

MALTA AIR TRAFFIC SERVICES LIMITED

Annual Report & Financial Statements

'18





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& Financial Statements **'18**

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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's 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 message last year, I identified two main challenges the company was to face this year. These were the urgent need for a well-structured succession plan for the management and the need for more efficient work practices within the company.

During 2018, the Board of Directors took a firm and sensible stand to address the urgent need of the management succession plan. It contracted reputable external consultancy firms to verify and correct, where necessary, the decisions and direction planned to be taken by the Board, together with the Chief Executive Officer.

The consultants confirmed the Board's long-standing position that the Directors' obligations and responsibilities are to be first and foremost towards the Company's interests and well-being in accordance with the Malta's Companies Act in general, and the Memorandum & Articles in particular.

They supported our succession plan, which basically was to condense the management structure by introducing the non-managerial post of Specialists, whose job was to take over routine, daily specialised tasks from the management so that the management could dedicate more time and effort to planning and decision-making tasks.

The consultants were also in full agreement with our initiatives to introduce more efficient work practices,

while suggesting other measures we shall implement to enable us to achieve this aim.

This was not an easy task since we had to be bold and firm to move away from the previous culture the Company grew up with since its inception in 2001.

As regards the initiatives taken by the Board to introduce more efficient work practices, during 2018, it established an Internal Auditor task, answerable to the Chairman. This task was entrusted to one of the Directors, who has long years of experience in such tasks within the Banking sector.

The Board, together with top management, restructured the mechanism used to assess the individual managers' performance to ensure that a fair and transparent system is in place that helps guide the individuals to develop further in the following years.

All in all, the newly devised method of Performance Assessment and payment of a Performance Bonus was largely welcomed by most of the management. By time, once the new methods are well refined and established, the task will be handed over to top management.

Another important step towards the improvement of work practices was the progress registered in the latter part of 2018 and continued into 2019 related to procurement procedures. It is foreseen that, 

The Board... established an Internal Auditor task, answerable to the Chairman. The task was entrusted to one of the Directors...

Chairman's Statement CONTINUED

← during 2019, a more efficient and transparent procedure will be approved by the Board to ensure that all procurements are aligned as much as possible to the Government's Public Procurement procedures, while making allowances for the urgent and specialised systems and services proprietary to such a business as ours, that is, Air Navigation Services Provision.

The above aims were achieved only through frank and open discussions with all stakeholders concerned, as well as a genuine effort to 'prune' MATS from a few historically lingering bad practices that were carried over throughout the company's existence, as I promised in last year's message.

On a different note, while last year we were forecasting that, for the first time under our direction, MATS was unlikely to register positive financial results, the company succeeded to end the year with a small but significant positive operational balance. This would not have been possible were it not for the loyalty and dedication of all the employees, of whom the Board is proud.

The present year is also a continuation of the introduction of more efficient work practices and further strengthening of our specialised human resources. While expecting to handle an increased load of traffic, we will maintain Safety as our top commitment.



CEO's Statement

Dr Ing. Kenneth Chircop

Another year has flown by and it proved to be yet another successful one for Malta Air Traffic Services and all its employees.

The trend experienced in recent years of increasing terminal traffic was sustained, with an increase of almost 6,000 flights in and out of Malta International Airport. Unfortunately, the same cannot be said for en-route traffic, which experienced a marginal decrease as a result of the ongoing conflict in Libya and the Qatari sanctions. This volatility in air traffic is a direct result of Malta's FIR being located at the southern periphery of Europe – an area known for its geopolitical sensitivity.

As in previous years, MATS was involved in several projects undertaken to constantly improve the service it provides to airspace users.

Undoubtedly, the most important, beneficial and prominent project in 2018 was INTRAC Phase 1, which saw the introduction of Performance Based Navigation (PBN) procedures on all four runways. Since 24 May 2018, for the first time in the history of Malta's international aerodrome (LMML), all four runways can be used in all visual conditions. This is to say that, when RWY 13/31 is unavailable, PBN procedures can be flown on RWY 23/05 without requiring Visual Flight Rules (VFR) conditions.

This set-up drastically minimises the potential for diversions away from Malta in adverse weather

conditions. These procedures were put to the test in a severe storm that hit the Maltese Islands in February 2019 whereby, had it not been for the recently introduced PBN procedures, Malta International Airport would have had to close for arrivals for around 48 hours. This was avoided through the use of PBN procedures on RWY 23/05 and operations were not affected.

The second phase of the project is still ongoing and will be completed in 2020. It 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.

The Free Route Airspace (FRA) project, which provides a mechanism to allow aircraft to take direct routings from an entry point to an exit point in the Malta FIR, was also concluded in May 2018. This followed from the first phase of the project, which was launched in December 2016 and applied from FL335 and above. In the second phase, the applicable levels in which FRA is available went down to FL305, to the further benefit of airspace users.

In the past year, significant effort was dedicated to MATS's surveillance systems. Work continued on the Dingli Primary Radar, which is expected to be commissioned towards the end of 2019.

Furthermore, preparatory works were undertaken to upgrade the Dingli Secondary Surveillance Radar. 

...for the first time in the history of Malta's international aerodrome (LMML), all four runways can be used in all visual conditions

CEO's Statement CONTINUED

◀ In addition to this, the ADS-B project was launched, which will see the installation and commissioning of two ADS-B stations, one in Greece to cover the Eastern sector of the FIR, and another one in Malta to cover the Western sector. The integration of ADS-B data in operations will add another level of surveillance to give MATS an extremely robust surveillance coverage.

