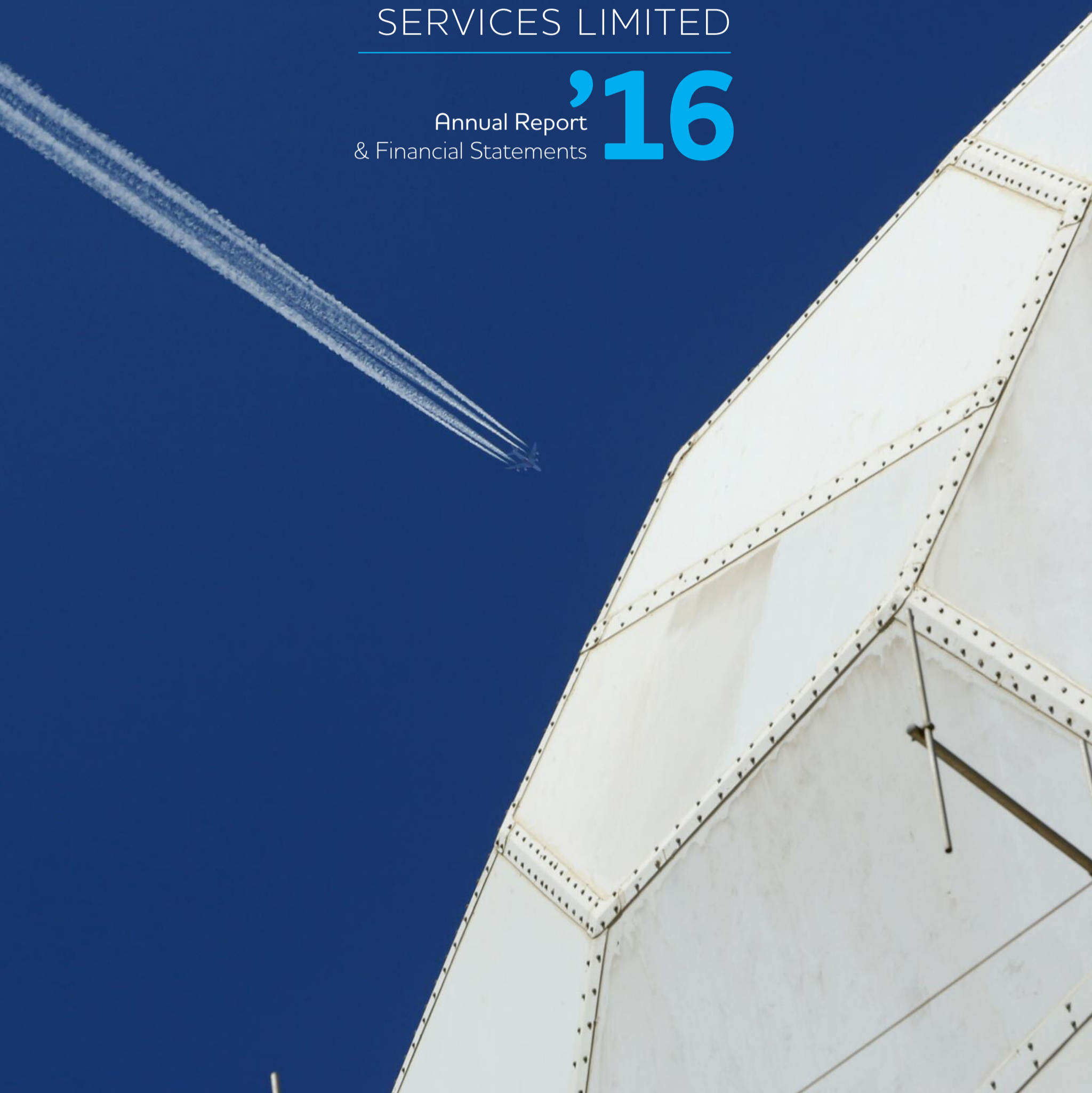




MALTA AIR TRAFFIC
SERVICES LIMITED

Annual Report
& Financial Statements

'16



Annual Report & Financial Statements '16

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Mission Statement

The mission of MATS is to facilitate the safe movement of aircraft, efficiently and cost effectively, through the provision of air navigation services that are sustainable in the long term.

OUR VISION

MATS' vision is to be recognised as one of the Euro-Mediterranean region's most respected ANSPs:

- in the eyes of the flying public for our safety performance record;
- in the eyes of our customers for our cost effectiveness, customer service and efficiency in providing air traffic services; and
- in the eyes of our employees for establishing a motivating and satisfying workplace, as well as opportunities for a challenging career.

We strive to reach the next level of safety, efficiency, environmental responsibility and excellence. We are accountable to the Maltese public, users of our airspace and all our stakeholders.

OUR VALUES

- Safety is our priority. We strive to ensure that all users of our airspace travel safely through our airspace.
- Excellence is our promise. We endeavour to achieve results that demonstrate professionalism, transparency and accountability.
- People are our strength. Our success depends on the esteem, teamwork and commitment of our workforce.
- Integrity is our benchmark. We accomplish our duties honestly, with moral soundness, and with the highest level of moral principles.
- Innovation is our mark. We promote creativity and vision to ensure continuous improvement of our services.



Chairman's Statement

Major (ret'd) Anthony Abela

In my past messages, I have always emphasised the business risks that Malta Air Traffic Services (MATS) is exposed to as an Air Navigational Service Provider (ANSP), which are beyond our control, such as the effects of the political situation south of our borders and the fierce competition we face from both the north and west of the Maltese Islands.

Although we are covering the 2016 financial year in this Annual Report, we have to be factual and proactive to ensure the company's future.

Therefore, one cannot not mention the present situation where, due to a Gulf issue, we are losing substantial income from the Qatar Airways traffic that used to overfly Malta along the eastly and westerly directions within our Flight Information Region (FIR). This resulted in a sudden and unpredicted, substantial loss of income to MATS.

Such instances vindicate the Board of Directors' convictions that it is of utmost importance for MATS to embrace other aviation-related business niches, while keeping a focus on its core business as its main function and obligation, to ensure the Company's ongoing financial viability.

2017 is going to be a less positive year and we forecast a dwindled profit due to the downward revision of our unit rate and the loss of traffic as a direct consequence of the Gulf issue mentioned above, if this persists over a period of time.

This current year is also going to be a year when a new Board of Directors will be appointed, following the General Elections in Malta in mid-2017. This does not exonerate us from drawing our future plans since time in aviation does not stand still, not even for a few moments.

Therefore, we, as the Board of Directors, together with the Company's top management, identified and discussed a number of aviation-related fields in which MATS can get involved to enable it to be transformed into a small group of companies. MATS has the necessary specialised human resources who could be an asset as it embarks on these new business ventures. This will further mitigate the risks being shouldered by the Company through its core business as an ANSP, as already outlined above.

We have always acknowledged that MATS can meet challenges and turn them into opportunities thanks to its rich human capital and high degree of specialisation. This is a very important added value to the Company and one we should not only make the best use of, but also preserve as well as we can.

Unfortunately, being a Public Entity, the Company has less room to manoeuvre and more time constraints that it must honour, but as a Board of Directors we will be putting our beliefs forward with the new ministerial authorities to find the best way forward to reach our goals in the best interests of MATS and our nation.

MATS can meet challenges and turn them into opportunities thanks to its rich human capital and high degree of specialisation



CEO's Statement

Dr Ing. Kenneth Chircop


The 18th of May, 2016, saw the retirement of Brigadier Carmel Vassallo as Chief Executive Officer and the start of a new challenge and adventure for me as I took over the helm of Malta Air Traffic Services. I would like to take this opportunity to thank Brig. Vassallo for his work and dedication throughout his tenure, which at times was extremely challenging. There was the advent of the Arab Spring that led to the complex civil-military co-ordination of air traffic during the Libyan conflict and the consequent loss of North-South traffic that we are still suffering from today.

The loss of North-South traffic continues to be partially compensated by a steady shift of East-West traffic from Libyan to Maltese airspace. The end result is that en-route traffic in the Malta FIR increased by 7.8% in 2016, and yet a further increase in terminal traffic of 6.17% was registered when compared to the previous year.

Of its very nature, the Air Traffic Service Provision business requires continuous development in operations and in the technical infrastructure to ensure a safe, expedient and enjoyable experience to our customers. A major project launched on 8 December, 2016, by MATS in co-ordination with ENAV, our Italian counterparts, was Free Route Airspace (FRA). Through FRA, operators flying above FL335 in Malta's FIR can now fly direct

routes, reducing flight time, cost and the generation of gaseous emissions. This initiative benefits our customers as well as the environment – certainly a win-win.

Another major project the Operations section is involved in is INTRAC. This involves a redesign of the Terminal Movement Area (TMA), updated Standard Instrument Departures and the design of Standard Terminal Arrival Routes for the four runways to support Performance Based Navigation. Part of this work was undertaken in collaboration with our BlueMed Functional Airspace Block partners within the BlueGNSS project. Towards the end of 2016, Airsight were commissioned to support the Operations section in the development and certification of procedures.

Works on the refurbishment of the Dingli radar station continued and, in October 2016, personnel from the Polish Radome Services gave new life to the Dingli radome. Refurbishment works on the site continued in preparation for the new Primary Surveillance Radar, currently being manufactured by Leonardo, which is expected to be commissioned by the end of 2017. Shortly after, in November 2016, MATS personnel from the Technical and Safety, Quality and Security sections led the commissioning of MIA's new Instrument Landing System on Runway 13/31, which is maintained by MATS. 

Of its very nature, the Air Traffic Service Provision business requires continuous development in operations and in the technical infrastructure to ensure a safe, expedient and enjoyable experience to our customers



CEO's Statement CONTINUED

← Towards the end of November, another major project, the transition to a new Air Traffic Management system, kicked off with extensive training being provided to our air traffic controllers, all co-ordinated by the AIM and Training section. The project is expected to be completed by mid-2017 and will require a collective inter-section effort.

Over the coming years, MATS will see the construction of a new Air Traffic Control Centre. This project, co-ordinated by the Projects Office, will see the gradual move of all operations from the current ATCC to the new one, with the first being the transition to the new Visual Control Room. The first tender for the new ATCC was successfully adjudicated, with QP Ltd being engaged to design and supervise the construction works.

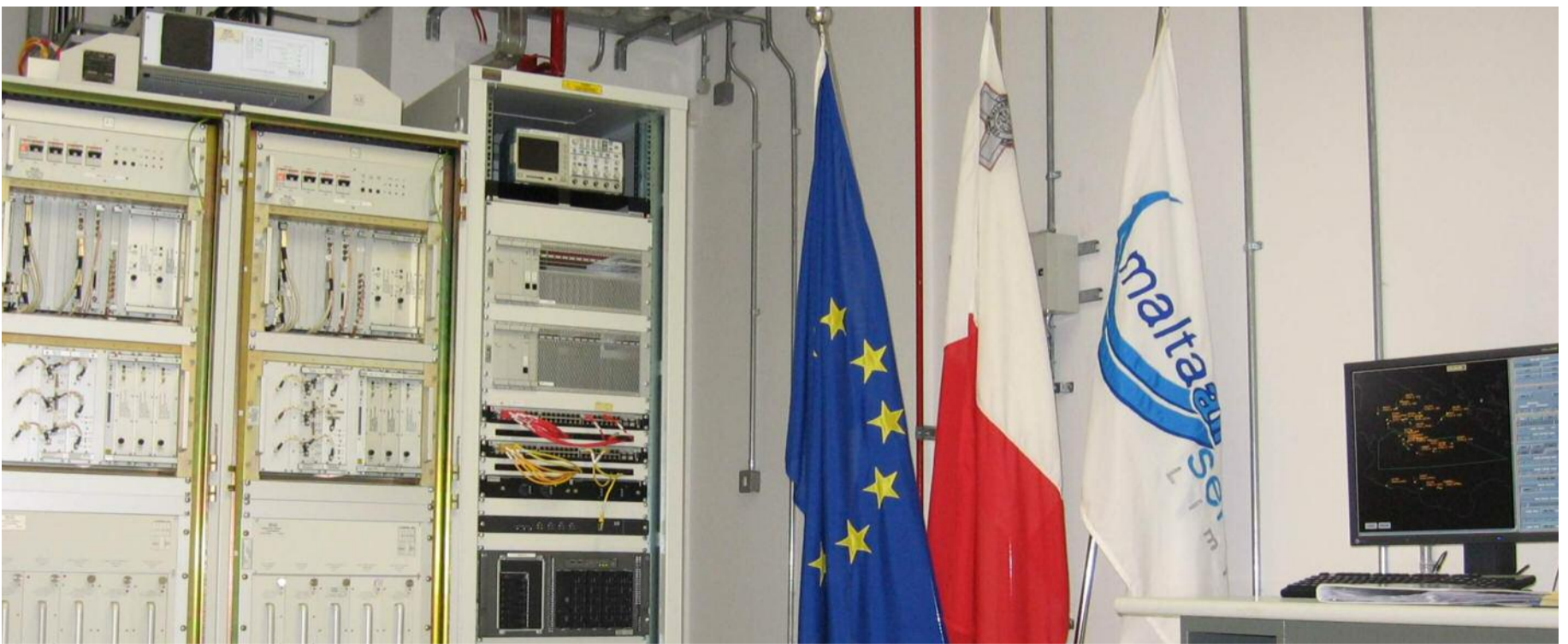
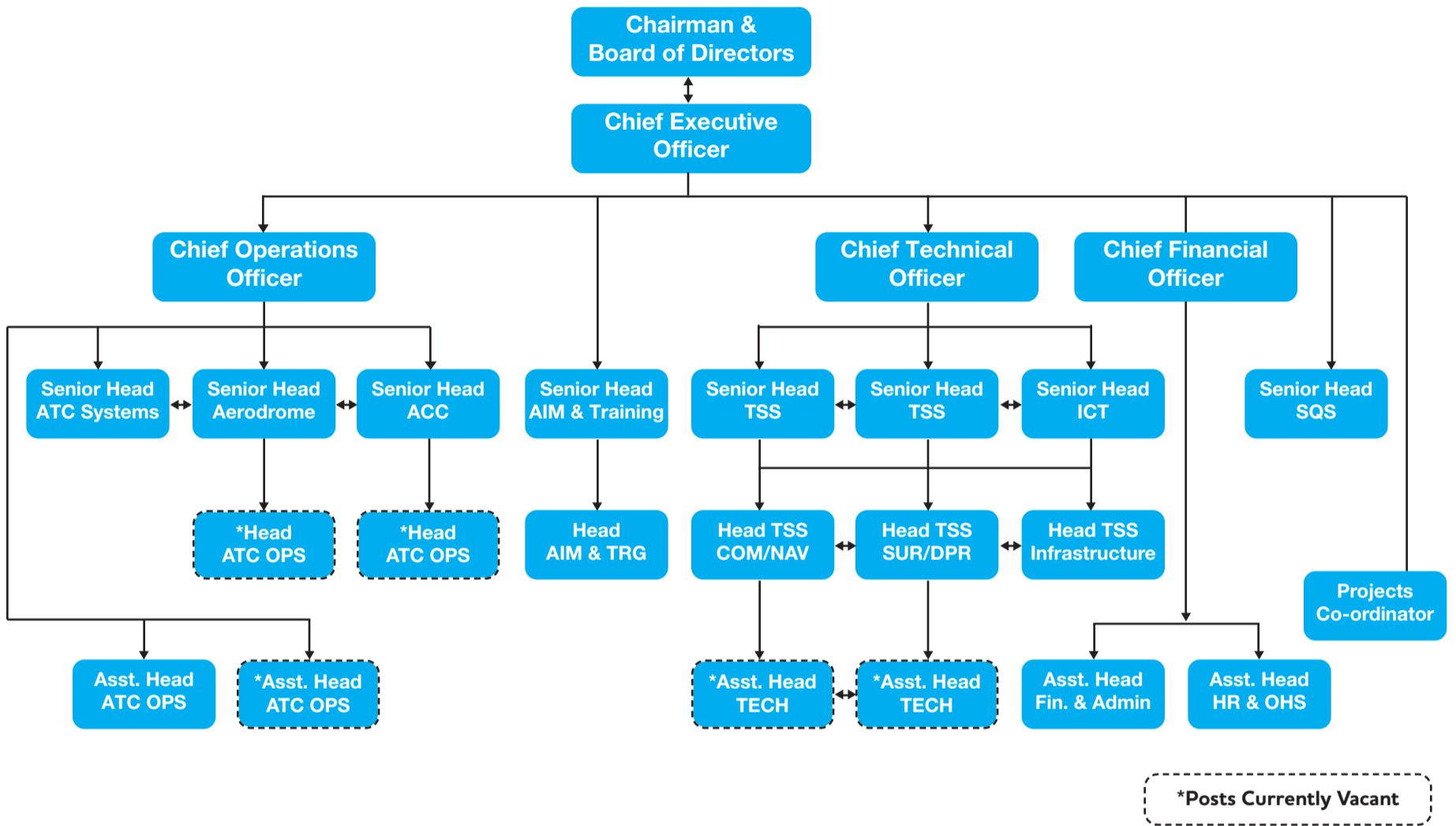
With great pride, I can say that in 2016 MATS successfully made the transition to the ISO 9001:2015 standard, one of the first local organisations to do so. This certification was achieved thanks to a concerted effort across all sections of the

company, co-ordinated by the SQS section. As part of this exercise, BV UK auditor Simon Clark spent four days in November conducting an extensive audit and he openly provided feedback on how impressed he was with the level MATS has reached.

