the provisions at 31 March 2009 and 2008 represent the excess of amounts charged to the income statement over the actual costs incurred.

	2009 €000	2008 €000
Year ended 31 March		
At beginning of year	16,638	12,602
Charged to income statement:		
- Additional provisions, including effects of unwinding non-current provisions	15,252	12,729
Used during year	(6,839)	(8,693)
At end of year	<u>25,051</u>	<u>16,638</u>
 Analysis of total provisions:		
	2009 €000	2008 €000
At 31 March		
Non-current	24,650	15,986
Current	401	652
	<u>25,051</u>	<u>16,638</u>

25. Other provisions

Group and Company

	Provisions on onerous contracts €000	Provisions against commitments and guarantees issued in favour of AZZURRAir S.p.A. €000	Total €000
At 1 April 2007	3,505	939	4,444
Credited to income statement:			
- Unused amounts reversed (Notes 32 and 29)	(320)	(461)	(781)
Effects of unwinding non-current provisions (Note 31)	96	-	96
Used during year	(3,281)	-	(3,281)
At 31 March 2008	-	478	478
Used during year	-	(58)	(58)
At 31 March 2009	-	420	420

26. Expenses by nature

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Aircraft fuel and oils	85,969	68,035	85,969	68,035
Aircraft operating lease rentals	33,210	35,335	33,210	35,335
Aircraft maintenance	21,016	19,026	21,016	19,026
Other flight related costs	55,365	70,565	55,365	70,565
Marketing, distribution and representation costs	17,059	17,157	15,945	15,936
Depreciation of property, plant and equipment (Note 5) and investment property (Note 6)	3,427	3,480	3,213	3,384
Impairment and other related charges on property, plant and equipment (Included in 'Cost of sales')	822	-	822	-
Impairment charges on goodwill (Note 7 - included in 'Administrative expenses')	-	445	-	-
Employee benefit expense (Note 27)	52,857	50,946	50,828	48,266
Net movement in provisions for impairment of trade receivables (included in 'Administrative expenses')	1,228	(31)	(36)	49
Exchange differences	(1,006)	(384)	(1,595)	(727)
Other expenses	40,801	44,971	18,652	22,176
Total cost of sales, selling and distribution costs and administrative expenses	310,748	309,545	283,389	282,045

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

26. Expenses by nature - continued

Auditors' Fees

Fees charged by auditors for services rendered during the financial periods ended 31 December 2009 and 2008 relate to the following:

	Group	
	2009	2008
	€000	€000
Audit services – annual statutory		
- Parent company auditors:		
- company	100	100
- subsidiaries	82	125
Other services		
- Parent company auditors: company		
- other assurance services	44	95
- tax advisory and compliance services	12	31
- other non-audit services	91	61
- Other firms: company		
- tax and other services	29	38

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

Other assurance services include consultation concerning financial accounting and reporting standards, internal controls reviews and attest services.

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

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

In addition to the amounts disclosed in the table above, fees amounting to €75,000 (2008: nil) have been paid to the parent company auditors in respect of secondment of staff to the company's finance function. These staff members reported directly to the company's management. As from March 2009 the parent company's finance function has been staffed solely by recruited full timers, and accordingly the secondment arrangement ceased.

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

27. Employee benefit expense

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Wages and salaries	51,353	49,377	48,351	45,809
Social security costs	2,853	2,891	2,477	2,457
	54,206	52,268	50,828	48,266

Included in employee benefit expense for the current financial year are termination benefits amounting to €1,899,000 (2008: €91,000). Employee benefit expense included in the group's figures above relating to discontinued operations amount to €1,349,000 (2008: €1,322,000).

Following the announcement of the Voluntary Redundancy Scheme during the current year and the subsequent call for applications, the company incurred non-recurring expenditure in this respect classified as follows:

	Group and Company	
	2009	2008
	€000	€000
Cost of sales	995	44
Selling and distribution costs	216	-
Administrative expenses	688	47
	1,899	91

The amounts disclosed in the table above for the preceding year relate to the Voluntary Redundancy Scheme that was announced during the year ended 31 March 2007.