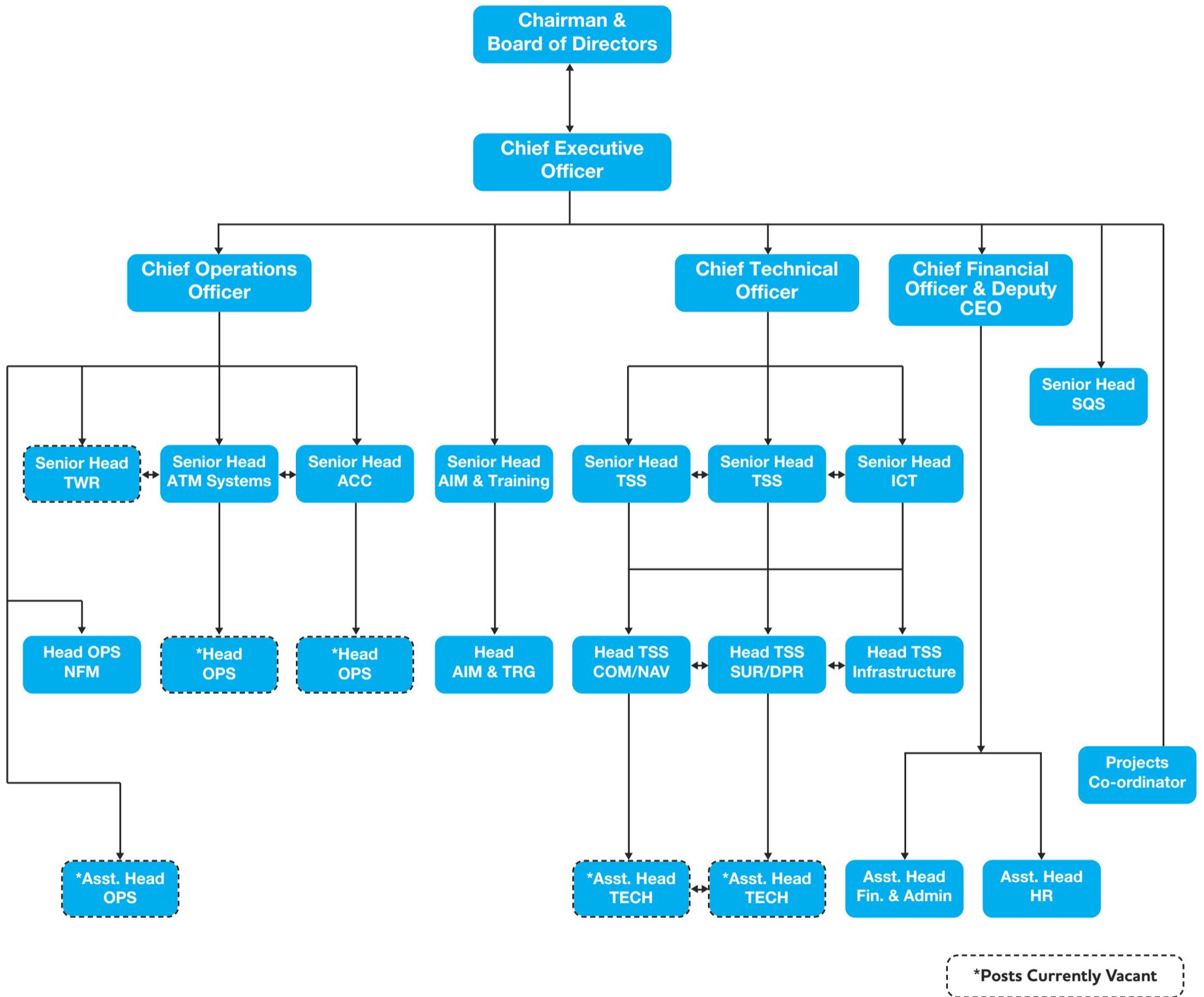
Preparatory works for the construction of a new Air Traffic Control Centre complex continued in 2018. This project, which is by far the largest MATS ever embarked on, will require a tremendous effort from all MATS employees over the next few years

to come to fruition and will herald a new era in ATC in Malta.

Last but not least, I would like to stress all the work that has been performed by MATS in keeping up with the dynamic environment of the ATC world, which does not only change with air traffic growth demand and technology, but also with the constant change in regulations that the Company ensures compliance with.

I would like to conclude by thanking all the employees from all sections for their endless effort in ensuring the continued success and new achievements of the Company.

Management Organisational Chart



SECTION REPORTS

Finance and Administration

During the financial year ending on 31 December, 2018, MATS registered a profit before tax of €1.062 million (€642,007 after tax) and this resulted in a 0.4% increase in the company's net asset value. In fact, as at the end of 2018, the value of the company increased from €35.668 million to €35.810 million.

FINANCIAL REVIEW

When compared to the previous year, the profit before tax decreased by some €2.9 million from €3,975,197 for year 2017 to €1,061,685 for the year 2018. The reason for this 73% reductions in profit is because the 2018 unit rate for both en-route and terminal navigational charges was reduced significantly to refund airlines the additional revenue

generated during 2016 since actual traffic was more than 10% above the forecasted traffic (traffic risk sharing mechanism).

Revenue

During 2018 MATS registered a total revenue of €23,788,474 (2017: €25,356,075). Of the total revenue generated, 61% is from charges for en-route traffic and 22% is generated from terminal navigational charges. The rest is generated from maintenance services and revenue from Government to reimburse MATS for the loss of revenue from the exemption of military aircraft.

Revenue from en-route traffic decreased by some €2.671 million (or 16%) when compared to 2017. This is mainly attributable to the decrease in the unit rate for en-route traffic from €18.79 for 2017



SECTION REPORTS

Finance and Administration CONTINUED

to €15.89 in 2018. The en-route unit rates for both 2017 and 2018 were reduced due to the traffic risk sharing mechanism since the actual en-route traffic during 2015 and 2016 both exceeded the budgeted traffic by more than 10% and so airlines were refunded the extra revenue through a reduction in the unit rate, as per prescribed regulations. For year 2018 some €6.9 million were refunded to airlines through the traffic risk sharing mechanism. Otherwise, there was an increase of 2% in total service units in 2018 since these have increased by some 18,765 units (from 915,945 to 934,710).