2016 also saw the signing of two important collective agreements, one with MATCA, the Maltese Air Traffic Controllers Association, and one with the General Workers' Union covering the AIM and Training section. The negotiations were concluded with the support of PACBU, the Public Administration's Collective Bargaining Unit, the Board of Directors and the Ministry for Tourism. The collective agreements improved the conditions of the respective employees and brought much-needed harmony to the section.

Through the experience MATS has gained over the past years and thanks to the dedication and professionalism of its workforce, I am confident that, in 2017, MATS will once again continue to move forward, overcoming its challenges to grow further, creating enhanced opportunities for all its employees.

Management Organisational Chart



SECTION REPORTS

Finance and Administration

The financial year ending on 31 December, 2016, was another successful one for Malta Air Traffic Services Limited (MATS). The company registered a profit before tax of €11.433 million (€7.424 million after tax) and this resulted in a 26% increase in the net asset value of the company. In fact, as at the end of 2016, the value of the company increased from €26.688 million to €33.612 million.

FINANCIAL REVIEW

When compared to the previous year, the profit before tax increased by some 38%, or by €3,173,353 (from €8,259,339 in 2015 to €11,432,692 in 2016).

Revenue

During 2016, MATS registered a total revenue of €30,841,318 (2015: €26,265,624). Of this, 72% of the total revenue is generated from charges for en-route traffic and 18% are generated from terminal navigational charges. The rest of the income is generated from maintenance services to MIA and

from the Government of Malta that is obliged to reimburse MATS for the exemption of military traffic.

Revenue from en-route traffic increased by some €4.7 million (or 27%) when compared to 2015. This is mainly attributable to the increase in the unit rate for en-route traffic from €22.33 in 2015 to €25.79 for 2016. The en-route unit rates for both 2015 and 2016 were reduced due to the traffic risk sharing mechanism since the actual en-route traffic during 2013 and 2014 both exceeded the budgeted traffic by more than 10%. So, airlines were refunded the extra revenue through a reduction in the unit rate as per prescribed regulations. There was also an increase of 10% in total service units during 2016 since these increased by some 82,153 units (from 823,344 in 2015 to 905,497 during 2016).

Income from terminal navigational charges (TNC) increased by about €1.1 million (or some 25%), i.e., from €4.4 million during 2015 to €5.5 million during the year under review. Income from maintenance and technical fees increased by about €106,000 and totalled €1.2 million during 2016. Otherwise, ➡



SECTION REPORTS

Finance and Administration CONTINUED

← proceeds from the Maltese Government to compensate MATS for loss of revenue resulting from the exemption of military traffic remained at the same level of the previous year. For the third consecutive year, during 2016 MATS did not receive any Government subvention but paid €500,000 in dividends to the Government.

As from 2014, MATS started to participate in a number of EU-funded projects together with other Air Navigation Service Providers (ANSPs) since it believes that such initiatives offer a great opportunity for knowledge sharing, apart from the obvious financial incentives. MATS is taking an active part in the following projects: Free Solutions Project, Coflight as a Service, RAID – RPAS ATM Integration Demonstration, and Clean Flight. However, no funds were received during 2016 since most of the funds from the Trans-European Transport Network (TEN-T) Framework for the ANSPs Interim Deployment Programme were received during 2015.

Expenditure

Total expenditure for 2016 amounted to €19.504 million (an increase of some 3% from the €18.876 million in 2015). The cost of wages and salaries is the largest cost component and, at €8,792 million, accounts for about 45% of the company's total expenditure. Compared to the wage costs of €8.199

million for 2015, the wage bill for 2016 increased by some €0.593 million, or by about 7%.

Other operating expenditure for 2016 hovered in the same region of last year and amounted to €7.701 million (2015: €7.641 million). On the other hand, the depreciation charge increased by about €0.668 million, or about 28%, from €2.342 million during 2015 to €3.010 million in 2016.

Statement Of Financial Position

MATS registered a significant improvement in its financial position during 2016. The value of the company as at the end of 2016 increased by some 26%, from €26.688 million as at 31 December, 2015, to €33.612 million at end of 2016. Total assets increased by about €7 million (or some 21%) from €32.878 million to €39.878 million at the end of 2015. On the other hand, total liabilities hovered in the same levels of last year at circa €6.267 million (2015, €6,191 million). Included in the total liabilities is the amount due to Government in the form of shareholder's loans, amounting to €2.663 million.

During 2015, MATS invested over €0.787 million in fixed assets and the total cost of fixed assets as at 31 December, 2016, amounted to €37.130 million. Some €26.681 million was charged in depreciation on this expenditure, leaving a net book value of €10.450 million. →

UNIT RATE	2008 (€)	2009 (€)	2010 (€)	2011 (€)	2012 (€)	2013 (€)	2014 (€)	2015 (€)	2016 (€)
Malta	25.15	25.65	25.73	20.75	27.72	31.50	27.61	22.33	25.79
Average Eurocontrol members	54.89	54.81	57.15	57.60	57.60	57.40	57.20	58.60	55.80

Table 1: Comparison of the en-route unit rates for Malta and the average of Eurocontrol's member states

SECTION REPORTS

Finance and Administration CONTINUED

EN-ROUTE UNIT RATE AND TRAFFIC REVIEW

Unit Rate

The en-route unit rate is derived by dividing the 'total charges' by the 'total service units'. The unit rate for Malta was increased from €22.33 in 2015 to €25.79 in 2016. The en-route unit rate for Malta remained one of the cheapest in Europe. As can be seen from Table 1, at €25.79 Malta's unit rate was 46% of the average unit rate for all Eurocontrol member states. This makes MATS one of the most efficient ANSPs in Europe as it renders a very efficient service to airspace users with negligible delays at one of the cheapest unit rates. In fact, MATS is being considered as a role-model of an efficient ANSP in Europe.

En-Route Traffic Overview

Traffic is expressed in terms of total service units (TSUs). In 2016, TSUs in the European zone increased by 4.2% compared to 2015 and this indicates further traffic recovery after the 4.2% increase registered during 2015. In fact, traffic in Europe reached 10.2 million flights and this was close to the 2008 traffic levels.

In 2016, Malta registered an increase of almost 10% in TSUs (from 823,344 in 2015 to 905,497 in 2016). About 96% of the TSUs were chargeable service units. The rest were mostly attributable to military flights that are exempt from paying for air traffic control services. Table 2 below shows the



annual percentage growth in TSUs for Malta and the average of Eurocontrol member states.

Human Resources

2016, has been a year of several changes at Malta Air Traffic Services Ltd. The AIM & Training Collective Agreement, which extends to the end of 2019, was successfully concluded. MATCA's Air Traffic Control Officers' Collective Agreement was also concluded, an agreement that is valid up to the end of 2020. To conclude on the industrial relations spectrum, the Company has also commenced the collective bargaining with the Administration Section for all its clerical and administrative support staff.

Two members of Top Management have retired, one of whom being MATS's former Chief Executive Officer, who reached retirement age and was later

ANNUAL GROWTH	2008	2009	2010	2011	2012	2013	2014	2015	2016
Malta	11.9%	-1.4%	17.0%	4.1%	26.8%	14.6%	1.1%	13.2%	10%
Europe	6.1%	-5.1%	3.5%	5.0%	-1.3%	-0.8%	5.8%	4.2%	4.2%

Table 2: Annual percentage growth in total service units for Malta and the average for Eurocontrol member states

SECTION REPORTS

Finance and Administration CONTINUED

← replaced by Dr Kenneth Chircop, and the other being the Senior Head in the Operations Section, who retired from his Managerial position and reverted to his former role as an Air Traffic Controller.

New projects and increasing workloads on nearly every front of the Company demanded an expansion of the workforce. Several internal calls for applications were issued, which include;

- 1 Air Traffic Control Supervisor (CEO 04/16);
- Senior Head Operations, Support and Development (CEO 05/16);
- Senior Head Operations, Tower (CEO 06/16);
- 5 Air Traffic Safety Electronics Officer Trainees (CFO 04/16);
- 2 Assistant Administrative Operators (CFO 05/16); and
- 1 Senior Administrative Officer (PA to the CEO) (CFO 06/16).

All three Administrative Officer positions were filled internally through the promotion of former Senior Clerical personnel. One of the positions of Senior Clerk Technical Section was also filled through the promotion of a former Assistant Administrative Operator, and two Assistant Administrative Operators were recruited through external resources. The remainder of the recruitment and selection processes were continued during 2017.

As per Table 3 below, the number of employees at the end of 2016 amounted to 151.

Occupational Health and Safety

Occupational health and safety legislation and regulations were rigorously observed to safeguard all employees' health and safety at work and all other persons at MATS premises. All fire detection systems, intruder systems, lifts and fire extinguishing equipment were regularly inspected and certified in all the Company's sites.

All employees were provided with the needed personal protective equipment needed to ensure that they are safeguarded at the work place at all times. In 2016, provision was made for 21 employees from every section of the Company to attend First Aid courses. They are now all certified First Aiders for MATS Ltd up to the end of May, 2019. Provision was also made for 13 employees from every section of the Company to attend a Fire Warden course. They are now all certified Fire Wardens for MATS Ltd up to the end of September, 2019.

The Company continued to support the Richmond Foundation, an NGO that specialises in promoting mental health and wellbeing within the community, and continued to implement the Staff and Organisation Support Programme (SOSP) for all MATS employees. The objective of this programme is to help MATS augment the wellbeing of its employees as well as to assist it in controlling the risk posed by the hazard of stress. A number of employees (on strict anonymity) have benefited from this new service at no cost since the Company pays for the service.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employees	174	149	149	137	137	145	144	150	147	151

Table 3: Number of employees (including directors, definite contracts and students)

SECTION REPORTS

Operations

Libyan airspace continued to be subject to several safety warnings issued by State authorities, including the United States, the United Kingdom and France. Although ICAO has removed Libya from the list of conflict zones, the European Aviation Safety Agency (EASA) is still advising operators not to operate through Libyan airspace due to the potential safety risks that exist.

The major European and African operators that would potentially overfly Libyan airspace for their scheduled services to Europe have indicated that they have no plans to resume these routings unless there is a significant improvement in the security situation in Libya. This meant that up to the end of 2016 the predominant east-west routes were compressed through the Malta FIR for North African operators like Air Algerie and Royal Air Maroc, as well as for the major Middle East/Persian Gulf carriers like Emirates, Qatar Airways, Etihad and Saudi Airlines.

Libya insists, however, that its airspace is available for overflight on specific routes and that its conflict status is limited to small areas that have been promulgated accordingly.


ATC SPINS MANUAL

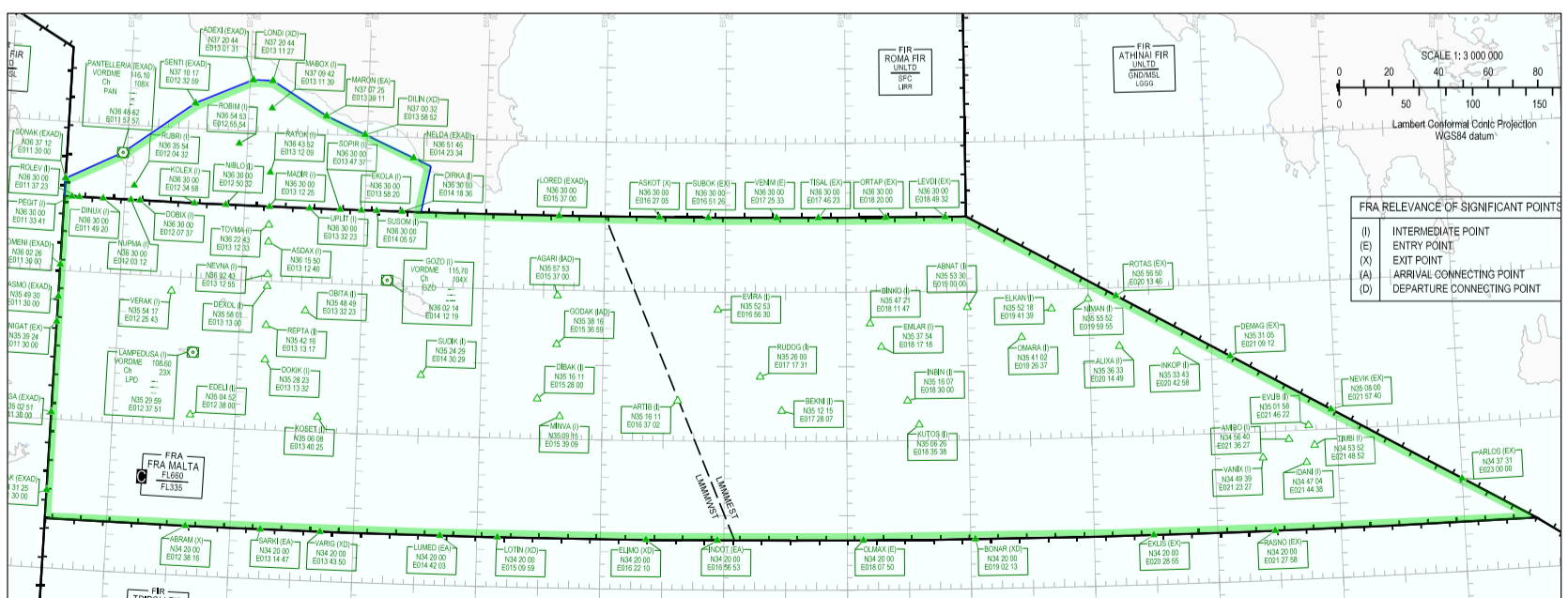
The changes in ATC procedures and instructions within the ATC SPINS Manual is a rolling cycle that is embedded within the safety management process that MATS applies. The major airspace project that was implemented in 2016 was Free Route Airspace Malta (FRAMALT), which allows operators to flight plan unrestricted routes at 34,000 feet or above.

This project was planned and implemented in close collaboration with the Italian ANSP (ENAV) and with the EUROCONTROL Network Management functions. The implementation of this project on 8 December, 2016, provides fuel savings for operators and reduced gas emissions in the upper atmosphere.

Other amendments in the SPINS Manual were linked to changes in ICAO procedures and revised agreements with adjacent ANSPs.

