MALTA AIR TRAFFIC SERVICES LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C 27965

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The Company's principal activity is to provide air navigation services within the Malta Flight Information Region.

Review of the business

During the year ended 31 December 2022, the company generated a profit before tax of €5,143,068 (2021: a loss before tax of €4,277,848).

Results and dividends

The statement of comprehensive income is set out on page 9. The directors did not propose and pay any dividends during 2022 and 2021.

Directors

The directors of the Company who held office until the date of this directors' report were:

George Borg Marks
Ernest Cachia
Ray Lanzon (resigned on 23rd June 2022; re-appointed 1st January 2023)
Emeline Fenech (resigned 23rd June 2022)
Julian Tabone (resigned 23rd June 2022)
Joseph Zarb (resigned 23rd June 2022)
Ian Borg (appointed 24th June 2022)
Oliver Magro (appointed 24th June 2022; resigned 1st November 2022)
Stephanie Mifsud (appointed 24th June 2022)
Ronald Vassallo (appointed 24th June 2022)

The Company's Articles of Association do not require any directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the 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 company will continue in business as a going concern.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

GCS Assurance Malta Limited, 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

George Borg Marks
Chairman

Ernest Cachia
Director

Registered office
Malta International Airport
Luqa LQA 5000
Malta

5 December 2023

Independent auditors' report
To the Shareholders of Malta Air Traffic Services Limited

Report on the audit of the financial statements

Our Opinion

- Malta Air Traffic Services Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2022, and of the company's financial performance in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of Maltese Companies Act (Cap. 386).

What we have audited

Malta Air Traffic Services Limited's financial statements, set out on pages 7 to 37 comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Emphasis of Matter

We draw attention to Note 1.2, in relation to the events after balance sheet date, which addresses developments in connection with COVID-19, and the potential impact on financial and operational performance. This matter is considered to be of fundamental importance to the users of the study of the financial statements because of the potentially unfavourable nature of these developments, and the impact they could have on the basis of preparation of these financial statements. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

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

Independent auditors' report
To the Shareholders of Malta Air Traffic Services Limited

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report on pages 1 and 2 and the schedules for revenue and expenses on pages 37 to 40 (but does not include the financial statements and our auditors' report thereon).

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We also consider whether the Director's Report includes the disclosures required by Article 177 of the Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- The information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Director's Report has been prepared in accordance with the Companies Act (Cap. 386).

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained during the course of the audit, we conclude that there is a material misstatement in the Director's Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditors' report

To the Shareholders of Malta Air Traffic Services Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditors' report
To the Shareholders of Malta Air Traffic Services Limited

Report on any other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act, (Cap 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by ourselves.
- 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 the 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.

Christian Gravina
Director
For and on behalf of
GCS Assurance Malta Limited
Certified Public Accountants

Agora Business Centre, Level 2,
Valley Road,
Msida, MSD 9020,
Malta.

5 December 2023

Statement of financial position

	Notes	As at 31 December 2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	**9,350,929**	9,900,818
Right-of-use asset	6	**31,121,917**	31,821,286
Term deposits	10	**12,000,000**	18,500,000
Total non-current assets		**52,472,846**	60,222,104
Current assets			
Financial assets at fair value through profit or loss	7	**4,030,753**	5,039,266
Trade and other receivables	8	**4,973,317**	3,820,411
Cash and cash equivalents	9	**11,200,777**	1,700,149
Term deposits	10	**10,268,798**	6,500,000
Total current assets		**30,473,645**	17,059,826
Total assets		**82,946,491**	77,281,930

Statement of financial position - continued

	Notes	As at 31 December 2022 €	2021 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**10,000,000**	10,000,000
Retained earnings		**15,944,078**	11,875,419
Total equity		**25,944,078**	21,875,419
Non-current liabilities			
Provision for retirement benefits	12	**3,370,235**	3,001,681
Other financial liabilities	13	**4,298,460**	3,832,585
Lease liability	6	**38,486,104**	38,724,655
Total non-current liabilities		**46,154,799**	45,558,921
Current liabilities			
Lease liability	6	**2,329,300**	2,329,300
Trade and other payables	14	**7,478,393**	5,757,222
Borrowings	15	**-**	692,839
Bank overdraft	16	**11,303**	9,735
Current tax liability		**1,028,618**	1,058,494
Total current liabilities		**10,847,614**	9,847,590
Total liabilities		**57,002,413**	55,406,511
Total equity and liabilities		**82,946,491**	77,281,930

The notes on pages 12 to 37 are an integral part of these financial statements.