Income from terminal navigational charges (TNC) decreased by just €39,872 (or some 0.75%), i.e., from

€5.306 million in 2017 to €5.266 during the year under review. Again, this is attributable to the reduction in unit rates since traffic to Malta during 2018 increased by 12.5%.

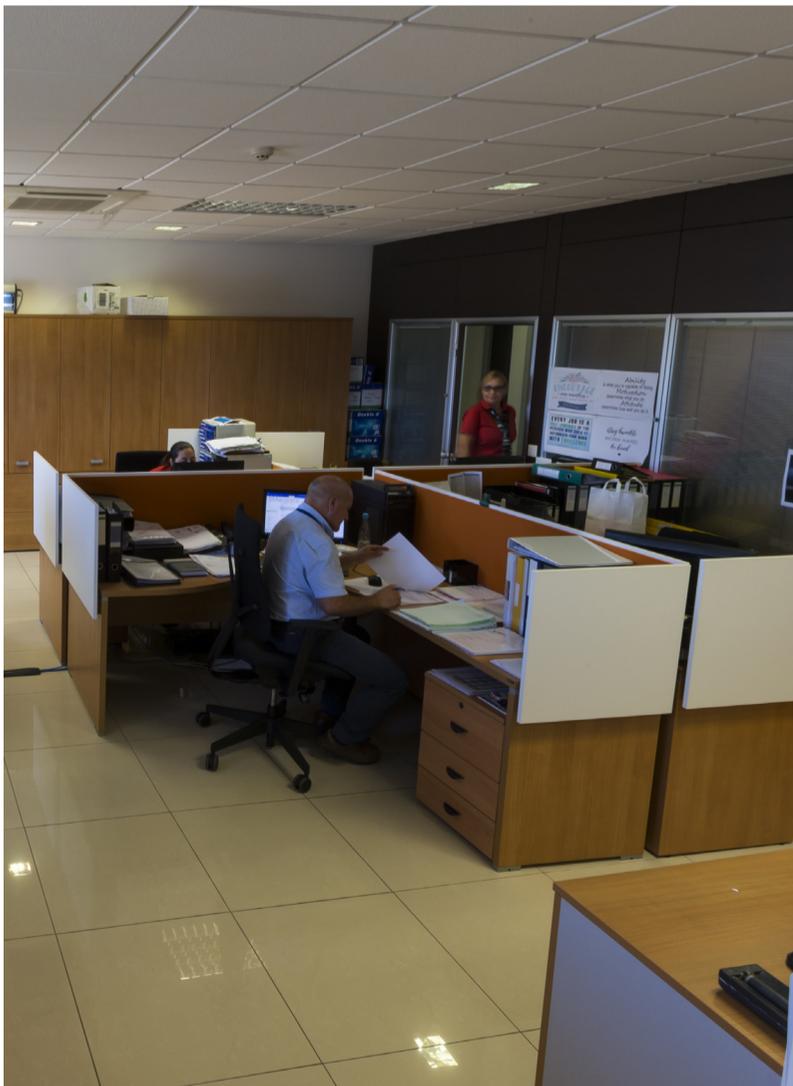
Income from maintenance and technical fees decreased by €83,286 and totalled €976,172 in 2018. Otherwise, proceeds from the Maltese Government to compensate MATS for loss of revenue resulting from the exemption of military traffic remained at the same level of the previous year. For the fifth consecutive year, during 2017 MATS did not receive any Government subvention but paid a €500,000 dividend to the Government of Malta.

During 2018 our controllers provided services to a total of 125,014 instrument flight rules (IFR) flights that passed through Maltese airspace. This means an increase of 8.2% when compared to 2017 – more than twice the corresponding increase in the European network as a whole, which increased by 3.8%.

Expenditure

Total expenditure for 2018 amounted to €23.243 million (an increase of €2.151 million or 10% from the €21.092 million in 2017). The cost of wages and salaries is the largest component and, at €12.206 million, accounts for about 52.5% of the company's total expenditure. Compared to the wage costs of €10.266 million for 2017, the wage bill for 2018 increased by some €1.940 million, or by almost 19%.

Other operating expenditure for 2018 increased by €243,798 (3%) and amounted to €8.327 million (2017: €8.083 million). On the other hand, the depreciation charge decreased by €34,634 or about 1%, from €2.680 million for 2017 to €2.646 during the year under review.



SECTION REPORTS

Finance and Administration CONTINUED

Statement Of Financial Position

MATS registered another consecutive improvement in its financial position during 2018. The value of the company as at the end of 2018 increased by about 0.4%, from €35.668 million as at 31 December, 2017, to €35.810 million at the end of 2018. Total assets increased by about €2.884 million (or some 6.8% from €42.351 million at the end of 2017 to €45.235 million at 2018). Total liabilities also increased by €2.742 million from €6.683 million at the end of 2017 to €9.425 million. Included in the total liabilities is the amount due to Government in the form of shareholder's loans, amounting to €3.123 million.

During 2018 MATS invested over €3.8 million in additions to fixed assets and the total cost of fixed assets as at 31 December, 2018, amounted to €43.287 million. Up to 31 December, 2018, €32.006 million was charged in depreciation on this expenditure, leaving a net book value of €11.281 million.