Average number of persons employed during the year:

	Group		Company	
	2009	2008	2009	2008
By class of business				
Airline activities, including aircraft leasing	1,484	1,592	1,427	1,529
Hotels	121	119	-	-
Other activities	8	8	-	-
	1,613	1,719	1,427	1,529

27. Employee benefit expense - continued

	Group		Company	
	2009	2008	2009	2008
By category				
Direct	749	776	603	638
Indirect	663	709	661	709
Administrative	201	234	163	182
	1,613	1,719	1,427	1,529

Group figures in respect of employee numbers, disclosed in the tables above, include 121 (2008: 119) employees attributable to discontinued operations.

28. Investment and other related income

	Group		Company	
	2009 €000	2008 €000	2009 €000	2008 €000
Gross dividends receivable from investments in subsidiaries	-	-	2,450	1,465
Gross dividends receivable from investments in associates	-	-	402	524
Income from other financial assets	96	152	159	152
Gain on disposal of investment property	355	-	355	-
	451	152	3,366	2,141

29. Results of subsidiaries and associates

	Group		Company	
	2009 €000	2008 €000	2009 €000	2008 €000
Provisions against subsidiaries and associates	-	-	(498)	(452)
Share of results and other losses of associates	96	1,260	-	-
	96	1,260	(498)	(452)

29. Results of subsidiaries and associates - continued

The figures included in the table above are analysed as follows:

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Movement in provisions arising in respect of guarantees, other commitments and expenses (see Note below)	-	(461)	-	(461)
Other provisions for impairment in respect of subsidiaries	-	-	125	(2,001)
Cost of investment in subsidiary written off	-	-	322	63
Waiver of loans granted to subsidiaries	-	-	11	2,798
Movement in provisions for impairment in respect of associates	(1,954)	53	(1,954)	53
Cost of investment in associate written off	56	38	56	-
Waiver of loans granted to associates	1,938	-	1,938	-
Share of results of associates	(136)	(1,221)	-	-
Loss on dilution of interest in associate	-	331	-	-
	(96)	(1,260)	498	452

The figures disclosed in the table above include amounts reversed in the preceding financial year of €461,000 in respect of AZZURRAair S.p.A. The provisions unutilised at the financial year-end are reflected in the group and company statements of financial position as disclosed in Note 25 to the financial statements. The movements in the provisions are analysed as follows:

	Group and Company	
	2009	2008
	€000	€000
Included with other provisions (Note 25)	-	(461)

30. Finance income

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Interest receivable and similar income from subsidiaries	-	-	493	627
Interest receivable and similar income from associates	206	222	206	222
Interest receivable from bank deposits	734	2,241	573	1,804
Exchange differences on bank deposits	(1,306)	(2,199)	(1,632)	(2,199)
	(366)	264	(360)	454

Company figures disclosed above in respect of interest receivable and similar income from subsidiaries include amounts of €472,000 (2008: €541,000) relating to discontinued operations. No interest income earned by the group was attributable to these discontinued operations.

31. Finance costs

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Interest payable on bank loans and overdrafts	1,190	1,630	1,164	1,608
Interest payable to subsidiaries	-	-	86	174
Interest payable to associates	51	69	51	69
Effects of unwinding non-current provisions (Note 25)	-	96	-	96
Bank charges and similar expenses, including exchange differences on borrowings	817	972	609	702
	2,058	2,767	1,910	2,649

Company figures disclosed above in respect of interest payable to subsidiaries do not include amounts relating to discontinued operations. Interest costs incurred by the group, mainly arising from bank financing, attributable to these discontinued operations is disclosed in Note 17 to the financial statements.