The financial statements on pages 7 to 37 were authorised for issue by the board on 5 December 2023 and were signed on its behalf by:

George Borg Marks
Chairman

Ernest Cachia
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2022 €	2021 €
Turnover	17	**28,457,545**	17,866,714
Staff costs	19	**(12,678,771)**	(11,799,990)
Depreciation expense	5, 6	**(1,941,923)**	(2,102,870)
Other operating expenses	18	**(7,843,475)**	(6,906,120)
Operating profit / (loss)		**5,993,376**	(2,942,266)
Finance costs	20	**(2,095,121)**	(2,143,607)
Other income	21	**1,753,138**	858,380
Other expenses	21	**(508,325)**	(50,355)
Profit / (loss) before tax		**5,143,068**	(4,277,848)
Taxation	22	**(1,074,409)**	(46,552)
Profit / (loss) for the year		**4,068,659**	(4,324,400)

The notes on pages 12 to 37 are an integral part of these financial statements.

Statement of changes in equity

	Share Capital €	Retained Earnings €	Total €
Balance at 1 January 2021	10,000,000	16,199,819	26,199,819
Comprehensive loss			
Loss for the year - Total comprehensive loss	-	(4,324,400)	(4,324,400)
Balance at 31 December 2021	**10,000,000**	**11,875,419**	**21,875,419**
Balance at 1 January 2022	10,000,000	11,875,419	21,875,419
Comprehensive income			
Profit for the year - Total comprehensive income	-	4,068,659	4,068,659
Balance at 31 December 2022	**10,000,000**	**15,944,078**	**25,944,078**

The notes on pages 12 to 37 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2022 €	2021 €
Cash flows from operating activities			
Cash generated from operations	24	10,117,943	1,196,461
Interest expense		**(519)**	(1,814)
Income taxes		**(1,104,285)**	(46,552)
Net cash generated from operating activities		**9,013,139**	1,148,095
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(697,856)**	(873,956)
Disposal of property, plant and equipment		**35,700**	65,088
Subscriptions of financial assets at fair value through profit or loss		**(4,686,223)**	(2,942,344)
Redemption of financial assets at fair value through profit or loss		**5,382,434**	2,797,456
Realised exchange differences		**(12,686)**	175,255
Interest income received		**230,960**	243,568
Movement in term deposits – net		**2,786,739**	(3,454,770)
Net cash generated from / (used in) investing activities		**3,039,068**	(3,989,703)
Cash flows from financing activities			
Repayment of borrowings		**(688,154)**	(2,736,611)
Repayment of lease obligations		**(2,329,300)**	(2,329,300)
Amounts due from shareholders		**465,875**	232,409
Net cash used in financing activities		**(2,551,579)**	(4,833,502)
Net increase / (decrease) in cash and cash equivalents		**9,500,628**	(7,675,110)
Cash and cash equivalents at beginning of year	9	**1,700,149**	9,375,259
Cash and cash equivalents at end of year	9	**11,200,777**	1,700,149

The notes on pages 12 to 37 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The 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 the financial assets at fair value through profit or loss.

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

1.2 Impact of the COVID-19 Pandemic on the Company

In early 2020 the existence of a new virus, known as the COVID-19 was confirmed and since this time it has spread across the world. COVID-19 has caused disruption to business and economic activity across several countries and has led to significant mitigation measures from several Governments around the globe.

As at the date of issue of these financial statements, the Company's activities were directly affected due to the COVID-19 outbreak and the subsequent government-imposed restrictions.

During 2022, air travel continued to recover and by end of December 2022, en-route traffic reached 65% of the 2019 traffic levels. Traffic to the Maltese islands recovered at a faster rate since by end of 2022 traffic movements reached 81% of 2019 levels. This is reflected in the increase in revenue for both en-route and terminal air traffic.

As the current circumstances are everchanging, the directors are constantly monitoring the situation and believe that the current situation will not affect the Company's ability to continue as a going concern due to its strong cash reserves. Furthermore, the directors firmly believe that once the pandemic is over, the Company will return to the same levels of operations as in previous years.