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 reduced from €18.79 for 2017 to €15.89 during 2018. The en-route unit rate for Malta remained one of the cheapest in Europe. As can be seen from Table 1 below, at €15.89 Malta's unit rate

This makes MATS one of the most efficient ANSPs in Europe since it renders a very efficient service to airspace users with negligible delays at one of the cheapest unit rates

was 29% of the €54.60 average unit rate for all Eurocontrol member states. This makes MATS one of the most efficient ANSPs in Europe since 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

In 2018 Malta registered an increase of almost 2% in TSUs (from 915,945 in 2017 to 934,710 in 2018). This growth is significantly lower than the average growth of 6.1% registered in Europe as traffic in the Maltese Flight Information Region (FIR) is greatly affected by the political situation and restrictions to traffic in neighbouring regions.

UNIT RATE	2010 (€)	2011 (€)	2012 (€)	2013 (€)	2014 (€)	2015 (€)	2016 (€)	2017 (€)	2018 (€)
Malta	25.73	20.75	27.72	31.50	27.61	22.33	25.79	18.79	15.89
Average Eurocontrol members	57.15	57.60	57.60	57.40	57.20	58.60	55.80	52.80	54.60

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

Finance and Administration CONTINUED

ANNUAL GROWTH	2010	2011	2012	2013	2014	2015	2016	2017	2018
Malta	17.0%	4.1%	26.8%	14.6%	1.1%	13.2%	10%	1.2%	2.0%
Europe	3.5%	5.0%	-1.3%	-0.8%	5.8%	4.2%	4.2%	7%	6.1%

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

← 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 above, shows the annual percentage growth in TSUs for Malta and the average of Eurocontrol member states.

Human Resources

The Human Resources section has carried out a variety of tasks during the year under review which were not strictly limited to the acquisition of new humanitarian assets, but also by giving its full support in strategic management and the development of the Company's policies.

The two main approaches adapted are through recruitment and secondly by investing in our current resources through promotions, as listed hereunder.

Recruitment

During 2018 the Company has recruited;

- 1 ICT technical support officer,
- 6 Air Traffic Control Officer Trainees and
- 1 Air Traffic Administrative Support Officer (Admin).

Retirements

Five employees in the following categories retired in 2018:

- 1 Air Traffic Control Officer,
- 2 Air Traffic Administrative Support Officers,

- 1 AIM Personnel and
- 1 ATSEO 3.

Promotions

Thirteen promotions were awarded in 2018, as follows:

- 3 ATASO 3 to the position of ATASO 4,
- 2 ATASO 2 to the position of ATASO 3,
- 4 ATSEO 1 to the position of ATSEO 2 and
- 4 ATSEO trainees to the position of ATSEO 1.

Rating Training

In 2018 the Company commenced the process of training:

- 2 ATCO 2 to become ATCO 3 and
- 8 ATCO 1 to become ATCO 2.

New Policies

Employee Physical and Mental Health Policy

As required by Single European Sky regulations, a policy on Employee Physical and Mental Health for all employees has been issued and added to the Company HR manual. From a safety perspective, this was done to ensure that personnel report on duty in the right physical and mental condition to perform their job.

Sick Leave Policy

During 2018 MATS engaged a professional firm to provide the services of Company Doctor/Occupational Health Practitioner. In order to reflect this, HR →

Finance and Administration CONTINUED

← has drafted a revised Company sick leave policy, which further enhances the occupational health practitioner’s function. It also further clarifies other matters, such as the medical certificate, hospital visits and reporting of sick leave.

Corporate image policy

A new policy, which regulates the Company’s Corporate image and the use of its assets by personnel, has been drafted and added to the Company HR Manual. This policy focuses on:

- Office attire,
- Communication with the public,
- the proper handling of Company assets and other resources,
- the use of telephones, mobile phones and other informational resource equipment, photocopy machines and stationery and
- Company vehicles.

MATS Stress and Fatigue Management Policy

The support and full assistance to the SH SQS was given in the drafting of the MATS stress and fatigue management policy, which complements EU regulation 373. In 2019 auditing on rostering is scheduled to ensure that rest periods and all other manning provisions are in line with the requirements of the regulation.

ATCO Deployment Policy

An ATCO deployment policy, which discusses ATCO manning, rostering, change of duties, overtime, manning prioritisation, rest periods and more, is currently being negotiated and drafted. The policy should be finalised in the first trimester of 2019.

Auditing on the deployment is scheduled to ensure that all the provisions of the policy are in line with the requirements of the Commission Implementing Regulation (EU) 2017/373, laying down common requirements for providers of air traffic management/ air navigation services and other air traffic management network functions and their oversight.

As per Table 3 below, the number of employees at the end of 2018 amounted to 151.

Occupational Health and Safety

In order to safeguard all employees’ health and safety at work and all other persons at MATS premises, Occupational Health and Safety legislation and regulations were rigorously observed. 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 personal protective equipment needed to make sure that they are safeguarded at the workplace at all times.

The Company will continue to support the Richmond Foundation, the 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.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Employees	149	149	137	137	145	144	150	147	151	150	151

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

SECTION REPORTS

Operations

Malta ACC saw an increase in overflight traffic in 2018 of over 5%, and an even larger increase in inbound and outbound flights of over 11.8%. In numerical terms, this was an increase of more than 3,500 overflights and an increase of almost 6,000 flights in and out of Malta International Airport.

This breaks down into 28,055 arrivals, 28,227 departures and 68,537 overflights. Translated into time, Malta ACC provided 4,673,356 minutes of service (NM STATFOR). Although this percentage growth can be regarded as positive, en-route traffic is volatile and can increase/decrease without notice.

In 2018, the conflict in Libya persisted, which meant that Malta ACC continued to lose significant north-south traffic, while retaining movements in the east-west axis. The Qatari sanctions remain in force and there seems to be no diplomatic effort to lift them. This means that QATAR Airways and all Qatari-registered aircraft are forced to use routes via Greece/Turkey, which shifts traffic north of the Malta FIR.