ATC SYSTEM UPGRADE

A trial session of shadow operations was performed during January, 2016, providing live ATC using the 



Free Route Airspace Chart, indicating a route-free environment

SECTION REPORTS

Operations CONTINUED

← upgraded ATM system. This served well to identify any software bugs that could not be caught when the system was not in operation.

The rest of the year was spent in further enhancing the system and resolving software issues that affected the Statistics and Billing, and ARTAS tracking. ATCO training recommenced during October in preparation for a lengthy period of shadow operations, which were planned to commence during mid-March, 2017.

SEARIDGE INTELLIDAR NCSS PROJECT

The IntelliDAR project stalled during 2016 since MATS was not experiencing the required operational results. The FAT was not performed and HD cameras were not installed. Eventually, MATS management decided not to pursue further on the IntelliDAR project but to concentrate on the upgrade of the present Searidge Video system to better cover the aerodrome movement areas.

AIRSPACE CELL ACTIVITIES

MATS Airspace Cell is the Ops team responsible for co-ordinating activities at LMML and over the high seas. In 2016, the MATS Airspace Cell co-ordinated a number of military activities over the high seas and processed 88 airspace reservations. At a local level, MATS Airspace Cell also processes training flight requests that are received daily.

Training requests are handled differently to normal aerodrome traffic since these flights have specific requirements on the usage of the runways. A user may require, for example, a number of 'touch-and-go' procedures that would need to be integrated with the number of inbounds and outbounds at Malta International Airport. A co-ordination process is in

place to meet the training flight requests without increasing the workload on the Tower controllers.

MATS Airspace Cell has seen an increase in Maintenance Check Flight requests. The Maintenance Check Flights require an airspace block whereby the test pilot would conduct a series of aircraft manoeuvres to check and certify the equipment on board an aircraft after a 'D-check'.

In 2016, a total of 235 Training and/or Maintenance Check Flights were co-ordinated. The monthly breakdown is in the table below:

AIRSPACE CELL RESERVATIONS

TRAINING SLOTS AND MAINTENANCE CHECK FLIGHTS 2016	
January	15
February	26
March	26
April	16
May	17
June	10
July	23
August	32
September	24
October	9
November	16
December	21
TOTAL	235

SECTION REPORTS

Operations CONTINUED

BLUEGNSS PROJECT

Ops were highly involved in the designs of RNAV approaches at LMML through the BLUE GNSS project.

Performance Based Navigation (PBN), which is developed on satellite navigation, offers design flexibility, reduced flight time and an improved environmental efficiency.

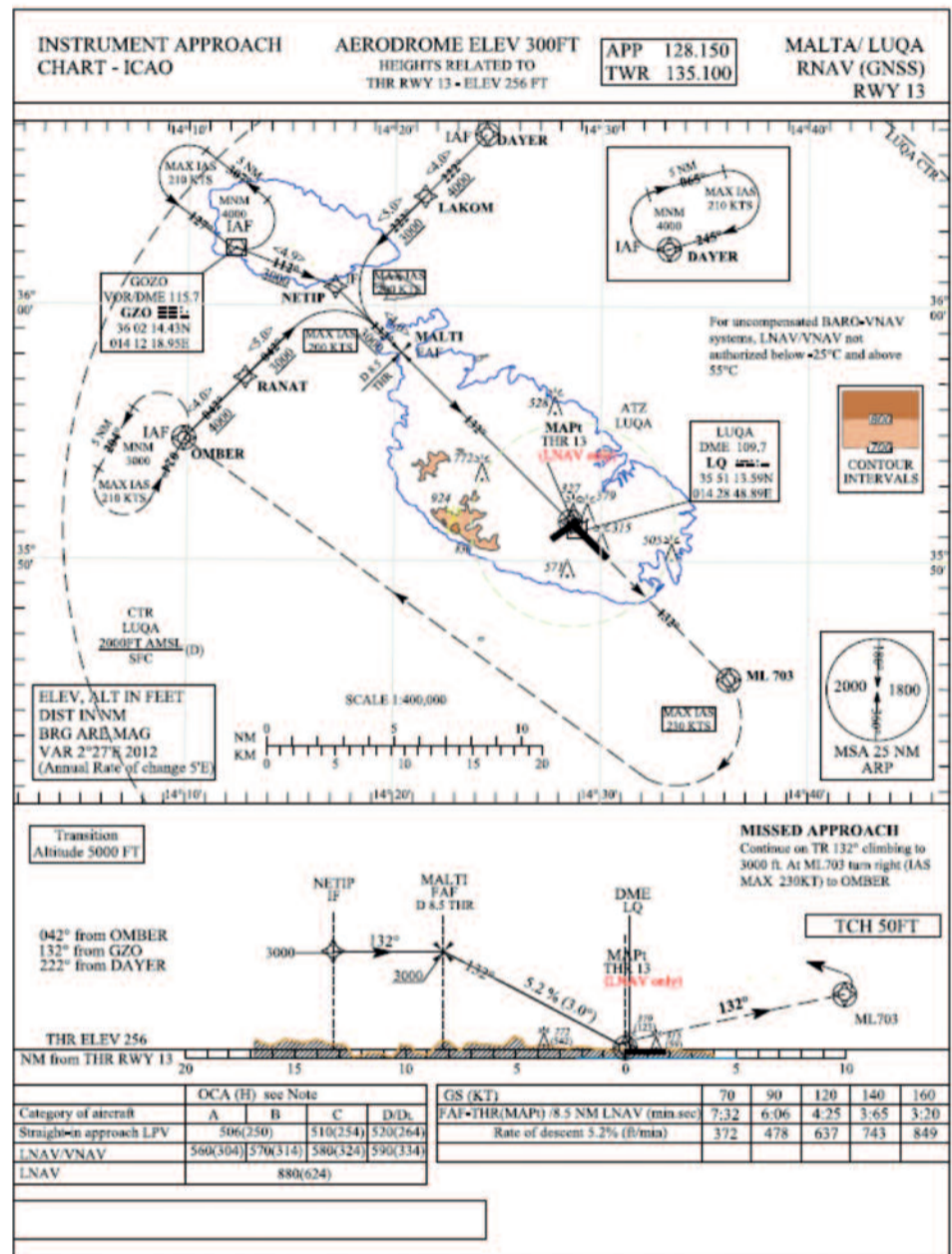
RNAV approaches have been made possible by the widespread availability of high performance RNAV systems on all types of aircraft and in particular by the use of the Global Navigation Satellite System (GNSS).

Studies have shown that safety is improved by providing pilots with better situational awareness than on conventional Non-Precision Approaches, thereby reducing the risk of controlled flight into terrain. Better access can also be provided to runways that are not equipped with precision approach and landing systems such as an ILS.

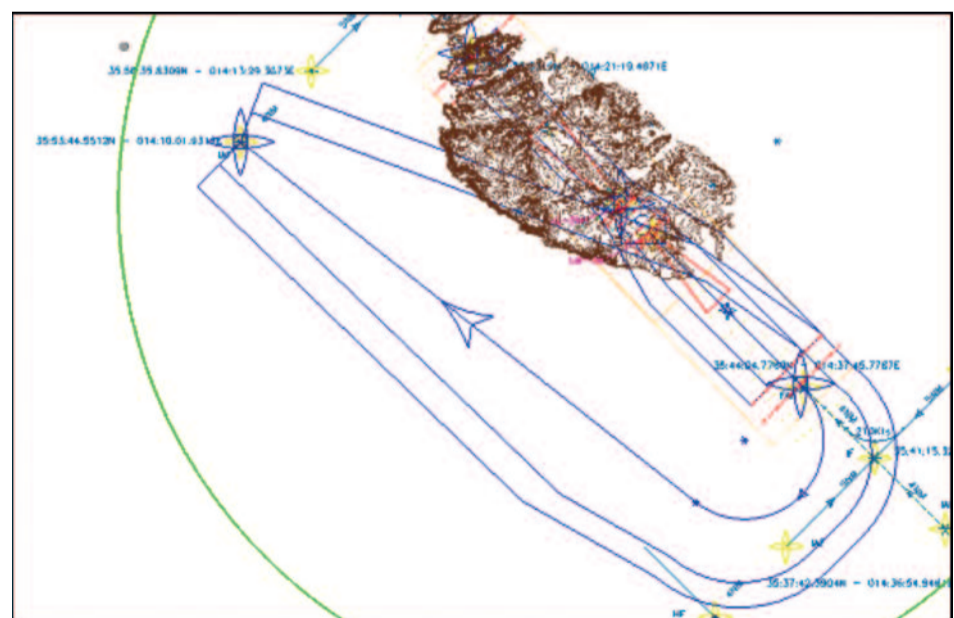
In July 2016, the RNAV approach trials for RWY 13/31 were concluded and flight-validated, and are planned to be implemented in 2017.

CO-FLIGHT AS A SERVICE (CAAS) PROJECT

The trials in connection with the Co-Flight as a Service (CaaS) project were conducted in conjunction with ENAV in November 2016 with a successful outcome. Two pseudo controllers from the shadow room in MATS communicated with pseudo pilots in Rome. ▶▶



Procedure design chart (top) and diagram for take-offs and landings in Malta



SECTION REPORTS

Operations CONTINUED

◀ Scenarios previously prepared were run through the FDP in Rome connected to the CWP in MATS through an internet connection protected by a firewall. Controllers gave instructions to pilots and gave simple FDP commands that were acknowledged and appropriately represented on the CWPs after processing by the FDPs.

All this fulfilled the proof of concept. The result should serve as the basis for more complex and supportive remotely-provided FDP systems.

An evident issue highlighted by MATS participants concerns the delay and system confirmation on the CWP following a controller command. The delays run to seconds and would surely be unacceptable to controllers who are used to immediate system response. This was not due to network latency but more to the implemented logic that timed the reply with the radar scan update. Obviously, other issues such as cost, fall-back and redundancy would need further careful thinking and consideration.

MATS has fulfilled its primary objective and kept its promise to support ENAV in the trials.

CAPITAL PROJECTS

Most of the scheduled works at MIA were completed, including those on taxiway Whiskey.

No other major infrastructural changes were made on the operational side of the airfield.

A new project, the construction of a new vehicular road along the airport perimeter that will bypass the threshold of Runway 23 will increase safety and

promote a better flow of vehicular traffic. Traffic lights will still be required to hold vehicles when Runway 23 is used by Code C aircraft. No dates for this project have been announced as yet.

MALTA INTERNATIONAL AIR SHOW

In 2016, a decision was taken by the authorities to move the Malta International Air Show away from the airfield. The chosen location was Smart City, which is located on the east coast, thus requiring the display to be performed over the sea.

MATS's contribution was to create specific procedures and support the safety assessments for this event with the objective of finally providing an ATC service for air show participants while handling the usual commercial operations.

Although the relocation presented the additional challenge of creating new temporary procedures for the event, this location was eventually less problematic where aerodrome operations were concerned since the display area was deemed separated from arrivals and departures on the main Luqa runways (13/31). This resulted in a better flow of commercial operations with the least possible delay during most of the displays.

VACANT POSTS

In 2016, the Ops Section saw a major decrease in its senior management with the retirement of the Senior Head Tower and the re-engagement of the Senior Head ATM System into ATC operations. These positions remained vacant until the end of the year.

SECTION REPORTS

Technical

The Technical Support Section gives all the necessary logistic support to Air Traffic Operations relating to Communication, Navigation and Surveillance. ICT, general projects and civil works projects also fall under its remit.

MANAGEMENT

Holistic learning

Following the reorganisation of Technical management in 2015, an exercise in succession planning was conducted in 2016 since several members of the Workshop community are due to retire in the next five years. New entrants with a minimum entry level of MQF 5 joined the ATSEP team.

All new ATSEP trainees had to successfully achieve the Common Core Certification, plus two Certifications at Qualification Level. One of the Qualification courses deals with the Human Factor and the second covers specific Technical subjects in the domain to which the individual ATSEP trainee was assigned.

Training

The third and final cohort of the ATSEP Technical team successfully underwent Common Core Content training related to ATM. This completes the project to have all qualified ATSEPs certified in line with present regulations.

All suppliers deliver 'On the Job Training' on the system used at MATS. Additional refresher training has been organised to improve the service and response provided by the Technical section to Operations.

Additional development courses have been identified to enhance the understanding of the section on how




systems work. A typical course is the CISCO CCNA course with an internationally recognised certificate in IP networking. IP networking is the technology used on all systems used in air traffic service provision. Thus, it is important to have a fundamental understanding of the technology both in the present context and that of the foreseeable future.

COMMUNICATION, NAVIGATION AND SURVEILLANCE

Conversion to IP

One of the significant projects undertaken during 2016 was the elimination of all analogue lines – ground-to-ground communication – between local sites and adjacent ANSPs. These obsolete lines are all being converted to digital lines, using primarily Layer 2 IP technology.

All lines between MATS and ENAV (Italy's ANSP) in Ciampino, Rome, were installed and put in operation in 2016. Once the two new separately redundant 

SECTION REPORTS

Technical CONTINUED

← IP lines of communication were established, a long process of analysing the performance of each line started. A number of analogue lines were converted to IP via highly specialised gateways. Moreover, VOIP was also introduced for ground-to-ground voice communication between the Tower in Malta and the Tower in Ciampino.

MATS has teamed up with CADMOS, who are experts in the field of design, to implement the technology required for these IP lines between the two ANSPs. They provided professional support throughout the process right up to the installation of the gateways at both sites.

The same process was started to install four similarly protected IP lines with the Greek ANSP, HCAA in Athens. The physical installation of the IP lines has proven to be lengthy since two of the protected IP lines need to be terminated in very remote locations in Greece.

Voice Communication System

A few weeks after launching the Voice Communication System in Operations, some teething

problems were encountered. The problems were intermittent and difficult to resolve. The supplier was called in to assist in identifying the source of the problems. Once this was identified, the problems were verified and resolved.

The MATS PABX system, previously installed in 2015, has proven to be very important to the new VOIP Voice Communication System since all automated dialling from the VCS is done using the new PABX.

In parallel to the VCS, a new recording system was also installed. This new recording ISS system has many advantages on the outgoing system. It uses the latest recording technology and has a highly flexible architecture through its distributed recording. It is modular and easy to expand. The same system will be used to record the video of the new ATM System.

NavAids

MATS managed and completed a €1.5 million project involving the replacement of two Instrument Landing Systems (ILSes) on the airfield. The ILSes are owned by Malta International Airport but maintained by the Technical Section of MATS. →



SECTION REPORTS

Technical CONTINUED

◀ The specification definition stage of this project started in 2015. The Factory Acceptance Testing was carried out at the supplier's premises. The project was successfully completed using a two-month calibration testing of the two ILSs that started in October, 2016.

MATS takes part in the BlueGNSS. The drivers at MATS are the Operations Section, with support from Technical. Initial trials were successfully conducted in 2016.

AMHS

MATS has organised on-site demonstration meetings with the top three suppliers of Aeronautical Message Handling Systems (AMHS). A new AMHS, based on IP technology, is required to replace the Aeronautical Fixed Telecommunication Network (AFTN), which is based on the obsolete Sub-E1 technology.

BlueMED-wide data link

This air-to-ground data link facilitates a function in the new ATM System, the Controller Pilot Data Link



Communication (CPDLC), an alternative means of communication between the ATCO and the pilot. Instead of voice, communication is done via a digital message similar to text messaging (SMS).

Where the system differs from SMS is that most of the messages are pre-coded. Although there is less distraction for the pilot, the technology requires further development to have the CPDLC function reliably. Due to the length of the Maltese FIR, there is limited reach in the Eastern sector and thus a ground station is needed in Greece.

So, the decision was taken to make this a BlueMED-wide effort to ensure uniform implementation across the four states.

SURVEILLANCE AND DATA PROCESSING

Dingli Radar

In 2016, plans were put in place to replace the primary radar at Dingli. During a Technical meeting, it was agreed that this project would look beyond the replacement of the primary radar and take in a full refurbishment of the entire site.