Accordingly, these financial statements have been prepared on a going concern basis.

1.3 Foreign currency translation

(a) Functional and presentation currency

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

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

1.3 Foreign currency translation - continued

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income/(expense)'.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

	%
Buildings	1.5
Radar equipment	12.5
Plant and machinery	20
Motor vehicles	20
Furniture and fixtures	10
Computer software	33.33
Computer hardware	25
Equipment	12.5

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

1.4 Property, plant and equipment - continued

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.5).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment assessment, the recoverable amount (i.e., the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis, or on a Company basis, as a cash generating unit (CGU), when the individual asset does not generate cash inflows that are largely independent of those from other assets in the Company to which the asset belongs. To determine the value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

A reversal of impairment loss for an asset is recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would had been determined, if no impairment loss had been recognised.

1.6 Financial assets

1.6.1 Classification

The company classifies its financial assets, in the following categories: at fair value through profit or loss, loans and receivables and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

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

1.6 Financial assets - continued

1.6.1 Classification – continued

(b) 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 arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (note 1.7 and 1.8).

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

1.6.2 Recognition and measurement

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables (and held-to-maturity financial assets) are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the company's right to receive payments is established.

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

1.6 Financial assets - continued

1.6.2 Recognition and measurement – continued

Changes in the fair value of monetary securities denominated in a foreign currency 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 on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.6.3 Impairment

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

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

(a) Assets carried at amortised cost

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

(b) Assets classified as available-for-sale

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

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

1.7 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.6.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown separately in current liabilities in the statement of financial position.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.10 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.11 Trade and other payables

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

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

1. **Summary of significant accounting policies** – continued

1.12 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Sales are recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below.

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

1.15 Revenue recognition - continued

Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

1.16 Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The application of IFRS 16 had not had a significant impact on the financial position and/or financial performance of the Company.

1.17 Retirement benefit expense

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at the end of each reporting period. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

1.18 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. Financial risk management

The exposures to risk and the way risks arise, together with the Company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Company's exposure to financial risks or the manner in which the Company manages and measures these risks are disclosed below.

Where possible, the Company aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

The most significant financial risks to which the Company is exposed to are described below.

a) Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Financial assets which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade and other receivables, contractual cash flows of debt instruments carried at amortised cost and at fair value through profit or loss (FVTPL).

The Company's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position date. None of the Company's financial assets are secured by collateral or other credit enhancements.

Cash and cash equivalents consist of cash at hand and cash held at reputable financial institutions. The credit risk for cash and cash equivalents is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit losses.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognising Expected Credit Losses (ECL)
Performing	A low risk of default and no past due amounts.	12-month ECL
Doubtful	Amount is greater than 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is greater than 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

2. Financial risk management - continued

a) Credit risk - continued

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the ECL on these terms by using an estimate based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The maximum exposure to credit risk as at 31 December 2022 and 31 December 2021 is the carrying amount of the financial assets as set out below:

	2022	2021
	€	€
Trade receivables	**5,403,550**	4,656,462
Other receivables	**64,696**	84,272
Financial assets at fair value through profit or loss	**4,030,753**	5,039,266
Cash and cash equivalents	**11,200,777**	1,700,149
Term deposits	**22,268,798**	25,000,000
Total exposure to credit risk	**42,968,574**	36,480,149

As at 31 December 2022, the Company had total credit loss allowances of €2,692,628 (2021: €2,518,415).

b) Foreign exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities. The Company is exposed to British Pound (GBP) and US Dollars (USD).

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

The carrying amount of the principal financial assets through profit or loss, term deposits, and cash and cash equivalents denominated in foreign currencies as at the end of the reporting periods were as follows

	2022	2021
	€	€
Financial assets through profit or loss		
GBP	**17,773**	13,150
USD	**132,245**	1,005,159
	150,018	1,018,309

	2022	2021
	€	€
Term deposits		
USD	**768,798**	-

2. **Financial risk management** - continued

b) **Foreign exchange risk** - continued

	2022	2021
	€	€
Cash and cash equivalents		
GBP	**12,577**	1,187
USD	**24,485**	41,468
	37,062	42,655

A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary since the exposure is not deemed to be significant.

c) **Interest rate risk**

Since the Company has no significant interest bearing assets and liabilities, its income and operating cash flows are substantially independent of changes in market interest rates. On this basis, 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.