This is a loss of a major operator (QTR), which had its preferential routing system through our airspace for many years. The Saudi-Yemeni conflict and the situation in north Sinai persists. Although the summer months did see a boost of Russian tourism into Tunisia, MATS is still experiencing a loss of Russian traffic since Russian operators were forced to flight plan north-westerly routes to avoid Ukrainian airspace.

The increase in the price of crude oil, combined with the availability of free route airspace across most of Europe, has also triggered a shift in traffic towards the Adriatic area. Operators are filing direct routes to keep costs as low as possible, irrespective of the cheaper unit rate in the Malta FIR.

ATC SPINS MANUAL

The OPS Section released two SPINS AMDT Edition 2.1, effective 24 May 2018, and the preparation of Edition 2.2, effective on 31 January 2019.

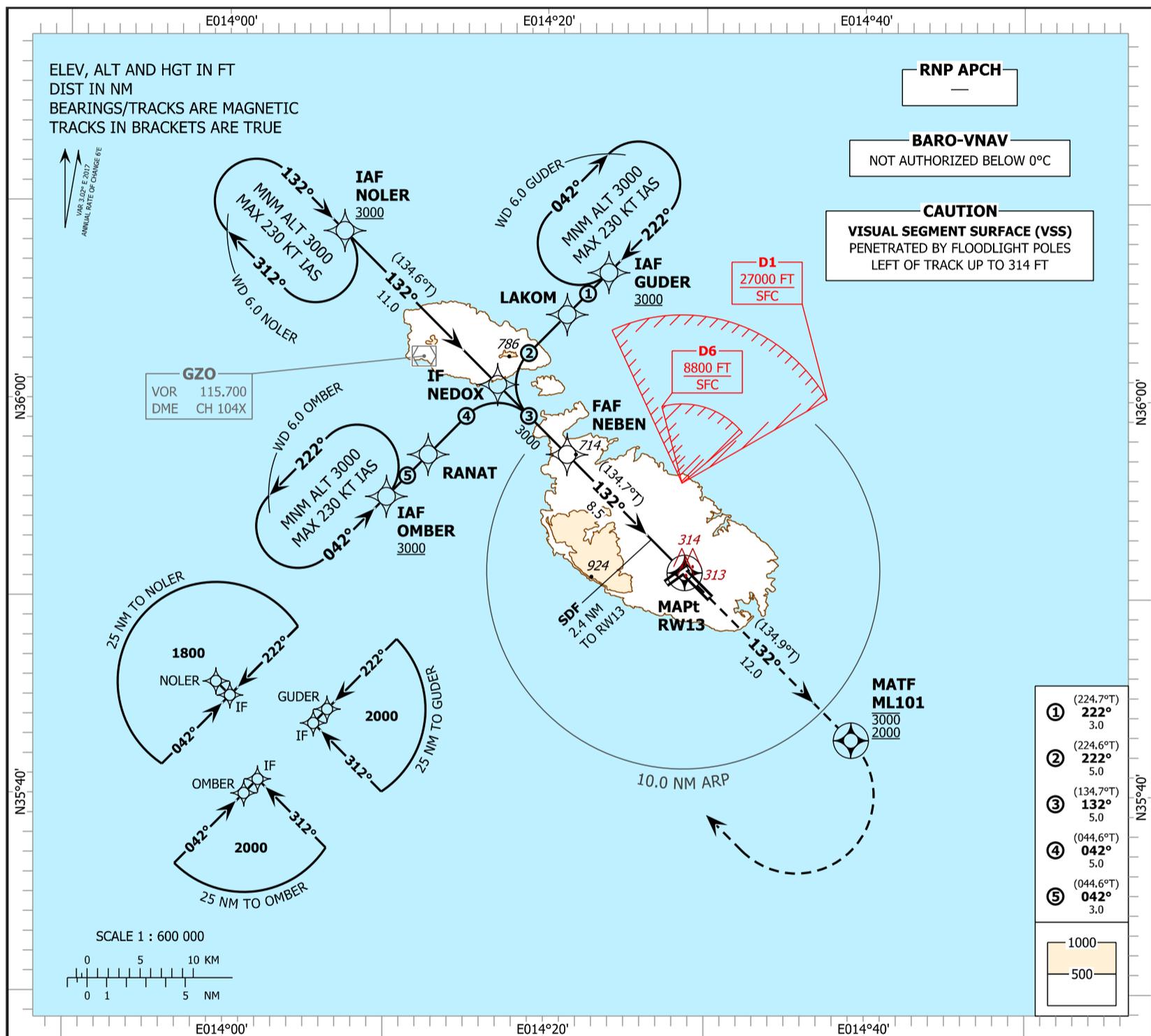
The main change for Edition 2.1 was the Implementation of the New Terminal Airspace Concept [INTRAC] Phase 1 and the lowering of Free Route Airspace (FRA) from FL335 to FL305. INTRAC Phase I was one of the major airspace projects for Operations, which featured the implementation of Required Navigation Performance (RNP) Approaches on all the four runways at Luqa Airport. This project was co-funded through the BlueGNSS project.

Before the project was implemented, Luqa Airport was completely dependent on the main runway (RWY 13/31) for its commercial operations. RWY 13/31 is equipped with an Instrument Landing System, which aids the aircraft to make a glide approach. RWY 23/05 is a non-instrument runway, with no instruments on the ground to assist aircraft to land. With Performance Based Navigation (PBN), Luqa Airport reached its full potential and opened the possibility for commercial aircraft to use all four runways.

RNP is part of navigation specifications which fall under PBN, that allows an aircraft to fly along a precise flight path with a high level of accuracy, together with giving ATC the ability to determine the aircraft's position with both accuracy and integrity. RNP offers safety benefits by means of its precision and accuracy and reduces the cost of operational inefficiencies, such as multiple step-down non-precision and circling approaches. 