All pending items related to this site would be tackled. Construction work was required in relation to the new primary radar since the door leading to the radar hall was not big enough to allow the primary radar to be installed.

A raised floor was required to enable the primary radar to take in conditioned air from below it, whereas the previous model could take in the air from the immediate vicinity.

On the other hand, the equipment rack of the new radar in the adjacent hall is higher than that of the current radar. The antenna was retained and ▶▶

Technical CONTINUED



underwent maintenance, including lubrication and refurbishment of the bearing.

The specifications for a new UPS were set in 2016. This is to handle not just the radar (as was the case with the old UPS) but all ATM-related equipment, including ground-to-ground communication between the Tower and Dingli.

The back-up generator system is also being upgraded, with a two-generator set-up similar to that at the ATC. The design is ready but this requires infrastructure changes to the generator room to house the two generators. That activity started but the installation of the generator will overflow into 2017.

One of the generators previously in service at the ATC will be used as the second generator, once it has been refurbished. This still has a life expectancy of at

least 10 years since it was not used continuously and months would go by when it was only used for an hour at a time during maintenance.

With the introduction of the new UPS and the two-generator system, the entire site is being rewired to cater for UPS and non-UPS distribution networks. Two large manual switch boxes were also installed so that the site will continue to be used before being switched to the new distribution network. For the first time, a fire suppression system is being introduced on site. Research on the options available was carried out in 2016, with the work on the chosen system, the aerosol type that does not create high pressure, overflowing into 2017.

ATM Upgrade

The Technical Section's focus throughout 2016 was to make sure that the new ATM system would

SECTION REPORTS

Technical CONTINUED

◀ be ready when MATS started the process of bringing the system into operation in 2017. There was some purely technical activity, like the fine-tuning of the ARTAS Tracker, which takes data from the various radars and puts them into a single track. Members of the Technical team analysed how the data is received, how much delay there is from the moment it leaves the radar site to the time it arrives at the ATC, and the ARTAS was fine-tuned so that it would recognise the characteristics of the message from the source. Data from the new radar at Fawwara was also involved in this testing.

Whereas the original plan for the switching of the old system to the new one was to take out some cables, a neater approach was taken so that all that is needed is to go on the computer and instruct it to change the direction of data. Practically within seconds, it will change over from one system to another. The same approach is being taken for switching the video data.

The network of the ATM System itself was expanded to accommodate the changes implemented that increased the load since there are more links and more outputs. This gives MATS greater flexibility for any future ideas it may want to implement. The efficiency in handling requests from the Controllers was increased. Whereas with the old system it could have taken a week, with the new system there is instant access to the recording and written messages.

There was a shakedown trial of the new system to enable the additional functionality to be tested before Shadow Mode began. The Ops Section could carry out their own analysis since they could also assess the quality of the image they were receiving. At the same time, the Statistics and Billing system had a shakedown for these to be analysed to ensure they were according to requirements. This is progressing well and all works are on schedule.



M-NET

The network that carries any ground-to-ground communication from various sites and even with neighbouring ANSPs, M-NET, is growing slowly. The network was designed in 2016 and the test bed was completed. The focus will extend to the Dingli site in 2017.

The network is the foundation of any future technological development at MATS, enabling it to go to the next level, from the simple transmission of messages between sites to a full QOS (quality of service) on the communication in hand through monitoring and recording.

With this new initiative, a group of five people started to attend training at a local Cisco-recognised training centre on the network, a worldwide-recognised standard, so that more people can analyse and understand the behaviour of each channel. Each course lasts six months. It started in November and will be completed at the end of April, 2017.

In 2017, communications with Dingli station and the link with ENAV at this QOS level will be in place. To date the technology permits a lower level of QOS ▶

SECTION REPORTS

Technical CONTINUED

← where the end units communicate with each other and then send a message. The next level is to prioritise those messages depending on circumstance.

INFRASTRUCTURE

Ops Room air-conditioning

The air-conditioning system in the Ops Room was replaced. This was a complex job because the works had to be conducted while allowing the Ops Room and the adjacent Equipment Room to continue working at all times.

It took a month for the three chunky A/C split units to be changed, starting in January, 2016. Scaffolding was erected and the work area shielded to have as little dust as possible.

Power autonomy at ACC

The project to introduce two standby generator units for the ACC was completed. These were needed after MIA decided to discontinue servicing a generator they had at Tal-Handaq in 2015, which provided back-up to the western side of the airfield.

The supplier provided a reader with which four days of data on the peak demand at the Tower was



collected and analysed to assist in identifying the size and characteristics needed of the new generator, along with the automated change-overs and the alarms needed in the workshop. The two new units are located in new rooms below the training centre on the airfield side.

Since being installed, the standby generators have been used. Tests are still being carried out, along with the regular maintenance, and the units will be used with increased frequency to ensure they are working properly.

New ACC project

Two neighbouring ACCs in Ljubljana, Slovenia, and Bratislava, Slovakia, were visited to share best practices. One idea that is being taken on board in the new project is for the Equipment Room to be built with a raised floor high enough for a person to walk comfortably underneath it.

Another idea was on the sealing of the Equipment Room at the point of entry of all cables.

Time was also dedicated to preparing the tender to identify the designers who will prepare the specifications of the structure in line with MATS requirements.

SECTION REPORTS

Projects Co-ordination Office

The Projects Co-ordination Office (PCO), established at Malta Air Traffic Services in 2015, aims to fill gaps in human resource allocation when it comes to the handling of major/complex projects, in particular those at EU level, and diversification possibilities.

These joint EU-funded projects, often through the Single European Sky initiative (SESAR) and under the Connecting European Facility (CEF)/Horizon 2020, involve new business opportunities in an ever more competitive and less protected environment.

The Projects Co-ordinator liaises internally with all the sections at MATS and, thanks to the co-operation of all involved, achieves the results from which the entire company benefits.

One of the most ambitious projects MATS is involved in, which is still in its initial stages, is on ground-to-data link communication (AGDL). This is a highly



intensive, multi-million-euro project, which has a February, 2018, deadline.


The project is divided into four stages. Two streams have to be completed by February, 2018, and the other two streams need to be completed by 2020. The Technical Section will eventually steer this project.

The three-year BlueGNSS project, awarded in December, 2015, is half way towards being completed. It is led by the Italian ANSP ENAV and is challenging aeronautical issues like the currently popular PBN. Thanks to the work by the Operations Section, Safety, Quality and Security, and the Technical Section, MATS continued working on its Work Packages.

The project has reached the phase where the ANSPs are preparing for its deployment in 2018 towards further Recommended Practices and eventually Standards in the industry.

MATS was represented at the World ATM Conference and Exhibition in Madrid at a meeting on Co-flight as a Service in which it made a presentation and for the first time signed a Working Agreement with the European Satellite Service Provider (ESSP) towards the EGNOS (European Geostationary Navigation Overlay Service). This marks a gradual switch by MATS to satellite service provision, in line with future trends.

COLLABORATIVE PROJECTS

TACO – Take Control, with Deep Blue and the University in France – ENAC, another European Union project, is almost at the half way stage. Malta has made great progress and will be presenting its scenarios in Rome, Italy, in July 2017, to the SESAR 

SECTION REPORTS

Projects Co-ordination Office CONTINUED



Deployment Manager. TACO is dealing with issues of automated taxiing, providing a dove-tailed process that would facilitate the controller's forward thinking, also in anticipation to A-CDM (Airport – Collaborative Decision Making), among others.

MATS has applied for two projects in consortia related to research on drones, an issue that is a worry to Europe and the aviation industry, as part of the SESAR initiatives. The company is also in consortia for another three projects in which it is contributing to a single Work Package. It is also still working on the Clean Flight II project, led by the University of Malta, which aims to bring in new, improved procedures for descents and climbs to our airport, bringing along fuel saving to MATS customers and hopefully efficiency to both players.

NEW ATC CENTRE

The bubble plans for the new Air Traffic Control Centre have been completed. These give an indication of the direction MATS wants to take with this ambitious project. The results of the geo-

technical testing, commenced in December, 2015, were positive: there is a rock base and the site can be excavated to the required depth.

In November, 2016, the tender was awarded to QP Management for the design, technical drawings and supervision of construction of the new building. This was a MEAT (most economic advantageous tender), which is a more complex tender, more rigorous and more time consuming, but ensured that each tender bid received would reflect the high expectations of MATS on the quality of work required.

Progress is being registered on the site plans. The site dimensions have been increased to 50 m by 75 m to better accommodate the ramps needed to access the lower levels of the building and to facilitate the work of the Technical people. Tender documents are being prepared for the excavation and, in quick succession, for the construction of the new ATC Centre. Once the technical drawings have been finalised, they will be exhibited in all sections of the company to enable members of staff to give their feedback.

SECTION REPORTS

Projects Co-ordination Office CONTINUED

← Meetings are also expected to start in 2017 with external stakeholders, including the authorities for fire and rescue; Enemalta for the electricity requirements; and the Water Services Corporation for water and drainage. However, meetings with Aviation stakeholders have been on-going since 2015.

Another site has also been cleaned up: a 1,000 m² yard at Bengħajsa was cleared of material that had accumulated for over 10 years. MATS is looking into the feasibility of a long-term project to retain all of the company's analogue equipment, which will soon be decommissioned, and put it on public display for the benefit of future generations.

OFF-SITE REFURBISHMENT

Works continued at the former COMCEN building near Gate 1. An area of 62 m² has been cleared, with a total area of some 200 m² set to be refurbished. These premises are currently being rented out to three aviation schools at low rates as part of the company's corporate social responsibility to support the aviation training industry locally.

ENVIRONMENT POLICY

A company-wide Environment Policy is to be introduced. This was drafted in 2016 and is expected to be published in 2017. This is also a first for the company. There is a lot of work that needs to be done to consult all the stakeholders but good progress is being registered.



SECTION REPORTS

AIM and Training

Preparations for the new Air Traffic Management system, the most important project currently being undertaken by the company, continued in 2016 before an intense period of training started on the simulators and in the control room in November. This training went on for seven days a week from 8.30 a.m. to 5 p.m. with only a fortnight's break for Christmas until the end of the first quarter of 2017.

After a group of Controllers received training in 2015 and each Technical person involved in the new ATM also underwent training, in 2016 all efforts were devoted to the training in this system so that the Controllers would learn about it, become familiar with it and gain all the necessary confidence in its use.

This applied to the three sections linked with the system: Operations (the main users); the Technical Section, which had to be trained in the new architectural set-up of the system and how to maintain it; and the Flight Data Support Unit (FDSU), which is responsible for keeping the system's Flight Data Processor content up to date with actual flight plans.

Apart from every Controller and Radar Controller, six pilots were involved in this extensive and intensive training. Every Tower Controller was also given a limited amount of training – 3 to 4 hours, since there are only a few new aspects of their work that were impacted by the new system.


The training was divided into two parts: a large part of it was done on the simulator to present them with scenarios they may need to deal with in real life in a controlled environment, including how to react when they receive certain warnings; and to foster confidence in the system. They spent the last three weeks of their training on the system itself, using it without controlling any aircraft.

The system was live, receiving data from the radars and other sources, but there was no outgoing voice communication or signal communication so trainees could neither communicate with the aircraft to instruct them to change course nor send out a wrong message. They were safe in a contained environment so they could become accustomed with the system and try to get it to crash, which gives them enormous confidence, knowing that the system is resilient or finding out that they had certain issues that needed to be addressed.

EXPANDED SIMULATOR TRAINING ROOM

The simulator training room was expanded and totally refurbished with new flooring and ceiling finishes, redimensioned walls, new training tables and completely new equipment. This was in conjunction with the new IT system that was installed, with the PC towers and servers located in a dedicated room in a controlled environment that is fully air-conditioned, enabling the trainees to work remotely. The only drawback is that they cannot be used concurrently. Either one simulator or another can be used but not together.

In 2016 there was a re-engineering of all the exercises according to the updates received for the new ATM system. Live radar data is received and modified so that the Controllers see what the trainers wish them to see: warnings that require a certain mode of action, thus enabling them to acquire the skill to deal with these situations and their interaction with the system.

There are three simulator positions and a fourth for data preparation. Here, any position can be a pilot to any position in the other cell. One position can be the pilot for the approach or the other can be the pilot for the approach. Plus two positions can be 

SECTION REPORTS

AIM and Training CONTINUED

← combined and made one pilot for when the need arises. Both the West and East approaches can be combined with positions for a planner and an executive controller.

Two Simulator Co-ordinators were present at all times programming, so that they could address anything that was not working, plus another person to play the 'pilot' with them. This was all so that the Controllers could build up the required hours of training for them to familiarise themselves with the new system.

If a Controller had three validations, he had to do between three and four exercises on the simulator. There were three or four controllers training simultaneously, so a lot of exercises had to be generated to get them up to speed. The Training Section did whatever it was asked to do. The staff got the required exposure.

As the training progressed, modifications were made to address issues raised by the Controllers. Certain functionality was found to be more of a hindrance and could be replaced. Shortly after the training

began, shadow operations started, that continued into 2017.

SKYGUIDE TRAINING

In 2016, one Controller did Rating training from Tower to get the Approach rating and the regular Unusual Occurrences training.

All the Controllers were sent for training to a company called Ingenav, owned by a Maltese in Spain.

There was other training for the Technical people on the ILS and there was ILS implementation.

One person went for IDQIM training, and three went for MHS training. Training was constantly being rescheduled due to the intense focus on the new ATM system. This also affected the new entrants over the past two or three years.

SEE TABLE



SECTION REPORTS

AIM and Training CONTINUED

COURSE	Persons Attending
TECHNICAL	
SUR-ARTAS-LTWO	1
GNSS	1
ATSEP XMG	3
ATSEP SYS ARC CMS, REC & PLB	10
ATSES MSSR S	10
ATSEP BASIC	11
ATSES MSSR M	11
ARTAS REFRESHER	19
ATSEP ILS	21
SQS	
SAFETY MANAGEMENT TOOLS SMT CCB8 AND SMT UG2	1
EUROPEAN ATM SAFETY CULTURE PROGRAMME 9th EUROPEAN WORKSHOP	1
GENERAL	
RWY, TWY, APRON PLANNING AND DESIGN (ICAO ANNEX 14)	1
MENTAL HEALTH FIRST AID COURSE (MHFA)	3
OPERATIONS	
APS (APPROACH SURVEILLANCE RATING)	1
APP UNUSUAL SITUATION SIMULATIONS	3
APP ACS UNUSUAL SITUATION SIMULATIONS	4
TWR APP UNUSUAL SITUATION SIMULATIONS	8
TWR UNUSUAL SITUATION SIMULATIONS	9
TWR APP ACC UNUSUAL SITUATION SIMULATIONS	28
OJTI REF	18
ASSESSOR REF	4
TRM	54
NEW ATM SYSTEM TRAINING	54
TOTALS	276

SECTION REPORTS

Safety, Quality and Security Management

The major development in 2016 at the SQS Section was the achievement of ISO 9001-2015 certification in November, two years earlier than mandated.

The SQS Section head attended a symposium in Manchester on 19 November, 2015, with the theme 'The transition to the new ISO 9000 standard' in which the introduction of a business risk assessment in any project the company plans to undertake was outlined with clear guidelines and case studies. This included financial risk assessment, whether the company has the tools, capabilities and competencies to successfully execute the project, and knowledge management processes.

Bureau Veritas (BV) sent over its auditor, Simon Clark, in July 2016 to conduct a gap analysis. The SQS team drew up a plan showing the major milestones and prepared all the necessary

documentation in all the sections. In addition, they created the entire business risk management process. Mr Clark informed the company that it was on the right track to achieve certification.