A sensitivity analysis for interest risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at the end of the reporting period is not deemed necessary since the exposure is not deemed to be significant.

The carrying amounts of the Company's financial instruments carrying a rate of interest at the end of the reporting period are disclosed in the note 6.

d) **Liquidity risk**

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities, trade and other payables, and bank overdrafts (refer to notes 6, 14 and 16). 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 Company's obligation.

The Company monitors and manages its risk to a shortage of funds by
1. Monitoring forecast and actual cash flows;
2. Matching the maturity of both its financial assets and financial liabilities; and
3. Maintaining adequate reserves and banking facilities.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the Company can be required to pay. The analysis includes both interest and principal cash flows:

2. **Financial risk management** - continued

d) **Liquidity risk** - continued

	Carrying Amount €	Contractual Cash Flows €	Within 1 Year €	Between 1 – 5 Years €	Over 5 Years €
At 31 December 2022					
Lease liabilities	40,815,404	103,653,850	2,329,300	11,646,500	89,678,050
Trade and other payables	7,478,393	7,478,393	7,478,393	-	-
Bank overdraft	11,303	11,303	11,303	-	-
Total	**48,305,100**	**111,143,546**	**9,818,996**	**11,646,500**	**89,678,050**
At 31 December 2021					
Lease liabilities	41,053,955	105,983,150	2,329,300	11,646,500	92,007,350
Trade and other payables	5,757,222	5,757,222	5,757,222	-	-
Bank overdraft	9,735	9,735	9,735	-	-
Total	**46,820,912**	**111,750,107**	**8,096,257**	**11,646,500**	**92,007,350**

e) **Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The capital structure of the Company consists of items presented within equity in the statement of financial position and disclosed in note 11. The Company's Directors manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Company balances its overall capital structure through the selling of assets and payments of dividends.

The Company's overall strategy remains unchanged from the prior year.

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. Changes in accounting policies

4.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied new and amended IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in EU for an accounting period that begins on or after 1 January 2022.

- Amendment to IFRS 16 *Leases: COVID-19-Related Rent Concessions beyond 30 June 2021* (applicable for annual periods beginning on or after 1 April 2021)
- Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use* (applicable for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract* (applicable for annual periods beginning on or after 1 January 2022)
- *Annual Improvements to IFRS Standards 2018–2020* (applicable for annual periods beginning on or after 1 January 2022)

The adoption of the new and amended standards did not have a material impact on the Company's financial statements.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company.

- Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (applicable for annual periods beginning on or after 1 January 2023)

Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

4.3 Standards, amendments and interpretations to published standards that are not yet endorsed by the EU

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants* (applicable for annual periods beginning on or after 1 January 2024 or later, but not yet endorsed in the EU)
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback* (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU)

5. Property, plant and equipment

	Assets under construction	Plant & machinery	Furniture fixtures & other equipment	Motor vehicles	Technical equipment	Buildings	Radar equipment	Total
	€	€	€	€	€	€	€	€
At 1 January 2021								
Cost	3,060,898	92,560	1,768,745	395,213	16,397,583	4,869,613	19,979,313	46,563,925
Accumulated depreciation	-	(92,560)	(1,543,794)	(387,834)	(13,507,636)	(3,346,987)	(17,254,752)	(36,133,563)
Net book amount	**3,060,898**	**-**	**224,951**	**7,379**	**2,889,947**	**1,522,626**	**2,724,561**	**10,430,362**
Year ended 31 December 2021								
Opening net book amount	3,060,898	-	224,951	7,379	2,889,947	1,522,626	2,724,561	10,430,362
Additions	110,001	-	130,350	-	413,532	42,356	177,717	873,956
Disposals	-	-	-	(65,088)	-	-	-	(65,088)
Depreciation released on disposal	-	-	-	65,088	-	-	-	65,088
Depreciation charge	-	-	(122,172)	(2,459)	(813,042)	(28,699)	(437,128)	(1,403,500)
Closing net book amount	**3,170,899**	**-**	**233,129**	**4,920**	**2,490,437**	**1,536,283**	**2,465,150**	**9,900,818**
At 31 December 2021								
Cost	3,170,899	92,560	1,899,095	330,125	16,811,115	4,911,969	20,157,030	47,372,793
Accumulated depreciation	-	(92,560)	(1,665,966)	(325,205)	(14,320,678)	(3,375,686)	(17,691,880)	(37,471,975)
Net book amount	**3,170,899**	**-**	**233,129**	**4,920**	**2,490,437**	**1,536,283**	**2,465,150**	**9,900,818**