SECTION REPORTS

Operations CONTINUED



RNP APPROACHES

An RNP approach can be designed in several ways and each way is determined by the traffic demand and traffic complexity in the airspace. The terminology 'T-bar' arises from the approach pattern that looks like a T from the sky. The points at the

outer edges are known as Initial Approach Fix (IAF) – these are given ICAO standard names.

The aircraft flies using its RNAV capability until it reaches the Final Approach Fix (FAF). At the FAF, the aircraft is 3000 ft AMSL, at which point the RNP approach is commenced at the glide path

SECTION REPORTS

Operations CONTINUED

← intercept. The benefit of an RNP Approach is that each phase, from Initial Approach Fix to Final Approach Fix, is in the aircraft's Flight Management System and, in simple terms, the aircraft flies itself until the FAF.

This also means that the aircraft does not depend on equipment on the ground and that is why implementation of RNP approaches on RWY 23/05 was possible. Another component that seems to be overlooked is weather. This was one of the major causes of delay across the European Network. Although Malta is yet to experience extreme weather, strong winds experienced at Luqa Airport have a major impact on runway operations. A runway would be impossible to use when there is a strong cross wind. With the way the runways are designed, a cross wind on RWY 13/31 is not an issue on RWY 23/05.

Since the aircraft is flying on instruments, it was critical to determine the terrain and obstacles around the Maltese Islands. With the aircraft relying solely on satellite-based navigation, there has to be an assurance that the aircraft is clear from high ground and obstacles in its approach path.

With the traffic forecast to increase at Luqa Airport, it may be possible to review the T-bar designs to be able to accommodate more aircraft in the approach phase of the flight. This is something that will be addressed in the second phase of the INTRAC Project.

The work for MATS was not solely the promulgation of the designs – ATCOs required training and this was done through simulation exercises and briefings. This operational change also required new phraseology and procedures, all of which were integrated in SPINS.

This project could not have been possible without the collaboration and support of the Civil Aviation

Occupancy statistics show that occupancy distance (measured in NM) resulted in an increase of 4.02% over the previous year, and the occupancy duration (measured in minutes) increased by 11.99%

Directorate of Transport Malta (TM-CAD), Malta International Airport and Air Malta.

FREE ROUTE PROJECT

In 2018, MATS implemented phase 2 of the FRA MALTA project. As outlined above, this consisted of the lowering of FRA from FL335 to FL305, hence enabling greater circular routes from a lower level, meeting the regulation requirement EC390/2013 ahead of the implementation date of 31 December 2021.

Occupancy statistics show that occupancy distance (measured in NM) resulted in an increase of 4.02% over the previous year, and the occupancy duration (measured in minutes) increased by 11.99%. When analysing these occupancy statistics, it can be observed that more flights used the Malta FIR, but the distance flown was significantly less.

Great circular routes improve horizontal en-route flight efficiency and hence reduce fuel burn. The next stage for the FRA project will be to lower the FRA Airspace to FL195, which is planned for 2020. →

SECTION REPORTS

Operations CONTINUED



← AIRSPACE CELL ACTIVITIES

MATS Airspace Cell is the Ops team responsible for co-ordinating activities at Malta and over the high seas. The MATS Airspace Cell saw a significant increase in airspace activities in 2018. Among the airspace activities was the joint collaboration of Operation Falco, which, together with FRONTEX, was an exercise to conduct experimental maritime surveillance flights by remotely piloted aircraft to search for illegal shipping, immigration and pollution.

Malta Airspace Cell also co-ordinated RPA operations, which registered an increase during the year, triggering the requirement for standardisation through the establishment of corridors and procedures for transit to/from the Malta FIR.

OPERATIONS RESOURCES

The Czech Air Navigation Institute (CANI) was selected as the new ATCO training organisation for MATS. In May, a call for new ATCOs was launched locally. Calls for ATCOs are not issued regularly and this call raised a lot of interest.

The selection process to become an Air Traffic Controller (ATCO) is not just an interview. Each potential candidate needs to go through a First European Air Traffic Controller Selection Test (FEAST). The FEAST is a tool that helps air navigation service providers (ANSPs) identify the most suitable candidates for the job of air traffic controllers. The FEAST is split into two steps: 

SECTION REPORTS

Operations CONTINUED

-  FEAST I consists of a set of cognitive ability tests and an English language test; and
- FEAST II consists of two more complex, multi-tasking tests that generally follow the successful completion of FEAST I.

OPS was heavily involved in the selection process and, out of a total of 140 applications received, only five candidates passed the two-step test. The newcomers will increase the ATCO complement from 51 controllers to 56, once they have undergone all the training required.

CAPITAL PROJECTS

A new project launched during the year was project IRIS, whose outcome will be the implementation of ADS-B across the Malta FIR, with the assistance of ADS-B stations in Malta and Greece.

Automatic dependent surveillance – broadcast (ADS-B) is a surveillance technology in which an aircraft determines its position via satellite navigation and periodically broadcasts it, enabling it to be tracked. The information can be received by air traffic control ground stations as a replacement for secondary surveillance radar, since no interrogation signal is needed from the ground.

OPS INVOLVEMENT IN RESEARCH PROJECTS

OPS Management, together with a few ATCOs, were involved in the EU SESAR Project (PJ10 PROSA): Controller tools and team organisation for the provision of separation in air traffic management.

The project aims to provide air traffic controllers with more automated tools, thereby allowing them to concentrate on situations where human intervention is crucial. The project aims not only to improve current conflict detection tools, but also to develop new tools supporting the air traffic controller with resolution advisory and monitoring of flight trajectory.