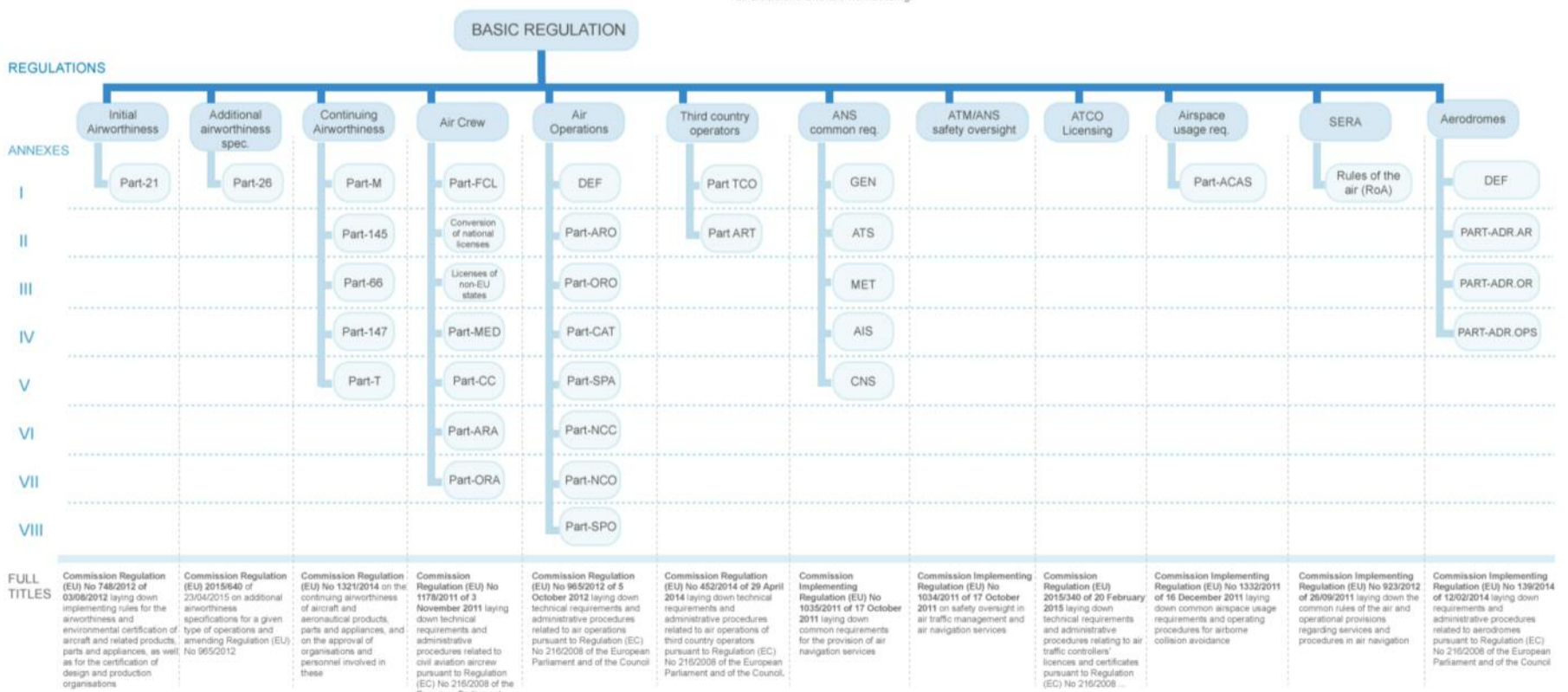
Part of the preparation for the new ISO 9001-2015 included conducting awareness sessions for all employees. Some of these sessions were delivered during the normal briefings on safety awareness and occurrence awareness for the staff. This section has always believed in the 'everybody knows' policy. Management was involved all the time and was given regular presentations on the situation.

The company's internal auditors were sent for training on the new ISO at the Malta Competition and Consumer Affairs Authority. This was followed up with a session delivered by the Head of the SQS Section specifically designed to cover ANSP requirements. ▶▶

Regulations Structure

Each Part to each implementing regulation has its own **Acceptable Means of Compliance and Guidance Material (AMC/GM)**. These AMC and GM are amended along with the amendments of the regulations. These AMC/GM are so-called 'soft law' (non-binding rules), and put down in form of EASA Decisions. A comprehensive explanation on AMC in form of questions and answers can be found on the FAQ section of the EASA website.

Furthermore, **Certification Specifications** are also related to the implementing regulations, respectively their parts. Like AMC/GM they are put down as Decisions and are non-binding.



SECTION REPORTS

Safety, Quality and Security Management CONTINUED

← Mr Clark returned for the BV audit in November, spent a whole week at MATS and carried out an in-depth audit, checking all the documentation and visiting all the sections. Once again, the new certification was issued without a single non-conformity. This is the tenth year in succession that the ISO certification has been issued without a single non-conformity.

The Head of the SQS Section has given presentations on the way MATS worked to prepare for the new ISO certification to other ANSPs during the CANSO annual business excellence working group (BEWG) meeting at the CANSO office in Amsterdam.

NEW COMMON REQUIREMENTS REGULATION

The new Basic regulation planned to replace several SES regulations was released during 2016 and later on withdrawn due to several issues and errors in the regulation which required further review. New inclusions in the regulation include the common core content for ATSEPs, fatigue risk management and other provisions that were introduced for the first time.

The new regulation will be implemented gradually, giving all stakeholders a time buffer for preparation and adjustment, and it is expected that the regulation will be fully effective on 1 January, 2020. This is all a works in progress and more will be reported on the subject in next year's report.

JUST CULTURE PROSECUTORS' WORKSHOP

For the first time in its history, MATS organised a Prosecutors' Workshop in Malta in conjunction with Eurocontrol, which brought over its roadshow aimed at promoting the Just Culture. Some 35 delegates attended the workshop, including Dutch, English and



Italian prosecutors, Italian, Greek and Cypriot judges who attended under the BlueMed umbrella, representatives from the Civil Aviation Directorate (CAD), the MATS team of safety investigators and the Hon. Mr Justice Judge Dr Giovanni Grixti, LL.M, LL.D, from the Maltese judiciary.

The Attorney General's Office was represented by Dr Mireille Sacco, who has been assigned to support MATS in the just culture domain and also to assist MATS in communicating with the judiciary on the subject matter. The Malta workshop was restricted in numbers on Eurocontrol's request to give the judges and prosecutors the opportunity to talk among themselves, to allow the investigators to ask questions, and to allow all parties the time to deliberate and provide ample opportunity for the necessary brainstorming. →

SECTION REPORTS

Safety, Quality and Security Management CONTINUED



◀ In 2016, former MATS CEO Carm. Vassallo and the Head of the SQS Section had held a meeting with His Honour, the Chief Justice Dr Silvio Camilleri and the Hon. Mr Justice Grixti on Just Culture in the aviation business. At the same time MATS also started working with the Attorney General’s office on the same subject. It is thanks to AG Dr Peter Grech that Dr Sacco was identified. She has since attended meetings and workshops, sponsored both by Eurocontrol and MATS.

MOTAP PROJECT

A lot of work was done in 2016 in connection with Regulation EC2015/340 on the Training organisation and ATCO competence, a project named MOTAP. The documents named UCS and UTP (Unit Competence Team Retraining Plan) were published in December 2016 and accepted by the Regulator after a thorough process checking against the regulation and its AMCs and GM provided by EASA. Once the process was concluded and the MATS Training

Section was provided the green light, a new certificate was released by TM-CAD approving MATS as an ATCO training organisation covering all requirements coming from EC 2015/340.

The European Aviation Safety Authority (EASA), meanwhile, paid the Regulator a visit to see what was being done to prepare for the switchover to Regulation EC2015/340.

BLUEMED SAFETY WORKING GROUP

Early in 2016, the BlueMed Air Navigation Service Committee (ANSC) approved a procedure, drawn up by the SQS Section of MATS, completed with the support of the other members of the BlueMed Safety Working Group, on joint Safety Performance Analysis of the BlueMed Functional Airspace Block (FAB).

Having a standard safety assessment process for cross-border changes was a breakthrough. ENAV and MATS combined their procedures and the new process has been mostly implemented by Italy and ▶

SECTION REPORTS

Safety, Quality and Security Management CONTINUED

← Malta, with Cyprus following suit, and Greece too.

The BlueMed Safety Working Group also launched the process of Safety Performance Gathering between the BlueMed states, with the SQS Section at MATS responsible for driving the preparation of the necessary procedure and templates.

The FAB Safety Policy is approved and in place while the FAB Just Culture policy is in its final drafting stages. The drafts are being finalised with ENAV taking the lead, supported by MATS and to a lesser extent by Cyprus and Greece. The exchange of documentation with the BM-NSA committee was led by Cyprus, based on joint work from Cyprus, MATS and ENAV.

2016 was a year of testing for the eTOKAI software for the occurrence reporting and investigation process. The testing of this tool, designed to meet all requirements of EC 376/2014 for occurrence reporting and investigation, is almost completed. This includes also testing on a common portal with ENAV for cross-border occurrence reporting using eTOKAI. There are some issues with certain templates that are expected to be resolved by June, 2017. Afterwards, MATS intends to switch completely to the eTOKAI process.

EXCHANGE OF SAFETY DATA

Letters of Agreement (LoA) have been signed between the SQS Section of MATS and several entities, including airlines, aircraft operators, flying schools and other entities, on the exchange of safety data. It is in the process of doing so with ENAV and MIA.

In this way, safety data circulated to disseminate lessons learnt is being protected while both parties are using it for the benefit of protecting the safety of operations.

EFFECTIVENESS OF SAFETY MANAGEMENT

MATS is anticipating that it has retained its 82% position on the Effectiveness of Safety Management (EOSM) in 2016, with the EASA process being identical to what it was in the previous year. In terms of the newly named Standard of Excellence of Eurocontrol and CANSO, which is completely new and with a completely different weighing system, one cannot compare it with the legacy EOSM and the new levels achieved after completing the new, much more complicated questionnaire are expected to go down for all ANSPs participating in the SoE. This questionnaire requires much more effort to complete.

To enable it to conform with the new SoE and the regulatory requirements coming in from EASA and ICAO, in 2016 MATS started working on the drawing up of a new policy on fatigue risk management in collaboration with the ATCO and ATSEP associations. This work is still in its initial stages and is expected to be given full attention during 2017.

TWO UNUSUAL EVENTS

In 2016, two unusual events took place in quick succession – barely two months apart: the Metroliner accident on 24 October, in which five persons died, and the Libyan hijack on 23 December. There had not been an accident at the aerodrome or a hijacked aircraft that landed in Malta for over 30 years. →

SECTION REPORTS

Safety, Quality and Security Management CONTINUED

 In the first unusual event, MATS co-operated fully with the Board of Air Accident Investigation (BAAI) and the judiciary conducting the magisterial inquiry in the handing of legal data, including data, recordings and transcripts as required. The Senior Head of the SQS Section and the ATCOs involved were summoned to Court to give evidence under oath on several occasions as necessary.

The services of the company's lawyers were used to give support to all involved MATS staff who when summoned to court. In both situations, MATS intends to take lessons learnt to further consolidate and update its procedures in areas where there could be further improvement, although where immediate action was called for it did what was necessary straight away as expected from European ANSPs.

AIR SHOW

The Air Show in 2016 was held at SmartCity, with aerial displays taking place over the sea on Malta's south-east coast. MATS conducted the ATC safety assessments needed, and also supported the safety assessment conducted by the air show organisers on the activity covering all aspects, including public safety and other issues impacting this important activity in a holistic manner.

MATS gave a lot of support in this safety assessment and the safety assessment in place on the air show's organisation is dovetailed to reach the aim that there is a safe air show. Because for the first time the air show was held over the sea, the Civil Protection was involved in a different manner, with specific plans drawn up on the role of the Maritime Squadron, the Police and where the ambulances were placed to ensure a quick exit from SmartCity in the event of any accident. These completed safety assessments are the baseline for future air shows.


NEW REGULATIONS ON OCCURRENCE REPORTING AND INVESTIGATIONS

All the preparatory work related to meet the requirements of Regulation 376/2014 was completed in 2016. The regulation relating to occurrence reporting and investigations was changed completely. This included a new supporting regulation, EC 1018/2015, which includes a list of reportable occurrences. MATS had to review all its documentation to see that it met all the requirements of the new regulation.

Thanks to hard work from the SQS team, with support from the investigators, the process was concluded. The ATCO and ATSEP associations were kept fully informed on the changes being introduced. The revamped ORIPS document was finalised at the end of the year and was ready for approval by the Regulator early in 2017. It will be eventually distributed to all staff as necessary.

LARGE SAFETY ASSESSMENTS

The most taxing safety assessments were those of the new Instrument Landing Systems (ILSes) and the new Distance Measurement Equipment (DME) of runway 13/31. Two ILSes were changed covering both RWY 13 and 31 and the DME of runway 13. The DME of runway 31 was changed in 2015. The added challenge in 2016 was the burden of responsibility for the safety assessment to be conducted by MATS for equipment owned by MIA. The co-ordination process between both organisations worked perfectly and it bodes well for future co-ordination with MIA on such big projects.

The most complicated part of the safety assessment related to works that had to be carried out in October when there is a lot of traffic and there is also the possibility of inclement weather. 

SECTION REPORTS

Safety, Quality and Security Management CONTINUED

← This was a very big job because aircraft were still taxiing for take-off while work on the localiser antennas was ongoing. Staff was managed in a synchronised manner to ensure that they would not be exposed to jet blast, making the scrupulous management of human resources essential.

This was a safety assessment that once again tested MATS’s capability in this area. It went well, with everything done according to a pre-determined checklist and thanks to everyone’s contribution: Operations, Technical in large part and MIA who followed MATS’s safety assessment recommendations and safety requirements in a very thorough manner.

The shakedown of the ATM was held in March, 2016. It was a complete success and that was the green flag that initiated the process to move to shadow operations in the following months.

With the start of the summer season, there was a slowdown in training. The training was resumed in October 2016, leading to the shadow operations planned for 2017. The technological requirements and procedures were all practically in place, and work was ongoing to refine the planning and preparing the heavy logistics needed to initiate shadow OPS and eventually to move to full operational capability.

Another complicated safety assessment conducted in 2016 was the FRA – Free Route Airspace safety assessment. As a result of FRA, which went into operation on 8 December, 2016, a lot of direct routing through Malta’s FIR is now being applied on a daily basis.

In November Malta hosted two large conferences: the EU-Africa 5+5 and the CHOGM. SQS conducted two complex safety assessments of these major international conferences. The government of Malta sought support from the RAF at the aerodrome to cover the security of these high-level conferences.

MATS gave both operational and technical support to the RAF. The safety assessment included the co-ordination and operation conducted between MATS and the RAF. The co-ordination worked as expected and the operation was seamless, achieving the agreed objectives.

INCOMPLETE SAFETY ASSESSMENT

Another safety assessment that started but has not been completed was the local safety assessment of BlueGNSS. Trials were conducted in 2016. The SQS Section conducted the local safety assessment in June, the first local safety assessment of its kind on the BlueGNSS among the BlueMed states involved in the project. The project is ongoing, and is linked to the INTRACT project being co-ordinated by the MATS Operations section, which is expected to kick off in mid-2017.

There were another 15 safety assessments, as well as a further 34 Rapid Risk Assessments (RRAs). A number of surveys were conducted, including:

February 2016	SQS SAF SUR 06-16 Why is ATM so safe?
March 2016	Background report covering works on the new standby generators
May 2016	The installation of a new Voice Communication System (VCS) at the MATS Air Traffic Control Centre
August 2016	Surveillance Performance Normalisation Survey
December 2016	Quality survey on the Installation works of the New ILS/DME for RWY 31/13



SECTION REPORTS

Safety, Quality and Security Management CONTINUED

← OCCURRENCES

2016 was the second year when there was not a single incident of separation minimum infringement and, for the second time in several years, the number of runway incursions on the hot spot areas decreased too. The mitigations introduced gradually in recent years left a positive impact. The culture of reporting

has improved greatly; still more work is needed to continue to improve in this area.