5. Property, plant and equipment - continued

	Assets under construction	Plant & machinery	Furniture fixtures & other equipment	Motor vehicles	Technical equipment	Buildings	Radar equipment	Total
	€	€	€	€	€	€	€	€
At 1 January 2022								
Cost	3,170,899	92,560	1,899,095	330,125	16,811,115	4,911,969	20,157,030	47,372,793
Accumulated depreciation	-	(92,560)	(1,665,966)	(325,205)	(14,320,678)	(3,375,686)	(17,691,880)	(37,471,975)
Net book amount	**3,170,899**	-	**233,129**	**4,920**	**2,490,437**	1,536,283	**2,465,150**	**9,900,818**
Year ended 31 December 2022								
Opening net book amount	3,170,899	-	233,129	4,920	2,490,437	1,536,283	2,465,150	9,900,818
Additions	-	-	113,360	-	295,272	235,013	54,210	697,855
Disposals	-	-	-	(35,700)	-	-	-	(35,700)
Depreciation charge	-	-	(115,524)	(2,459)	(664,039)	(32,224)	(433,498)	(1,247,744)
Depreciation released on disposal	-	-	-	35,700	-	-	-	35,700
Closing net book amount	**3,170,899**	-	**230,965**	**2,461**	**2,121,670**	1,739,072	**2,085,862**	**9,350,929**
At 31 December 2022								
Cost	3,170,899	92,560	2,012,455	294,425	17,106,387	5,146,982	20,211,240	48,034,948
Accumulated depreciation	-	(92,560)	(1,781,490)	(291,964)	(14,984,717)	(3,407,910)	(18,125,378)	(38,684,019)
Net book amount	**3,170,899**	-	**230,965**	**2,461**	**2,121,670**	1,739,072	**2,085,862**	**9,350,929**

6. Right-of-use asset and lease liabilities

The Company leases the land in which it operates. The lease contract is made for a fixed period of 62.5 years. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the lessee's incremental borrowing rate, which represents the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Company, where possible, uses recent Government financing received as a starting point, adjusted to reflect changes in financing conditions since related-party financing was received.

	Land €	Total €
As at 1 January 2022		
Cost	33,919,393	33,919,393
Accumulated depreciation	(2,098,107)	(2,098,107)
Net book amount	**31,821,286**	**31,821,286**
Year ended 31 December 2022		
Opening net book amount	31,821,286	31,821,286
Depreciation charge	(699,369)	(699,369)
Net book amount	**31,121,917**	**31,121,917**
As at 31 December 2022		
Cost	33,919,393	33,919,393
Accumulated depreciation	(2,797,476)	(2,797,476)
Net book amount	**31,121,917**	**31,121,917**

The lease liabilities were initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The movement of the lease liabilities is analysed below:

6. **Right-of-use asset and lease liabilities** - continued

	Land €	Total €
At 1 January 2021	41,280,790	41,280,790
Interest expense on lease liability	2,102,465	2,102,465
Repayment of lease liability	(2,329,300)	(2,329,300)
At 31 December 2021	**41,053,955**	**41,053,955**
At 1 January 2022	41,053,955	41,053,955
Interest expense on lease liability	2,090,749	2,090,749
Repayment of lease liability	(2,329,300)	(2,329,300)
At 31 December 2022	**40,815,404**	**40,815,404**

Lease liabilities for the years ended 31 December 2022 and 2021 are split into maturity groups as follows:

	2022 €	2021 €
Non-current		
Lease liabilities	**38,486,104**	38,724,655
Current		
Lease liabilities	**2,329,300**	2,329,300

	2022 €	2021 €
The statement of comprehensive income reflects the following amounts with respect to leases:		
Depreciation charge of the right-of-use assets	**699,369**	699,369
Interest expense on lease liability	**2,090,749**	2,102,465

The total cash payments for leases in 2022 and 2021 were €2,329,300 and €2,329,300 respectively.