32. Net losses on aircraft and engine transactions

	Group and Company	
	2009	2008
	€000	€000
Decrease in provisions on onerous contracts (Note 25)	-	320
Effects of impairment and depreciation charges in respect of aircraft and flight equipment	-	(710)
	-	(390)

During the preceding financial year, the company reacquired and disposed of the remaining AVRO RJ aircraft. In this respect the group incurred further losses disclosed in the table above reflecting the actual outcome of disposal transactions carried out.

As disclosed in the table above, during the preceding financial year, the company reversed impairment losses recognised in prior financial years in respect of the AVRO RJ rotables and spare engines as a result of the disposal of certain assets and the re-assessment of the market value of the remaining assets.

33. Taxation

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Current taxation:				
Current tax income	(58)	(79)	-	-
Adjustment recognised in financial period for current tax of prior periods	-	(29)	-	-
	(58)	(108)	-	-
Deferred taxation:				
Deferred tax (credit)/charge	(1,084)	3,566	(1,129)	3,650
Adjustment recognised in financial period for deferred tax recognised in prior years	(207)	-	(207)	-
	(1,291)	3,566	(1,336)	3,650
	(1,349)	3,458	(1,336)	3,650
Attributable to:				
Continuing operations (reflected on face of income statement)				
- current taxation	(58)	(108)	-	-
- deferred taxation (Note 23)	(1,909)	(84)	(1,954)	-
	(1,967)	(192)	(1,954)	-
Discontinued operations				
- deferred taxation (Note 17)	618	3,650	618	3,650
	(1,349)	3,458	(1,336)	3,650

33. Taxation - continued

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

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Loss before tax from continuing operations	(37,418)	(8,340)	(33,279)	(9,197)
Profit before tax from discontinued operations (Note 17)	4,943	22,838	8,265	16,488
(Loss)/profit before tax for the year	(32,475)	14,498	(25,014)	7,291
Tax on (loss)/profit before tax at the statutory rate of 35%	(11,366)	5,074	(8,755)	2,552
Tax effect of:				
Deferred tax asset in respect of unutilised tax losses and unabsorbed capital allowances not recognised	11,579	9,103	10,278	9,376
Over provision of tax in previous years	(207)	(29)	(207)	-
Unrecognised temporary differences and other movements, mainly attributable to tangible non-current assets and provisions on onerous contracts	70	(5,073)	(382)	(5,935)
Income effectively taxed at reduced rates	(1,425)	(5,617)	(2,270)	(2,343)
Tax (credit)/charge in the accounts	(1,349)	3,458	(1,336)	3,650

34. Directors' emoluments

	Group and Company	
	2009	2008
	€000	€000
Emoluments of directors of Air Malta p.l.c.:		
Total fees and other emoluments charged in these financial statements	34	34
Benefits in kind as computed for Income Tax purposes	2	2
	36	36

34. Directors' emoluments - continued

Insurance premia of €216,000 (2008: €262,000) have been paid during the year in respect of professional indemnity cover relating to the liability of the directors of Air Malta p.l.c. and other officers.

In addition to the above emoluments, fees amounting to €60,000 (2008: €55,000) were earned by other officers, not directors of Air Malta p.l.c., in their capacity as directors appointed by Air Malta p.l.c. on the boards of group and associated companies.

35. Earnings per share

Earnings per share is calculated by dividing the result attributable to the owners of the company by the weighted average number of ordinary shares of Air Malta p.l.c. in issue during the year.

	Group
	2009 2008
Net loss from continuing operations attributable to the owners of the company (in €000)	(35,451) (8,148)
Net profit from discontinued operations attributable to the owners of the company (in €000)	4,325 19,188
Net result attributable to the owners of the company (in €000)	(31,126) 11,040
Weighted average number of ordinary shares in issue (in thousands)	11,115 11,115
Earnings per share for loss from continuing operations	(€3.19) (€0.73)
Earnings per share for profit from discontinued operations	€0.39 €1.73

36. Cash (used in)/generated from operations

Reconciliation of operating loss to cash (used in)/generated from operations:

	Group		Company	
	2009	2008	2009	2008
	€000	€000	€000	€000
Operating loss from continuing operations	(35,541)	(6,859)	(33,877)	(8,301)
Operating loss from discontinued operations (Note 17)	(609)	(529)	-	-
Operating loss for the year	(36,150)	(7,388)	(33,877)	(8,301)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	3,247	3,252	2,992	3,156
Impairment charges on property, plant and equipment (Note 5)	808	-	808	-
Depreciation of investment property (Note 6)	180	228	221	228
Gains on disposal of tangible non-current assets other than aircraft	(227)	(62)	(227)	(62)
Impairment charges on intangible assets (Note 7)	-	445	-	-
Net movement in provisions for impairment of trade receivables	1,230	(188)	(36)	49
Movement in provisions in respect of maintenance costs	15,252	12,729	15,252	12,729
Effects of exchange rate movements	505	(62)	-	-
Changes in working capital:				
Inventories	12	791	(6)	785
Trade and other receivables	5,483	1,341	3,751	2,566
Trade and other payables	(19,058)	5,009	(17,953)	6,662
Provisions used during year	(6,897)	(11,974)	(6,897)	(11,974)
Cash (used in)/generated from operations	(35,615)	4,121	(35,972)	5,838

37. Commitments

Capital and other commitments

	Group and Company	
	2009	2008
	€000	€000
Capital expenditure in respect of property, plant and equipment:		
- Authorised and contracted for	292	1,183
Other commitments	25,169	31,067
	25,461	32,250

Other commitments arise from agreements with third 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	
	2009	2008
	€000	€000
Not later than one year	5,352	5,766
Later than one year and not later than five years	15,313	20,584
Later than five years	4,504	4,717
	25,169	31,067

Operating lease commitments – where a group undertaking is the lessee

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

	Group and Company	
	2009	2008
	€000	€000
Not later than one year	26,301	23,957
Later than one year and not later than five years	108,376	98,800
Later than five years	89,250	107,820
	223,927	230,577

38. Contingencies

The group has contingent liabilities for which no provision has been made in these accounts. These contingent liabilities include:

	2009 €000	2008 €000
Guarantees in respect of associates and other related parties	-	1,165
Indemnities to certain banks for guarantees principally given to the Civil Aviation Authority of the United Kingdom	-	9,462
Other indemnities, bank guarantees and documentary credits	23,693	23,097
	23,693	33,724

As at the end of the reporting period, the company has contingent liabilities amounting to €4,568,000 (2008: €4,568,000) in respect of guarantees given to secure the banking facilities of subsidiaries.

The company has also undertaken to provide financial support to a number of subsidiaries so as to enable these entities to meet their liabilities as they fall due and to continue as a going concern. The subsidiaries' losses for the period ended 31 March 2009 amounted to €4,736,000 (2008: €1,571,000) and as at 31 March 2009 their total liabilities exceeded their total assets by €14,974,000 (2008: €10,242,000).

39. 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 group interest charges, management fees, service 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 98% 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.

39. Related party transactions - continued

Except for transactions disclosed or referred to previously, 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	
	2009	2008	2009	2008
	€000	€000	€000	€000
Government and other entities controlled by Government:				
- Sales of services	3,072	3,699	3,026	3,653
- Sale of property	466	-	466	-
- Purchases of materials and services	52,138	62,749	52,060	62,654
	55,676	66,448	55,552	66,307
Subsidiaries				
- Sales of services	-	-	14,935	15,720
- Purchases of services	-	-	3,984	1,597
	-	-	18,919	17,317
Associates				
- Sales of services	2,093	630	2,010	413
- Purchases of services	3,280	2,250	2,999	2,180
	5,373	2,880	5,009	2,593
Key management personnel				
- Sales of services	11	12	11	12

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

Expenditure amounting to €876,000 (2008: €625,000) has been recharged by the parent company to associates and other related parties.

Remuneration and other benefits payable to key management personnel are disclosed in Note 34 to these financial statements.

Interest receivable from related parties and interest payable to related parties are disclosed in Notes 30 and 31 respectively.