During the awareness sessions on the occurrences held at the end of each year for ATCOs and ATSEPs, the SQS team shares what was learnt and what changes resulted thereafter. The section makes sure that the feedback is given to everyone, giving the chance to all to share their opinions on the occurrences of the previous year.

OPERATIONAL OCCURRENCES

Type of occurrence	Number of occurrences
Runway Incursion	16
Laser	14
Non-adherence to ATC instructions	11
Taxiway Incursions	10
Bird Strike	8
Flares and Fireworks	7
Radio Communication Failure	6
Drones	4
Level Bust	3
Accident	3
Non-adherence to LoA	2
Runway Excursions	2
Hijack	1
Separation Minima Infringement	0
TCAS Alert	0

TECHNICAL OCCURRENCES

Type of occurrence	Number of occurrences
Communications	38
Data Processing	20
Surveillance	20
Navigation	8
Power	1
SEC	0
MET	0
Infrastructure	0
ARS	0
ICT	0



SECTION REPORTS

Safety, Quality and Security Management CONTINUED



OCCURRENCE REPORTS THAT QUALIFY FOR A RAT EXERCISE

Type of occurrence	Occurrences that qualify for a RAT	RAT severity C or above	Amount of RAT conducted with Severity C or above
ATM Specific	20	8	100%
Runway Incursion	16	3	100%
Separation Minima Infringement	0	0	100%

Class of occurrence	Number of occurrence
Accident*	3
Serious Incident	0
Major Incident	1
Incident	2
Occurrences without Safety Concern	178
Total Number of Occurrences	184

* 2 x VFR accidents – no fatalities

1 x IFR accident – 5 fatalities

*The accident falls under the BAAI jurisdiction, thus not investigated by the MATS SQS Section.

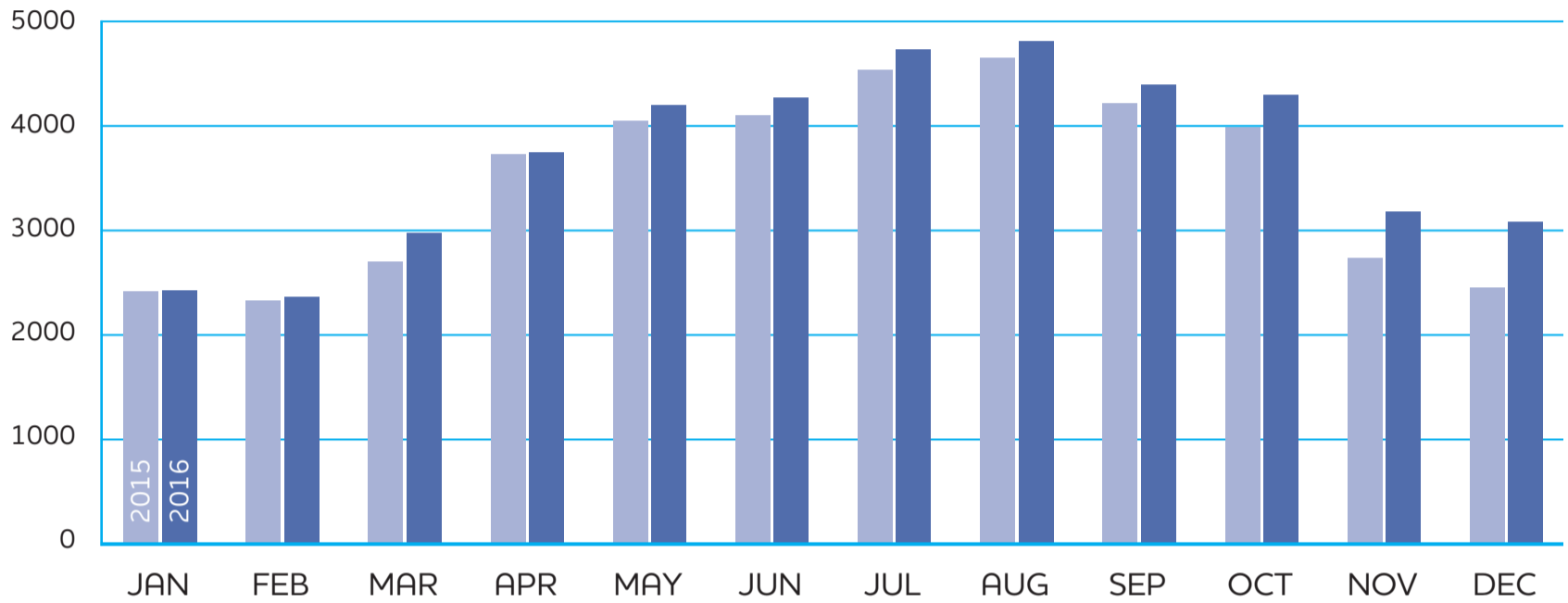
CRITICAL INFRASTRUCTURE PROTECTION (CIP) UNIT

The SH-SQS is the official representative of MATS on the Malta Critical Infrastructure Protection (CIP) Unit within the Office of the Prime Minister. Apart from attending meetings, the SQS section provides detailed data to enable the CIP Unit to quantify and measure risks at a national level and to know what is required to handle such situations in the rare eventuality of a calamity in the country.

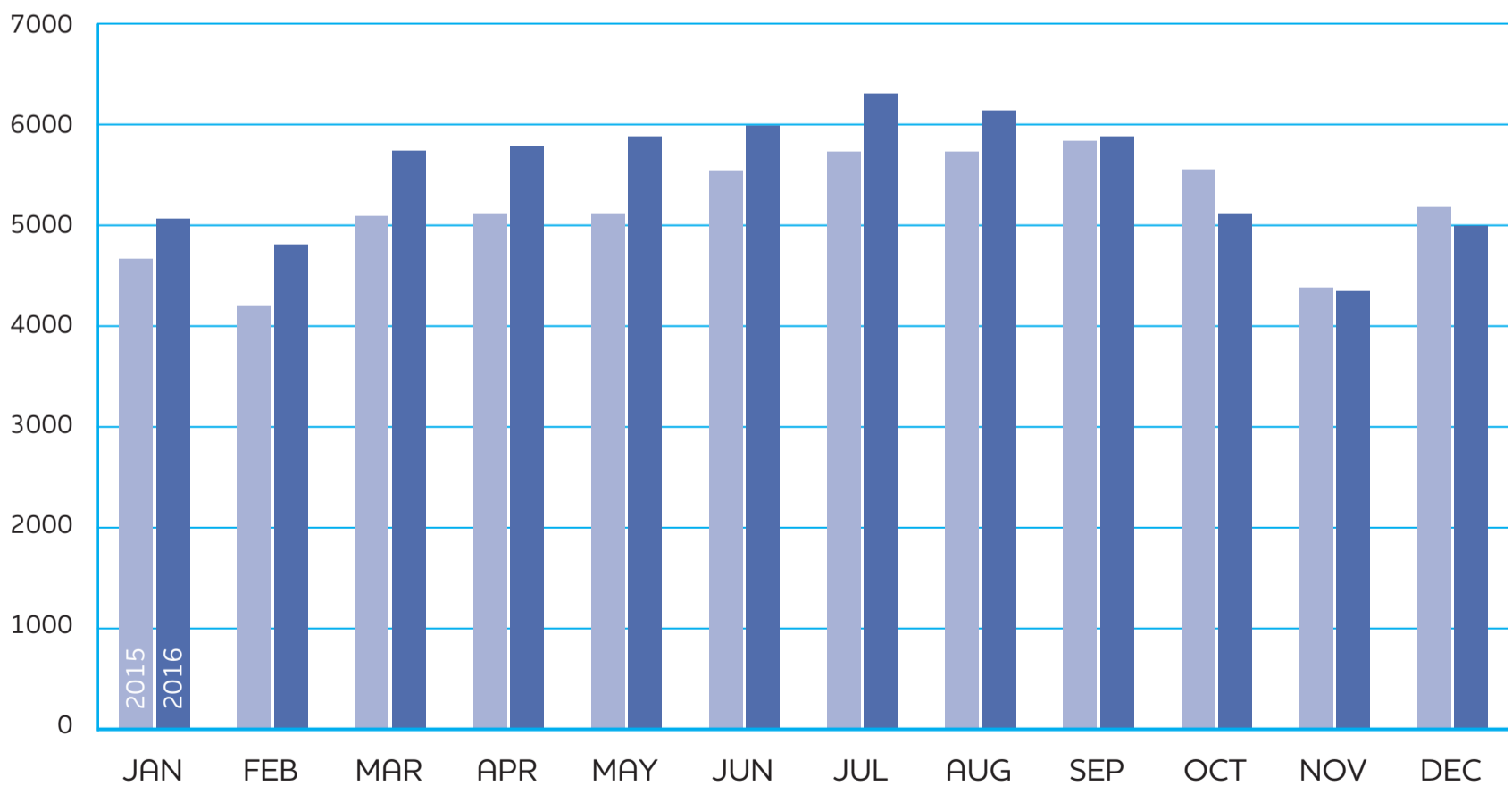
2016 was a quiet year. The SQS Section took part in the national risk assessment conducted in the first quarter of 2016, which was handled by the CIP office, supported by the European Commission. MATS was the only aviation entity that participated actively in the National Risk Register.

Statistics

INTERNATIONAL TRAFFIC IN MALTA



EN-ROUTE TRAFFIC IN MALTA



Meet your colleagues

In this ongoing series, we put a little more than a face to a name. In these quick interviews, we ask your colleagues to answer the same six questions. This year it was the turn of: JOSEPH VELLA, an ATSEP who covers Technical and Safety aspects; ALDO PACE, an Air Traffic Controller (ATCO) from the Operations Section; and MASSIMO CARUANA, a Senior Clerk in the Finance and Administration Section.

These are the questions we asked:

1. **How long have you been working at MATS?**
2. **What is your current role?**
3. **Describe a typical day at work.**
4. **What are your hobbies?**
5. **What is your favourite food?**
6. **What is the most satisfying aspect of your job?**

Joseph Vella: I have been employed in the Air Traffic technical environment since 1979. I was first posted to Dingli Radio Station for about 18 months, working on Ground to Air Communications transmitters and receivers left by the British Forces. In those days, there was no radar installation at Dingli.

Afterwards I was posted to the Tower Workshop, where for about the next three years I worked on all the Voice Communication and Navigation Aids equipment. During this time, I learned and understood more about the complexity of the ground equipment and systems used in Air Traffic.

Also during this time, I completed my first Equipment Manufacturer Training Course (EMTC), which was on the WEFAX Weather Satellite Imagery Ground Equipment used at the Meteorological Office, where I also took part in the installation of the equipment.

In 1984, I completed a four-month training course in Rome on the SATCAS-80 Radar Displays and the



JOSEPH VELLA

SITTI Voice Communication System. From then on, I never looked back and completed several EMTCs held locally and abroad, including the entire Radar Surveillance System Chain from the Radar Heads up to the Controller Working Positions.

Currently, in my role as an ATSES, I am involved in a number of projects being undertaken by MATS on the Air Traffic Management Systems. I assist the Technical Management in the planning and I am directly involved in the work and implementation of these projects.

My days at work vary a lot depending on which phase of a project we are in. Usually I start the day by checking/inspecting newly installed equipment or equipment under test. Then I proceed with the previously planned work, after discussing the stage we are in with the Senior Head.

This may consist of laying cables, wiring and installing of equipment in racks, testing of equipment and



Meet your colleagues CONTINUED

← solving any related problems. Besides all this, I do a lot of paper work, which includes drawing/modifying schematic diagrams of equipment and wiring, labelling of equipment and cabling, creating/updating of databases of parts used.

In the evening, before leaving for home, I allow some time to plan/organise work for the next day and to disseminate information related to the work done during the day to my colleagues.

I am also part of the SQS Team in the role of an Operational Safety Representative (OSR) Technical. I take part in Safety Cases, Safety Reviews, Risk Assessments and Rapid Risk Assessments (RRAs) covering projects and other changes related to ATM Systems and Procedures, where together with the other OSRs we identify the hazards, evaluate the risks and severity, and help in providing mitigations before these projects/changes are implemented.

I have successfully completed training courses held by SkyGuide for On the Job Training Instructor (OJTI), Classroom Instructor (CI) and Competence Assessor (CA). These roles are also quite challenging since most of the time we must provide the plan and the course material needed. These are then evaluated and approved by the CTWG committee before the training itself can be delivered.

One of my hobbies is working in my fields, where I grow vegetables, including potatoes, beans, peas and onions – enough to provide my family for the whole year. I also grow seasonal vegetables for family consumption. Another hobby I enjoy is on-line multiplayer PC gaming, where I even am Server Admin on two servers.

I am not fussy about food as long as it is not too spicy or hot. My preferred dish is Spaghetti Bolognese, followed by meat dishes.

For me, this job gives me a large degree of satisfaction since I am constantly working on new and different systems. Furthermore, I am proud to be part of a team with ongoing processes within the organisation to keep the company evolving on more modern systems and technologies. This in turn allows me to keep up to date with modern technological advances, as well as the upcoming technologies.



ALDO PACE

Aldo Pace: I have been working with MATS for the past 25 years. I am currently a fully rated ATCO. This means that I hold four valid licences: ground control, aerodrome control, approach and area radar. I am also an on-the-job instructor and I am currently training a student in approach radar.

I had been vice-president of the Controllers' union MATCA (Malta Air Traffic Controllers' Association) for the past six years but resigned in May during the AGM, leaving my post to be filled by newer blood. During my time in the union we negotiated and signed two collective agreements with the Company. →

Meet your colleagues CONTINUED

◀ Another achievement was the work the union did with Management to introduce the new technology we are working with in terms of radar and voice communications.

It is my responsibility to ensure that my Supervisor will allocate me to each of those positions. When you throw in the training and the shift work – morning, afternoon, night, rest and off – no two days are the same.

We are currently working on the new ATM system while operating the old system in shadow mode as a back-up. My student is approaching the end of his training, having first spent six months on a simulator with a different radar map to Malta and now after seven months with me on Maltese airspace, he needs less prompting than he did at the beginning.

Cars are my hobby. For 20 years I competed and marshalled for the AWDC (All-Wheel Drive Club). Land Rovers are my religion but, now that I am 45 years old, I have mellowed a bit and changed.

I have followed in my father's footsteps and went into classic cars. I am currently the proud owner of a 1967 Triumph Spitfire Mk 3 1300 in Midnight Blue and a white 1974 MGB 1.8. Both are convertibles.

Regarding food, I eat everything except cucumber and don't have a favourite dish. I cook very little myself because I don't have the time. I like a good piece of meat, a fish that is filleted for me and even, if we are pressed for time, a pizza.

I find all my work satisfying, which is why I do not apply for office work. I like the variety and look back to the day when I was on duty when the French Mirage aircraft came to Malta in 2011. Although aircraft are not my hobby, I love seeing aircraft and even visit air shows when abroad.



MASSIMO CARUANA

Massimo Caruana: I joined MATS in October 2014 in my current role. Since my previous employment was quite different to what I do at the moment, MATS provided me with ample training opportunities to meet the required standards of the company.

My current role revolves mainly around financial tasks, including the interdepartmental petty cash ledger, credit control and I also run the payroll system for employees in the Technical Section.

Another aspect of my job is the co-ordination and delegation of daily tasks performed by AAOs. I also provide assistance in the organisation of the company's social events.

On a typical day, I would check the diary for any important duties/tasks that need to be given priority and settled by mid-morning. I allocate any of these tasks to the AAOs. I then go through any incoming e-mails, go through the petty cash ledger and input any pending receipts and forward filled forms to my superior for authorisation. ▶▶

Meet your colleagues CONTINUED

◀ I sort and distribute internal incoming mail, and upload the payroll, which involves the double checking of the daily attendance sheet via the roster, upload any additional overtime and input the data in the dedicated payroll software.