7. Financial assets at fair value through profit or loss

	2022 €	2021 €
Fair value at 31 December		
Life insurance policy	**1,601,918**	1,586,058
Debt securities	**2,169,658**	1,988,773
Equity instruments	**135,740**	1,146,072
Collective Investment Schemes	**123,437**	318,363
Total financial assets at fair value through profit or loss	**4,030,753**	5,039,266

	2022 €	2021 €
Year ended 31 December		
At beginning of the year	**5,039,266**	4,774,123
Bonus on life insurance policy	**15,860**	31,098
Net gain/ (loss) from changes in fair value during the year	**(389,941)**	264,196
Portfolio movements	**(634,432)**	(30,151)
At end of year	**4,030,753**	5,039,266

8. Trade and other receivables

	2022 €	2021 €
Trade receivables - gross	**5,403,550**	4,656,462
Less: Provisions for impairment of trade receivables	**(2,692,628)**	(2,518,415)
Trade receivables - net	**2,710,922**	2,138,047
Prepayments and accrued income	**2,197,699**	1,598,092
Other receivables	**64,696**	84,272
	4,973,317	3,820,411

Trade Receivables is stated net of provision for doubtful debts amounting to €2,692,628 (2021: €2,518,415). Accrued income amounts to €2,110,177 (2021: €1,519,115).

9. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2022 €	2021 €
Cash from investments	**2,014,271**	174,872
Cash at bank	**9,185,365**	1,523,887
Cash in hand	**1,141**	1,390
	11,200,777	1,700,149

10. Term Deposits

	2022 €	2021 €
Maturing within one year		
1 year fixed-term deposits	**6,500,000**	6,500,000
Term deposits from investments	**3,768,798**	-
	10,268,798	6,500,000
Maturing after one year		
2 years fixed term-deposits	**-**	6,500,000
5 year fixed-term deposits	**12,000,000**	12,000,000
	12,000,000	18,500,000

11. Share capital

	2022 €	2021 €
Authorised		
10,000,000 ordinary shares of €2 each	**20,000,000**	20,000,000
Issued and fully paid		
5,000,000 ordinary shares of €2 each	**10,000,000**	10,000,000

12. Provision for retirement benefits

The provision for retirement benefits is unfunded and represents the year-end provision for possible future liabilities relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the Company. The provision has been computed in accordance with the accounting policy stated in note 1.17 and represents the Company's obligation discounted to the net present value at the rate of 7% after considering the average life expectancy of these employees and expected increases in salaries, where applicable.

The movement in the provision for retirement benefits may be analysed as follows:

	2022	2021
	€	€
At the beginning of the year	**3,001,681**	2,749,837
Retirement benefit expense	**368,554**	251,844
At end of year	**3,370,235**	3,001,681

On 10 April 2023, the Company was charged by the Service Pensions Department (Government) for the Company's contribution in respect of the pension paid out to the retirees from the date of their retirement up to 31 December 2022. The total amount to be paid out by the Company, as charged by the Service Pensions Department, as at 31 December 2022 amounted to €3,370,235.

13. Other financial liabilities

	2022	2021
	€	€
Amounts owed to government	**4,298,460**	3,832,585

Amounts owed to government are unsecured and interest free. There is no fixed date for repayment and the company has an unconditional right to defer settlement of the amount due for 12 months after the reporting period.

14. Trade and other payables

	2022	2021
	€	€
Trade payables	**1,563,162**	1,211,531
Accruals and deferred income	**5,913,358**	2,419,846
Deferred government grant	-	45,210
Amounts due to shareholders	-	2,080,635
Other payables	**1,873**	-
	7,478,393	5,757,222

15. Borrowings

	2022 €	2021 €
Loan from Euro Control	-	692,839

Loan from Euro Control bears interest of 1.5% per annum and was repaid by 31 March 2022.

16. Bank overdraft

	2022 €	2021 €
Bank overdraft	**11,303**	9,735

The outstanding bank overdraft as at 31 December 2022 and 2021 is secured by general hypotech over the Company's assets. The average rate of interest during the year was 5.15% (2021: 5.15%).