The project will address new ways of working together, taking into account developments, such as drones. MATS was involved in two separate simulations focusing on RPA Integration within non-segregated airspace.

GRADE PROJECT

The GRADE project is a Very Large Demonstration project. Its objective is to demonstrate the applicability to General Aviation (GA) and Rotorcraft (RC) of the concepts developed through the SESAR programme, to enable the integration of GA and RC into the airspace and the airports where the SESAR concepts and technologies are implemented.

Specifically, the GRADE project aims to demonstrate the applicability of SESAR solutions to GA aircraft and RC equipped with non-certified or specific onboard equipment. Furthermore, it exploits SBAS GNSS technologies for Initial and Intermediate Approach Segments and the Final Approach Segment, respectively.

The involvement of MATS in this project consisted of two ATCOs, who took part in ATC simulations and flight trials that were held at Capua, Italy.

SECTION REPORTS

Technical Support

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.

COMMUNICATION, NAVIGATION AND SURVEILLANCE

Conversion to IP

In 2018, we continued with the gradual migration of the analogue and sub-E1 circuits relative to the services exchanged between MATS and HCAA in Greece, to IP lines as explained in the table below.

The migration process of the VHF remote sites of Monastiri and Moustakos required additional effort due to complicated logistic requirements but the activities were completed according to schedule.

During the migration process of the lines terminated in Athens ComCentre, we also managed to get a feed

from the ADS-B ground station in Kithira. This enabled us to start evaluating the integrity of the data from Kithira to assess the possibility of integrating the ADS-B data in our ATM systems.

AMHS

Frequentis Comsoft was awarded the contract in May. This was immediately followed by the provision of the Critical Design Review documentation and the set-up of the FAT from 23 to 31 October in Karlsruhe, Germany. Eurocontrol support was confirmed and available.

A number of issues were identified during the FAT. All these issues were resolved by the end of the year and a second FAT was planned for the new year.

Air Ground Data Link

The Air Ground Data Link (AGDL) project has yet to be implemented due to delays with the new radar antenna at Dingli. Greece also is yet to implement AGDL, so it is unavailable in the east sector where this system is most needed for en-route traffic. 

SERVICE	DESCRIPTION	ORIGINAL CIRCUIT	IP LINK
KT 1	Kithira Radar Line 1	Sub-E1 64 Kbps	MATS-HCAA 1
LK 1	Lefkas Radar Line 1	Sub-E1 64 Kbps	MATS-HCAA 1
KT 2	Kithira Radar Line 2	Sub-E1 128 Kbps	MATS-HCAA 2
LK 2	Lefkas Radar Line 2	Sub-E1 128 Kbps	MATS-HCAA 2
MFC	Coordination with Athens ACC	Sub-E1 64 Kbps x 2	MATS-HCAA 2
123.625MHz	VHF Secondary EST (Monastiri)	2 x 64 Kbps sub-E1	E1 – 2 Mbps
122.775MHz	VHF Main EST (Moustakos)	2 x 64 Kbps sub-E1	E1 – 2 Mbps

SECTION REPORTS

Technical Support CONTINUED

← SURVEILLANCE AND DATA PROCESSING

Dingli Radar

The antenna refurbishment was carried out by the Leonardo subcontractor in January. The project was well planned and executed. The antenna motor was substituted from the on-site spare. The same subcontractor made the physical installation of the PSR equipment the following month. The new PSR in Dingli eventually failed the SAT.

In the interim, the old TAR radar at Luqa was recommissioned to fill in the gap until the new Dingli radar antenna comes into operation in 2019.

New ATM system

During 2018, we continued to work on the outstanding milestones to accomplish the objectives set in the original safety assessment related to the ATM system upgrade.

Migration to FPL2012

The first important milestone in 2018 was the migration process to FPL2012.

The decision to proceed with the transition to FPL2012 was taken in a Safety Assessment that approved the following decisions:

- the new ATM system reached an acceptable level of reliability and resilience;
- the shadow operations period was terminated; and
- the old ATM system was declared obsolete and could be decommissioned

The process was completed successfully and the impact to operations was negligible.

SBS as a Standby Operational Platform

Soon after the migration to FPL2012, we started the process to introduce the SBS system as an additional standby system for our operations.



A set of procedures was compiled to ensure that the transition process from the Main to the SBS systems is performed in a controlled and safe manner. This was complemented by briefing sessions to all the ATSEP community.

Since its introduction, the SBS system has been used for operational use on a couple of occasions to enable the upgrade of software on the Main system. The transfer of operations was carried out in a very smooth manner and without any problems.

M-NET

Like in the previous year, in 2018 MNet took the vast majority of the ICT Section's resources. Starting from a blank sheet three years ago this has been a very tough challenge.

SECTION REPORTS

Technical Support CONTINUED

◀ Dingli DER Link

As explained above, the MNet Team is in the final testing stages leading to the implementation of the Dingli DER link. The set-up is based on Cisco 4451 routers and Cisco 3850 switches, and abstracts redundancy at the ISO Layer 2 level, making failures on CSP links transparent to the upper routing layer.

Router ACLs have been used to implement security mechanisms to the maximum level possible to minimise the risk of cyber-attack breaches. Nonetheless, it is envisaged that a suitable firewalling solution will be implemented in future, once its R&D and prototyping phase is completed and the equipment is available.

Gozo VOR Link

The Gozo VOR has long been exhibiting issues with its RCMS, which is still based on FSK data transmission via leased copper lines. These are being replaced by a single fibre.

The set-up takes into account the various services hosted at the site, such as equipment monitoring, telephony and CCTV; and is based on a single leg of the MNet Point to Point connection blueprint being used for Dingli.

This allows future expandability as well as simplifying the maintenance and day to day running.

Cold Site Contingency of Kerio Control Router/Firewall

With the current router being a single point of failure, a second router is planned to be implemented allowing quicker recovery in case of catastrophic failure.