On the return of the AAOs in the afternoon, a second batch of mail comes through, consisting of external post. This is sorted and distributed as well. The AAO would also have purchased any items instructed earlier on the day. My role involves distributing these items accordingly.

Some days might differ from others since, depending on the urgency and importance of the tasks, I might be required to personally go with the AAOs to perform specific tasks out of the office. Credit control and other reporting duties are performed during the week, depending on the daily schedule.

On a personal level, I like playing and watching football. I am a big Juventus fan and I like fishing and swimming. On a local level, I am also involved as an assistant treasurer in our local band club of Saint Leonard, and like to take part in any drama and social/cultural events organised in my hometown, Kirkop.

I love pizza in all shapes, colours and sizes.

I like the fact that my job as a Senior Clerk involves performing a number of varying duties that requires a lot of multitasking. It is not limited to being just a desk job, but provides a mix of opportunities, allowing me to have the flexibility to perform different tasks according to their priority.

Lately I have also been assigned the role to assist/shadow our Projects Co-ordinator on the new ATC project. This opportunity has been an added value to me since this is a once-in-a-lifetime national project.



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Directors, officers and other information

REGISTRATION

Malta Air Traffic Services Limited is registered in Malta as a limited liability company under the Companies Act (Cap. 386). The company's registration number is C27965.



Directors

Major Anthony Abela (Chairman)

Mr Raymond Lanzon
 Profs. Ernest Cachia
 Dr John Vassallo
 Ms Xanthe Spiteri

Company Secretary

Dr Andrew Sciberras (resigned on 29 April 2016)
 Dr Marouska Debono (appointed on 29 April 2016)

Registered Office

Malta International Airport
 Luqa LQA05, Malta

Bankers

Bank of Valletta
 Sky Parks Business Centre
 Luqa LQA 4000, Malta

Auditors

RSM Malta
 Mdina Road, Zebbug ZBG 9015, Malta

The Malta Air Traffic Services Limited

Board of Directors:

Chairman Major Anthony Abela (seated, centre) is flanked by Mr Raymond Lanzon, Professor Ernest Cachia, Ms Xanthe Spiteri and Dr John Vassallo. Outgoing Company Secretary Dr Andrew Sciberras is standing and (inset) the incoming Company Secretary Dr Marouska Debono.

Directors' Report

The directors submit their annual report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity, which remains unchanged since last year, is to provide air navigation services within the Malta Flight Information Region.

RESULTS AND DIVIDENDS

The results for the year are set out in the statement of comprehensive income on page 9. During the year, the directors proposed and paid an ordinary dividend of €500,000 (2015: €500,000).

REVIEW OF THE BUSINESS

The company made a profit before tax of €11,432,692 for the year ended 31 December, 2016 (2015: profit before tax of €8,259,339). The directors do not expect the present level of activity to be sustained at the same level as experienced in 2016.

EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred after the balance sheet date which require mention in this report.

FUTURE DEVELOPMENTS

The company is not envisaging any changes in operating activities for the forthcoming year.

DIRECTORS


During the year ended 31 December, 2016, the directors were as listed on page 2.

In accordance with the company's Memorandum and Articles of Association, the present directors remain in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 386) requires the directors to prepare financial statements in accordance with generally accepted accounting principles as defined in the same Act, and in accordance with the provision of such Act, for each financial period which give a true and fair view of the financial position of the company as at the end of the financial year and of the profit or loss for that period.

In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in the business;
- select suitable accounting policies and apply them consistently; 

Directors' Report CONTINUED

- ◀ • make judgments and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on an accruals basis;
- value separately components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provisions of the same Act.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing, and

maintaining such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The directors 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

RSM Malta, Certified Public Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

The directors' report was approved by the Board of Directors and was signed on its behalf by:



MAJOR ANTHONY ABELA
Chairman

31 May 2017



MR. RAYMOND LANZON
Director

Statement Of Comprehensive Income

	Note	2016 €	2015 €
Turnover	4	30,841,318	26,265,624
Staff costs	9	(8,792,291)	(8,199,241)
Other operating expenses		(7,701,237)	(7,641,387)
Depreciation expense	11	(3,010,050)	(2,342,497)
Other income	5	158,043	240,203
Finance costs	6	(63,091)	(63,363)
Profit before tax	7	11,432,692	8,259,339
Taxation	10	(4,030,035)	(2,985,557)
Profit for the financial year		7,402,657	5,273,782
Total comprehensive income for the year		7,402,657	5,273,782

Statement Of Financial Position

AS AT 31 DECEMBER, 2016

	Note	2016 €	2015 €
ASSETS			
Non-current assets			
Property, plant and equipment	11	10,449,827	12,677,485
Term deposits	23	9,500,000	2,000,000
Total non-current assets		19,949,827	14,677,485
Current assets			
Financial assets at fair value through profit or loss	12	1,559,791	1,543,793
Trade and other receivables	13	3,981,992	4,329,336
Cash and cash equivalents	22	1,108,335	2,327,655
Term deposits	23	13,278,518	10,000,000
Total current assets		19,928,636	18,200,784
TOTAL ASSETS		39,878,463	32,878,269
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	10,000,000	10,000,000
Retained earnings		23,590,229	16,687,572
TOTAL EQUITY		33,590,229	26,687,572
Non-current liabilities			
Provision for retirement benefits	17	718,384	718,384
Other financial liabilities	16	2,662,524	2,201,766
Deferred tax liabilities	19	601,791	634,299
Total non-current liabilities		3,982,699	3,554,449
Current liabilities			
Trade and other payables	14	635,436	1,746,965
Other financial liabilities	16	67,966	67,966
Bank overdraft and loan	15	5,444	3,705
Taxation		1,596,689	817,612
Total current liabilities		2,305,535	2,636,248
TOTAL LIABILITIES		6,288,234	6,190,697
TOTAL EQUITY AND LIABILITIES		39,878,463	32,878,269

The financial statements set out on pages 9 to 30 have been authorised for issuance by the Board of Directors on 31 May, 2017, and were signed on its behalf by:



MAJOR ANTHONY ABELA
Chairman



MR. RAYMOND LANZON
Director

Statement of Changes in Equity

	Note	Share capital €	Retained earnings €	Total equity €
Financial year ended 31 December, 2015				
Balance at 01 January, 2015		10,000,000	11,754,526	21,754,526
Total comprehensive income for the year:				
<i>Profit for the financial year</i>		-	5,433,046	5,433,046
Dividends declared and paid during the year	21	-	(500,000)	(500,000)
Balance at 31 December, 2015		10,000,000	16,687,572	26,687,572
Financial year ended 31 December, 2016				
Balance at 01 January, 2016		10,000,000	16,687,572	26,687,572
Total comprehensive income for the year:				
<i>Profit for the financial year</i>		-	7,402,657	7,402,657
Dividends declared and paid during the year	21	-	(500,000)	(500,000)
Balance at 31 December, 2016		10,000,000	23,590,229	33,590,229

Statement of Cash Flows

	Note	2016 €	2015 €
Cash from operating activities:			
Profit before tax		11,432,692	8,259,339
Adjustments for:			
Depreciation	11	3,010,050	2,342,497
Provision for bad debts		337,084	396,310
Interest expense		63,091	63,363
Decrease/(increase) in fair value of financial assets at fair value through profit or loss		5,614	(30,119)
Retirement benefit expense	17	-	17,011
Gain on disposal of investment	12	(21,612)	(34,093)
Interest income		(142,045)	(175,991)
Profit from operations		14,684,874	10,838,317
Decrease/(increase) in trade and other receivables		10,260	(1,397,225)
Decrease in trade and other payables		(1,111,529)	(1,174,177)
Cash from operating activities		13,583,605	8,266,915
Interest paid		(241)	(265)
Payments of income taxes		(3,283,466)	(1,975,138)
Net cash flows from operating activities		10,299,898	6,291,512
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(786,973)	(2,115,599)
Proceeds from disposal of property, plant and equipment		4,581	-
Term deposits		(10,778,518)	(2,500,000)
Interest received		142,045	175,991
Portfolio movements - net	12	-	(196,300)
Net cash flows used in investing activities		(11,418,865)	(4,635,908)
Cash flows from financing activities:			
Dividends paid		(500,000)	(500,000)
Proceeds from cash advances from related parties		397,908	397,908
Net cash flows used in financing activities		(102,092)	(102,092)
Net cash (decrease)/increase in cash and cash equivalents		(1,221,059)	1,553,512
Cash and cash equivalents at beginning of year		2,323,950	770,438
Cash and cash equivalents at end of year	22	1,102,891	2,323,950

Notes to the Financial Statements

1. NEW AND REVISED STANDARDS

During the year under review, Malta Air Traffic Services Limited has adopted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The directors are of the opinion that the adoption of these standards and interpretations, or amendments thereto, did not have a material impact on these financial statements.

At the date of the statement of financial position, certain new standards and interpretations, or amendments thereto, were issued and endorsed by the European Union, but not yet effective for the current financial year. There have been no instances of early adoption of standards and interpretations, or amendments thereto, ahead of their effective date. The directors anticipate that the adoption of the new standards and interpretations, or amendments thereto, will not have a material impact on the financial statements upon initial application.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Accounting convention and basis of preparation


These financial statements are prepared in accordance with the provisions of the Companies Act (Cap. 386) enacted in Malta, which require adherence to International Financial Reporting Standards (IFRS) as adopted by the European Union. These financial statements are prepared under the historical cost convention.

These financial statements are presented in Euro (€) which is the company's functional currency.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The directors have considered the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgments are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the company's directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their disclosure in terms of the requirements of IAS 1.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Property, plant and equipment are initially measured at cost, which comprises their purchase prices, as 

Notes to the Financial Statements CONTINUED

well as other expenditures directly attributable to bringing the assets to the location and condition for their intended use. Subsequently, expenditures relating to the assets are added to the carrying values of the assets when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standards of performance, will flow back to the company. All other subsequent expenditures are recognised in profit or loss.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

	%
Assets under construction	0
Plant and machinery	20
Furniture, fixtures & other equipment	10-33.33
Motor vehicles	20
Technical equipment	12.5
Land & buildings	1.5
Radar equipment	12.5

Financial instruments


Financial assets and financial liabilities are recognised when the company becomes a party to contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest method. This method uses a rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, and through the amortisation process. 

Notes to the Financial Statements CONTINUED

ii. Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

iii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the short-term.

Derivative financial instruments are included as held for trading, except for derivatives designated as effective hedge instruments. Financial assets at fair value through profit or loss are carried at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

iv. Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing overdrawn bank balances are carried at face value in view of their short-term maturities.

v. Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest rate method unless the effect of discounting is immaterial.

vi. Trade payables


Trade payables are classified with current liabilities and are stated at their nominal value.

Provisions

A provision is recognised when, as a result of a past event, the company has a present obligation that can be estimated reliably and it is probable that the company will be required to transfer economic benefits in settlement. Provisions are recognised as a liability in the balance sheet and as an expense in profit or loss or, when the provision relates to an item of property, plant and equipment, it is included as part of the cost of the underlying assets.

Impairment

The carrying amount of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. 

Notes to the Financial Statements CONTINUED

◀ The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and that these can be measured reliably.

Provision of services

Revenue arising from provision of services is recognised in the period in which the services are rendered.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding amount and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Dividend income

Dividend income is recognised when the company's right to receive payment is established.

Government grants

Government grants are recognised when there is reasonable assurance that all the conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the period necessary to match them with the related costs to which they are intended to compensate, on a systematic basis. Such grants are presented as a credit in the statement of comprehensive income.

Borrowing costs

Borrowing costs, including those costs that are directly attributable to the acquisition, construction or production of qualifying assets, are recognised as an expense in profit or loss in the period in which they are incurred.

All borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowings. ▶▶

Notes to the Financial Statements CONTINUED

 Borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. At the commencement of the lease term, assets held under finance leases, and the corresponding liabilities, are recognised in the statement of financial position at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent to initial recognition, capitalised leased assets are tested for impairment in accordance with the company's accounting policy on impairment and are fully depreciated in accordance with the company's accounting policy on plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life.


The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease obligations. Finance charges are recognised in profit or loss.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit and loss on a straight-line basis over the lease terms unless another systematic basis is more representative of the pattern of the user's benefit.

Tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or an event that is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to the investment in subsidiary to the extent that the company is able to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable 

Notes to the Financial Statements CONTINUED

← future. Deferred tax assets for the carry forward of unused tax 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 is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Employee benefits

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Retirement benefit costs

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.

Termination benefits

Termination benefits are recognised as a liability and an expense when the entity is demonstrably committed to either terminate the employment of an employee (or group of employees) before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Where termination benefits fall due more than 12 months after the end of the reporting period, they are discounted unless the effect of discounting is considered to be immaterial.

Foreign currencies

Transactions underlying items in these financial statements are measured in the company's functional currency, which is the currency of the primary economic environment in which the entity operates.

Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the date of the statement of financial position. All resulting differences are taken to profit or loss.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts. →

Notes to the Financial Statements CONTINUED

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty, at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Funds from shareholder

The funds obtained from the main shareholder amounting to €2,329,373 annually are split between income from government as a compensation for loss of revenue from the exemption of military traffic and loan from shareholder. The percentage used to split such funds is based on management's best estimate and judgment. During the financial year ended 31 December, 2016, the funds were split between compensation and loan from shareholder in the ratio 80:20 (2015 - €2,329,373, split 80:20).

4. TURNOVER

	2016 €	2015 €
Provision of air traffic control services		
En-route traffic	22,250,730	17,525,789
Terminal traffic	5,505,678	4,413,431
Exempt traffic	1,863,499	1,863,499
Maintenance and technical fees	1,221,411	1,115,267
Grants	-	1,347,638
	30,841,318	26,265,624

5. OTHER INCOME

	2016 €	2015 €
Interest income on bank deposits	142,045	175,991
Gain on disposal of financial assets at fair value through profit or loss	21,612	34,093
Net (loss)/gain from changes in fair value of financial assets at fair value through profit or loss	(5,614)	30,119
	158,043	240,203

Notes to the Financial Statements CONTINUED

6. FINANCE COSTS

	2016	2015
	€	€
Interest on bank overdraft and loan	241	265
Interest on finance leases	62,850	63,098
	<u>63,091</u>	<u>63,363</u>

7. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2016	2015
	€	€
Staff costs (Note 9)	8,792,291	8,199,241
Auditors' remuneration	3,000	3,000
Depreciation of property, plant and equipment (Note 11)	3,010,050	2,342,497

8. KEY MANAGEMENT PERSONNEL COMPENSATION

	2016	2015
	€	€
Directors' fees	26,089	19,567

9. STAFF COSTS AND EMPLOYEE INFORMATION

Staff costs incurred during the year were as follows:

	2016	2015
	€	€
Wages & salaries	8,491,010	7,886,260
Social security costs	301,281	295,970
Retirement benefit expense	-	17,011
	<u>8,792,291</u>	<u>8,199,241</u>

The average number of persons employed by the company during the year were as follows:

	2016	2015
Operations	54	54
Technical	42	47
Administration	49	51
	<u>145</u>	<u>152</u>

Notes to the Financial Statements CONTINUED

10. TAXATION

The tax charged to profit or loss comprised of the following:

	2016 €	2015 €
Current tax expense	4,062,543	2,625,531
Deferred tax expense	(32,508)	200,762
	<u>4,030,035</u>	<u>2,826,293</u>

The tax on the company's profit before tax differs from the theoretical tax expense that would arise using the applicable tax rate in Malta of 35% as follows:

	2016 €	2015 €
Profit before tax	<u>11,432,692</u>	<u>8,259,339</u>
Theoretical tax expense at 35%	4,001,442	2,890,769
Tax effect of:		
Expenses not deductible for tax purposes	140,642	147,003
Excess of carrying amount of tangible fixed assets over tax base	4,460	(17,085)
Income taxed at 15%	(28,409)	(35,198)
Non-taxable income	(88,100)	88
Income tax expense	<u>4,030,035</u>	<u>2,985,577</u>

Notes to the Financial Statements CONTINUED

11. PROPERTY, PLANT AND EQUIPMENT

	Assets under construction €	Plant and machinery €	Furniture, fixtures & other equipment €	Motor vehicles €	Technical equipment €	Land & buildings €	Radar equipment €	Total €
Cost								
Opening balance	248,723	92,560	954,157	385,021	12,637,547	4,352,724	17,691,999	36,362,731
Additions	-	-	300,694	17,195	230,870	175,338	62,876	786,973
Disposals	-	-	-	(19,300)	-	-	-	(19,300)
Balance at 31 December, 2016	248,723	92,560	1,254,851	382,916	12,868,417	4,528,062	17,754,875	37,130,404
Accumulated depreciation								
Opening balance	-	(92,560)	(646,742)	(301,945)	(6,223,051)	(2,601,115)	(13,819,833)	(23,685,246)
Depreciation	-	-	(180,102)	(14,905)	(1,641,787)	(350,184)	(823,072)	(3,010,050)
Disposals	-	-	-	14,719	-	-	-	14,719
Balance at 31 December, 2016	-	(92,560)	(826,844)	(302,131)	(7,864,838)	(2,951,299)	(14,642,905)	(26,680,577)
Carrying amount								
At 31 December 2015	248,723	-	307,415	83,076	6,414,496	1,751,609	3,872,166	12,677,485
At 31 December, 2016	248,723	-	428,007	80,785	5,003,579	1,576,763	3,111,970	10,449,827

The carrying amount of the company's buildings include €1,013,847 (2015: €1,034,124) in respect of assets held under finance leases.