17. Revenue

	2022 €	2021 €
Provision of air traffic control services:		
En-Route traffic	**21,159,713**	12,408,681
Terminal traffic	**4,385,850**	2,548,024
Exempt traffic	**1,863,499**	1,863,499
Maintenance and technical fees	**1,048,483**	1,046,510
	28,457,545	17,866,714

18. Expenses by nature

	2022	2021
	€	€
Staff costs (Note 19)	**12,678,771**	11,799,990
Depreciation expense (Notes 5 and 6)	**1,941,923**	2,102,870
Auditor's remuneration	**2,950**	2,850
Other operating expenses	**7,840,525**	6,903,270
Total expenses	**22,464,169**	20,808,980

Auditors' fees

Fees charged by the auditors for services rendered during the financial years ended 31 December 2022 and 2021 relate to the following:

	2022	2021
	€	€
Annual statutory audit	**2,950**	2,850

19. Staff costs

	2022	2021
	€	€
Staff costs incurred during the year were as follows:		
Wages and salaries	**11,895,596**	11,152,304
Social security costs	**414,621**	395,841
Retirement benefit expense	**368,554**	251,845
	12,678,771	11,799,990

Average number of persons employed by the company during the year:

	2022	2021
Operations	**54**	52
Technical	**57**	51
Administration	**60**	64
	171	167

20. Finance costs

	2022	2021
	€	€
Interest on bank overdraft	**519**	1,814
Interest on loan	**3,853**	39,328
Interest on right-of-use asset	**2,090,749**	2,102,465
	2,095,121	2,143,607

21. Other income/(expenses) - net

	2022	2021
	€	€
Interest income on bank deposits	**286,497**	265,414
Net gain/(loss) from changes in fair value of financial assets at fair value through profit or loss	**(394,025)**	283,081
Investment transaction fees	**(21,297)**	(34,159)
Dividend received	**32,761**	32,734
Interest expense on subscriptions	**(1,163)**	(740)
Interest income on redemptions	**12,625**	14,378
Income from grants	**615,910**	9,581
Other income	**442,875**	3,000
Rental income	**270,630**	234,736
	1,244,813	808,025

22. Tax expense

	2022 €	2021 €
Current tax expense	**1,074,409**	46,552

The tax on the company's profit / (loss) before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	2022 €	2021 €
Profit / (loss) before tax	**5,143,068**	(4,277,848)
Tax on profit / (loss) at 35%	**1,635,803**	(1,605,868)
Tax on profit at 15%	**70,402**	46,552
Tax effect of:		
Non-deductible expenses	**1,574,293**	1,605,868
Unabsorbed trading losses	**(969,278)**	-
Capital allowances	**(1,317,252)**	-
Rental income	**75,776**	-
Dividend income after double taxation relief	**4,665**	-
Tax charge in the accounts	**1,074,409**	46,552

23. Directors' emoluments

	2022 €	2021 €
Salaries and other emoluments	**66,774**	60,090

24. Cash generated from operations

Reconciliation of profit / (loss) before tax to cash generated from operations:

	2022 €	2021 €
Profit / (loss) before tax	5,143,068	(4,277,847)
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	**1,247,744**	1,403,500
Release of depreciation on disposal of property, plant and equipment (Note 5)	**(35,200)**	(65,088)
Depreciation of right-of-use asset (Note 6)	**699,369**	699,369
Gain on disposal of property, plant and equipment (Note 5)	**(500)**	(3,000)
Retirement benefit expense	**368,554**	251,845
Provision for doubtful debts	**174,213**	516,617
Interest expense	**2,088,150**	2,141,793
Decrease/(increase) in fair value of financial assets at fair value through profit or loss	**336,132**	(107,826)
Interest income	**(297,640)**	(265,414)
Changes in working capital:		
Decrease/(increase) in trade and other receivables	**(1,327,119)**	(643,967)
(Decrease)/increase in trade and other payables	**1,721,172**	1,546,479
Cash generated from operations	**10,117,943**	1,196,461

25. Related party transactions

Except for transactions disclosed or referred to previously, the following significant operating transactions, which were carried out principally with related parties, have a material effect on the operating results and financial position of the company:

	2022 €	2021 €
Transactions with ultimate controlling party:		
Revenue	**1,863,499**	1,863,499
Interest on leased land	**2,090,748**	2,102,465

26. Statutory information

Malta Air Traffic Services Limited is a limited liability company and is incorporated in Malta, with its registered address at Malta International Airport, Luqa, LQA 5000, Malta.