40. Statutory information

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

41. The Air Malta group

Group undertakings and associates within the group as at 31 March 2009 were the following:

Group undertakings	Group % holding		Company % holding		Country of incorporation
	2009	2008	2009	2008	
Airline activities					
Air Malta p.l.c. Air Malta Buildings, Head Office, Luqa	N/A	N/A	N/A	N/A	Malta
Holiday Malta Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London	100	100	100	100	United Kingdom
Peregrine Aviation Leasing Company Limited Universal House, Shannon Business Park Shannon, Co Clare (struck off on 23 March 2009)	-	100	-	100	Ireland
Malta Air Charter Company Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa (in liquidation)	100	100	100	100	Malta
Holiday Malta Transport Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London (held by Holiday Malta Company Limited)	100	100	-	-	United Kingdom
The Holiday Travel Club Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London (held by Holiday Malta Company Limited)	100	100	-	-	United Kingdom
Holiday Malta (Russia) Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa (held by Holiday Malta Company Limited)	100	100	-	-	Malta
Holiday Malta (Italia) S.r.l. Corso Martiri della Liberta, 188 95131 Catania, Sicily (held by Holiday Malta Company Limited)	100	100	-	-	Italy
Holiday Malta GmbH Kaiserstrasse 13, 60311 Frankfurt am Main (held by Holiday Malta Company Limited)	100	100	-	-	Germany
Holiday Malta (Hellas) Tourism EPE 91, Alexandras Ave, 11474 Athens (held by Holiday Malta Company Limited)	100	100	-	-	Greece

41. The Air Malta group - continued

Group undertakings - continued	Group % holding 2009	2008	Company % holding 2009	2008	Country of incorporation
Airline activities - continued					
The Holiday Travel Club Transport Company Limited Air Malta House, 314/316 Upper Richmond Road, Putney, London (held by The Holiday Travel Club Company Limited)	100	100	-	-	United Kingdom
Travel 2000 S.r.l. Corso Martiri della Liberta, 184 95131 Catania, Sicily (held by Holiday Malta (Italia) S.r.l)	100	100	-	-	Italy
Hotels					
Hal Ferh Company Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	100	100	100	100	Malta
Selmun Palace Hotel Company Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	100	100	100	100	Malta
Retail and other activities					
Airport Services Company Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	100	100	100	100	Malta
Medisle Holidays Company Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa (struck off on 23 October 2008)	-	100	-	100	Malta
Osprey Insurance Brokers Company Ltd Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	100	100	100	100	Malta
Shield Insurance Company Limited (formerly known as Shield Insurance Company (Guernsey) Limited) Air Malta Buildings, Vjal I-Avjazzjoni, Luqa (re-domiciled to Malta on 24 March 2009)	100	100	100	100	Malta

41. The Air Malta group - continued

Associated companies	Group % holding		Company % holding		Country of incorporation
	2009	2008	2009	2008	
A.M.G. Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa (struck off on 21 October 2008)	-	45	-	45	Malta
AZZURRAir 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
Flight Catering Company Limited 22, Europa Centre, Floriana	30	30	30	30	Malta
Heritage Insurance Management (Malta) Limited Air Malta Buildings, Vjal L-Avjazzjoni, Luqa (held by Osprey Insurance Brokers Company Ltd)	49	49	-	-	Malta
Malpro Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	-	50	-	50	Malta
Mediterranean Aviation Company Limited Medavia Hanger, Karvija, Safi	-	25	-	25	Malta
Sabratha Duty Free Company Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	50	50	50	50	Malta
World Aviation Group Limited Floor 1, Aviation Centre, Luqa	50	50	50	50	Malta
Stakes Holding Limited Air Malta Buildings, Vjal I-Avjazzjoni, Luqa	18	18	18	18	Malta

Subsequent to 31 March 2009, the group disposed of its interests in Holiday Malta GmbH, Sabratha Duty Free Company Limited, Stakes Holding Limited and Heritage Insurance Management (Malta) Limited.