Notes to the Financial Statements CONTINUED

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2016 €	2015 €
<i>Fair value</i>		
At beginning of the year	1,543,793	1,283,281
Additions - net of disposals and other movements	24,507	230,393
Net (loss)/gain from changes in fair value during the year	(8,509)	30,119
At end of the year	1,559,791	1,543,793

13. TRADE AND OTHER RECEIVABLES

	2016 €	2015 €
Trade receivables	2,568,496	2,817,001
Accrued income and other receivables	1,258,787	1,397,558
Prepayments	71,535	77,539
VAT receivables	83,174	37,238
	3,981,992	4,329,336

Accrued income is stated net of provision for bad debts amounting to €2,379,716 (2015: €2,042,632).

14. TRADE AND OTHER PAYABLES

	2016 €	2015 €
Trade payables	566,339	1,517,829
Accruals and deferred income	69,097	229,136
	635,436	1,746,965

15. BANK OVERDRAFT AND LOAN

	2016 €	2015 €
Bank overdrafts	5,444	3,705

As at 31 December, 2016, the company has bank overdraft facilities of €698,801 (2015: €698,801). The outstanding bank overdraft, as at 31 December, 2016 is secured by general hypothec over the company's assets. The average rate of interest during the year was 5.15% (2015: 5.15%).

Notes to the Financial Statements CONTINUED

16. OTHER FINANCIAL LIABILITIES

	2016 €	2015 €
Amounts owed to government	1,503,211	1,037,337
Obligations under finance lease (Note 18)	1,227,279	1,232,395
	<u>2,730,490</u>	<u>2,269,732</u>

Other financial liabilities are repayable as follows:

	2016 €	2015 €
On demand or within one year	67,966	67,966
In the second year	67,966	67,966
In the third year	67,966	67,966
In the fourth year	67,966	67,966
In the fifth year	67,966	67,966
After five years	2,390,660	1,929,902
	<u>2,730,490</u>	<u>2,269,732</u>
Less: Amounts due for settlement within 12 months	<u>(67,966)</u>	<u>(67,966)</u>
Amount due for settlement after 12 months	<u>2,662,524</u>	<u>2,201,766</u>

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.

17. PROVISION FOR RETIREMENT AND TERMINATION 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 2 and represents the company's obligation discounted to the net present value at the rate of 7% after considering the average life expectancy of such employees and expected increases in salaries, where applicable.

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

	2016 €	2015 €
At beginning of the year	718,384	701,373
Retirement benefit expense	-	17,011
At end of the year	<u>718,384</u>	<u>718,384</u>

Notes to the Financial Statements CONTINUED

18. OBLIGATIONS UNDER FINANCE LEASE

	2016	Minimum lease payments 2015	2016	Present value of minimum lease payments 2015
	€	€	€	€
Amounts payable under finance leases:				
Within one year	67,966	67,966	62,589	62,850
Between two to five years	339,832	339,832	308,541	310,059
After five years	3,058,492	3,126,458	856,149	859,486
	<u>3,466,290</u>	<u>3,534,256</u>	<u>1,227,279</u>	<u>1,232,395</u>
Less: future finance charges	<u>(2,239,011)</u>	<u>(2,301,861)</u>	-	-
Present value of lease obligations	<u>1,227,279</u>	<u>1,232,395</u>	<u>1,227,279</u>	<u>1,232,395</u>
Less: amounts included in current liabilities	<u>(67,966)</u>	<u>(67,966)</u>		
Amounts included in non-current liabilities	<u><u>1,159,313</u></u>	<u><u>1,164,429</u></u>		

It is the company's policy to lease its buildings under finance leases. The original lease term was 63 years. The effective borrowing rate is 5.10%. The interest rate was fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The lease obligation is denominated in Euro. The fair value of the company's lease obligations approximates their carrying amount. The company's obligations under finance leases are secured on the assets to which they relate.

Notes to the Financial Statements CONTINUED

19. DEFERRED TAX

The movement in deferred tax during the year is analysed as follows:

	2016 €	2015 €
At the beginning of year	(634,299)	(433,537)
Deferred tax expense (Note 10)	32,508	(200,762)
At end of the year	<u>(601,791)</u>	<u>(634,299)</u>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 35% (2015: 35%). The balance as at 31 December, 2016 represents:

	2016 €	2015 €
Tax effect of temporary differences arising from:		
– the net book value of property, plant and equipment and their tax base	(1,686,126)	(1,600,655)
– provisions	1,084,335	966,356
	<u>(601,791)</u>	<u>(634,299)</u>

20. SHARE CAPITAL

	2016 €	2015 €
Authorised		
10,000,000 ordinary shares of €2 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid up		
5,000,000 ordinary shares of €2 each	<u>10,000,000</u>	<u>10,000,000</u>

21. DIVIDENDS

	%	2016 €	2015 €
Gross of income tax			
Ordinary shares dividend		<u>769,231</u>	<u>769,231</u>
Net of income tax			
Ordinary shares dividend from Malta Tax Account	35	<u>500,000</u>	<u>500,000</u>

Notes to the Financial Statements CONTINUED

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the cash flow statement are as follows:

	2016 €	2015 €
Bank balances	1,108,335	2,327,655
Bank overdraft	(5,444)	(3,705)
Total cash and cash equivalents in the statement of cash flows	<u>1,102,891</u>	<u>2,323,950</u>

23. TERM DEPOSITS

	2016 €	2015 €
1-year fixed deposits	13,278,158	4,000,000
2-year fixed deposits	6,500,000	2,000,000
3-year fixed deposit	3,000,000	-
6-month fixed deposits	-	6,000,000
	<u>22,778,158</u>	<u>12,000,000</u>

24. OPERATING LEASE

	2016 €	2015 €
Minimum lease payments under operating leases recognised as an expense for the year	<u>2,261,406</u>	<u>2,261,406</u>

At the end of the reporting period, the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016 €	2015 €
Within one year	2,261,406	2,261,406
Between one and five years	9,045,624	9,045,624
Over five years	104,024,724	106,286,131
	<u>115,331,754</u>	<u>117,593,161</u>

Operating lease payments represent ground rent payable by the company for a number of sites originally acquired for a 63-year period. The Government of Malta leased these sites to the company to enable the operations of the company with respect to navigational transmitting operations.

Notes to the Financial Statements CONTINUED

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

At 31 December, 2016 and 2015, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities, respectively, approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial liabilities are not materially different from their carrying amounts.

26. RELATED PARTY DISCLOSURES

	2016			2015		
	Related	Total		Related	Total	
	party	activity		party	activity	
	activity	€	€	activity	€	€
Revenue:						
Transactions with:						
Ultimate controlling party	1,863,499	30,841,318	6.04%	1,863,499	26,265,624	7.09%
Administrative expenses:						
Transactions with:						
Ultimate controlling party	2,261,909	7,701,238	29.6%	2,261,905	7,641,387	29.6%


27. FINANCIAL RISK MANAGEMENT

The exposures to risk and the way risks arise, including the company's objectives, policies and processes for managing and measuring these risks, are disclosed in detail below.

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.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the company. Financial assets which potentially subject the company to concentrations of credit risk consist principally of receivables and cash at bank. 

Notes to the Financial Statements CONTINUED

◀ Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to the nature of the company's operations where the receipt of receivables is administered and overseen by a central European agency.

Cash at bank is placed with reliable financial institutions.

The carrying amounts of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The company assesses the credit quality of its customers by taking into account their financial standing, past experience and other factors. Management considers the credit quality of these financial assets as being acceptable.

Currency risk

Foreign currency transactions arise when the company buys or sells goods or services whose price is denominated in a foreign currency, borrows funds when the amounts payable or receivable are denominated in a foreign currency or acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in GBP.

Liquidity risk

The company monitors and manages its risk of a shortage in funds by maintaining sufficient cash. Management does not consider that the company is significantly exposed to liquidity risk.

Interest rate risk

The company has taken out bank facilities to finance its operations as disclosed in note 16. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The effective borrowing rate of finance lease obligations is disclosed in note 18.

The company is exposed to cash flow interest rate risk on borrowings carrying a floating interest rate and to the fair value interest rate.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing arrangements.

Price risk

The company is exposed to price risks arising from its holding of certain investments classified on its statement of financial position at fair value through profit or loss.

The carrying amounts of financial instruments at the reporting date, which could potentially subject the company to price risk, are disclosed in the notes to the financial statements. ▶

Notes to the Financial Statements CONTINUED

◀ Sensitivity analysis

The company has used sensitivity analysis techniques that measure the change in the fair value and cash flows of the company's financial instruments at the reporting date for hypothetical changes in the relevant market risk variables. The sensitivity of profit or loss and equity due to changes in the relevant risk variables are set out below. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, since in practice market rates rarely change in isolation and are likely to be interdependent.

The estimated change in fair values for changes in financial instruments prices is based on an instantaneous increase or decrease of 2% at the reporting date, with all other variables remaining constant.

	2016 €	2015 €
Profit or loss		
Financial instrument prices	<u>+/- 31,196</u>	<u>+/- 30,876</u>

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 capital structure of the company consists of debt, which includes the borrowings disclosed in Notes 15 and 16, cash and cash equivalents as disclosed in Note 22 and items presented within equity in the statement of financial position.

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 by the directors, the company balances its overall capital structure through the payment of dividends, new share issues, as well as the issue of new debt or the redemption of existing debt.

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

28. STATUTORY INFORMATION

Malta Air Traffic Services Limited is a limited liability company and is incorporated in Malta.

Malta Air Traffic Services Limited is a subsidiary of Malta Government Investments Ltd, a company registered in Malta, with its registered address at Clock Tower, Level 1, Tigné Point, Sliema, Malta.

The ultimate controlling entity of Malta Air Traffic Services Limited is the Government of Malta.

Independent Auditors' Report

To the members of Malta Air Traffic Services Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the accompanying financial statements of Malta Air Traffic Services Limited, which comprise the statement of financial position as at 31 December, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 9 - 30.

In our opinion, the financial statements give a true and fair view of the financial position of Malta Air Traffic Services Limited as of 31 December, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the Companies Act (Cap. 386).

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 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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for

Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the general information and the directors' report. Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

With respect to the directors' report, we also considered whether the directors' 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Companies Act (Cap.386).

In the light of this knowledge and understanding of the company and its environment, obtained in the course of the audit, we are required to report if we



Independent Auditors' Report CONTINUED

← have identified material misstatements in the directors' report. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act (Cap. 386), 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 the going concern and using the going concern basis of accounting, unless the directors intend to liquidate the company, to cease operations or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

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 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 management.
- Conclude on the appropriateness of management's 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



Independent Auditors' Report CONTINUED

← 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.

This copy of the audit report has been signed by:



JOSEPH ELLUL FALZON (Partner)

for and on behalf of

RSM Malta
Certified Public Accountants

31 May 2017



RSM Malta

Excellence in Audit, Tax & Advisory

RSM Malta

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Detailed income statements

SCHEDULE I

	2016	2016	2016	2015
	€	En-route €	Terminal €	€
Revenue	30,841,318	22,250,730	8,590,588	26,265,624
Staff costs	(8,792,291)	(7,033,833)	(1,758,458)	(8,199,241)
Other operating expenses	(7,701,237)	(6,868,298)	(832,939)	(7,641,387)
Depreciation expense	(3,010,050)	(2,408,040)	(602,010)	(2,342,497)
Other income	158,043	-	158,043	240,203
Finance costs	(63,091)	(50,473)	(12,618)	(63,363)
	11,432,692	5,890,086	5,542,606	8,259,339

Revenue

SCHEDULE II

	2016	2016	2016	2015
	€	En-route €	Terminal €	€
<i>Provision of air traffic control services:</i>				
En-route traffic	22,250,730	22,250,730	-	17,525,789
Terminal traffic	5,505,678	-	5,505,678	4,413,431
Exempt traffic	1,863,499	-	1,863,499	1,863,499
Maintenance Fees	1,221,411	-	1,221,411	1,115,267
Grants	-	-	-	1,347,638
	<u>30,841,318</u>	<u>22,250,730</u>	<u>8,590,588</u>	<u>26,265,624</u>

Other operating expenses

SCHEDULE III

	2016	2016	2016	2015
	€	En-route €	Terminal €	€
Rent	2,261,909	2,103,575	158,334	2,261,905
Regulatory and supervisory costs	1,139,831	958,875	180,956	903,501
Eurocontrol contribution	813,033	772,033	41,000	852,930
Meteorological services	745,456	648,547	96,909	743,897
Training	587,721	511,317	76,404	663,443
Insurance	403,685	351,206	52,479	380,101
Provision for doubtful debts	337,084	293,263	43,821	396,310
Repairs and maintenance	331,013	287,982	43,031	279,122
Communication expenses	302,845	263,475	39,370	304,839
Water and electricity	207,457	180,488	26,969	224,797
Legal and professional fees	122,990	107,002	15,988	94,897
Travelling	108,001	93,961	14,040	127,510
Cleaning	73,406	63,863	9,543	72,613
Subscriptions	50,935	44,313	6,622	42,610
Motor vehicle expenses	48,765	42,425	6,340	71,184
Printing and stationery	44,803	38,978	5,825	44,367
Bad debts	31,726	27,602	4,124	53,444
Directors' fees	26,089	22,697	3,392	19,567
General expenses	11,599	10,091	1,508	42,936
Medical fees	10,567	9,194	1,373	7,695
Hire of equipment	10,436	9,080	1,356	3,261
Sponsorship	10,152	8,122	2,030	4,439
Entertainment	5,134	4,467	667	4,400
Carriage	5,082	4,421	661	7,565
Donations	3,852	3,351	501	6,690
Staff welfare	3,671	3,193	478	4,842
Audit fee	3,000	2,610	390	3,000
Bank charges	2,396	1,917	479	5,254
Registration fees	1,400	1,218	182	1,736
Safety wear	1,110	966	144	-
Penalties & fines	58	50	8	-
Advertising	41	21	21	2,663
Visitors' charges	-	-	-	7,204
ECO Contribution	-	-	-	701
Difference on Exchange	-	-	-	44
Security services	-4,010	-2,005	-2,005	1,920
	7,701,237	6,868,298	832,939	7,641,387

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