The immediate and ultimate parent company of Malta Air Traffic Services Limited is Malta Government Investments Limited, a company registered in Malta, with its registered address at Clock Tower, Level 1 Tigne Point, Sliema, Malta.

27. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with the International Financial Reporting Standards (IFRS), and the requirements of the Maltese Companies Act (Cap. 386).

Detailed statement of comprehensive income

Schedule I

	2022 €	2022 En-route €	2022 Terminal €	2021 €
Revenue	28,457,545	23,576,658	4,880,887	17,866,714
Staff costs	(12,678,771)	(10,523,380)	(2,155,391)	(11,799,990)
Depreciation expense	(1,941,923)	(1,611,796)	(330,127)	(2,102,870)
Other operating expenses	(7,843,475)	(6,536,022)	(1,307,453)	(6,906,120)
Finance costs	(2,095,121)	(1,738,950)	(356,171)	(2,143,607)
Other income/(expenses) – net	1,244,813	1,033,195	211,618	808,025
Profit / (loss) before tax	5,143,068	4,242,809	900,259	(4,277,848)

Schedule does not form part of the audited financial statements.

Revenue

Schedule II

	2022 €	2022 En-route €	2022 Terminal €	2021 €
Provision of air traffic control services:				
En-Route traffic	**21,159,713**	**21,159,713**	**-**	12,408,681
Terminal traffic	**4,385,850**	**-**	**4,385,850**	2,548,024
Exempt traffic	**1,863,499**	**1,546,704**	**316,795**	1,863,499
Maintenance fees	**1,048,483**	**870,241**	**178,242**	1,046,510
	28,457,545	**23,576,658**	**4,880,887**	17,866,714

Schedule does not form part of the audited financial statements.

Other operating expenses

Schedule III

	2022	2022 En-route	2022 Terminal	2021
	€	€	€	€
Eurocontrol contribution	968,189	802,171	166,018	995,140
Regulatory and supervisory costs	2,362,110	1,957,072	405,038	2,102,293
Meteorological services	768,371	636,617	131,755	765,288
European Voluntary Fund	44,334	36,732	7,602	-
Communication expenses	445,147	368,816	76,331	519,267
Training	445,779	369,340	76,439	242,266
Insurance	668,432	553,814	114,618	602,888
Provision for doubtful debts	174,213	181,832	(7,619)	516,617
Travelling	415,544	344,290	71,255	57,600
Water and electricity	245,519	203,419	42,100	205,043
Legal and professional fees	72,476	60,048	12,428	94,405
General expenses	33,683	27,907	5,776	27,293
Conference expenses	30,331	25,130	5,201	891
Subscriptions	121,652	100,792	20,860	152,104
Cleaning	71,880	59,555	12,322	25,702
Licences and permits	48,997	40,596	8,402	51,971
Directors' fees	66,774	55,324	11,450	60,090
Fuel and oil	44,558	36,918	7,641	34,200
Repairs and servicing	511,226	423,565	87,661	287,637
Printing and stationery	37,461	31,037	6,424	31,025
Motor vehicle expenses	18,310	15,170	3,140	12,975
Bank charges	8,281	6,861	1,420	6,912
Staff expenses	6,308	5,226	1,082	4,067
Sponsorship	1,526	1,265	262	520
Medical fees	17,802	14,749	3,053	14,755
Hire of equipment	7,028	5,822	1,205	4,862
Advertising	3,581	2,967	614	4,244
Donations	4,000	3,314	686	4,000
Car hire	68,312	56,598	11,714	53,900
Difference on exchange	3,194	2,646	548	34
Carriage	5,038	4,174	864	2,317
Entertainment	5,093	4,220	873	405
Auditor's remuneration	2,950	2,444	506	2,850
Registration fees	1,400	1,160	240	1,400
Penalties and fines	75,103	62,224	12,878	-
Safety wear	828	686	142	2,804
Wages and salaries	38,045	31,521	6,524	18,355
	7,843,475	6,536,022	1,307,453	6,906,120

Schedule does not form part of the audited financial statements.