In a worst-case scenario where the hosting hardware fails, ICT staff have shown to be able to rebuild the system using saved configurations and back-ups of the router VM in about three hours but

having a second spare server can reduce this to minutes.

Test Implementation of Dark Trace

With Cybersecurity taking the prime seat practically worldwide, the ICT Section implemented a test installation of Dark Trace, a machine learning-driven cyberthreat detection tool, MATS DataCentre, with the possibility of its implementation in operational systems, such as MNet, if it proves successful.

INFRASTRUCTURE

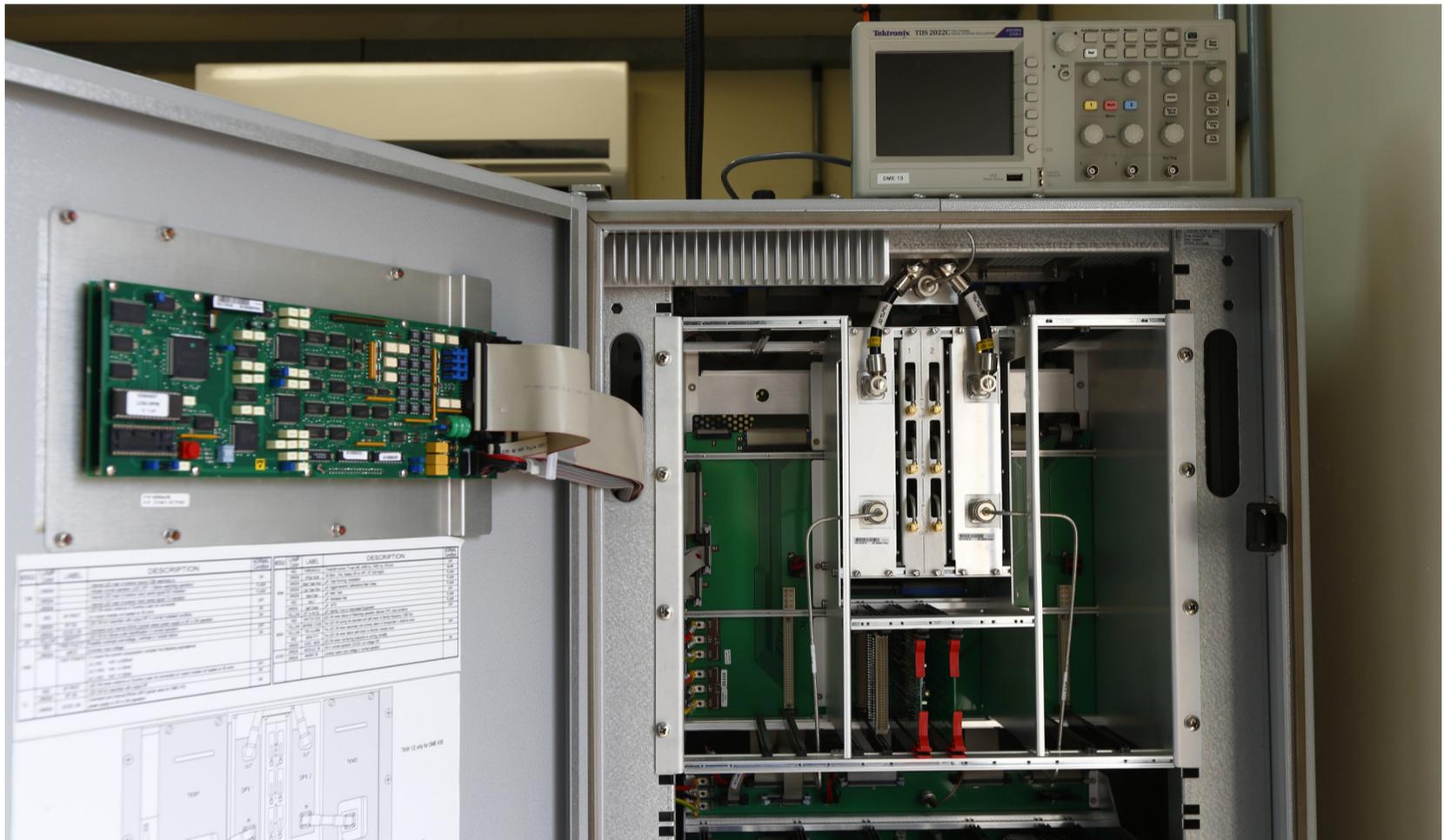
Remote Monitoring and Security (MASS)

The monitoring system has now been centralised using PRTG software on a separate PC and displayed on a separate display on the co-ordinators' desk. This professional market software provides for SNMP data gathering, recording and display. The project will continue in the new year. ▶▶



SECTION REPORTS

Technical Support CONTINUED



◀ Dingli Refurbishment Project

The old Borri UPS was finally dismantled from the UPS room, having assured the new Socomec UPS's reliability through daily monitoring following its installation. This permitted optimisation and enhancement of the UPS room.

New UPS Systems / Monitoring at the ATCC

The replacing UPS systems were ordered identical to the Dingli and Hal Far Socomec modular UPS units. Their installation is in progress. In preparation, a fibre connection is in the final stages of being laid between the Tower UPS room and TEQ01 to enable integration in the MASS system described earlier in this report.

The new system allows for physical separation of the OPS and SBS systems, better cooling, direct monitoring of the UPS systems and the installation of separate manual bypass units.

New ATCC

Planning efforts by the Technical Section for the new Air Traffic Control Centre was continuous during 2018.

The design work related to the electrical distribution and standby N-2 emergency power generations has been completed. The new ATCC will have two separate, completely independent switchboards with interchangeable redundant sources of power from different locations. The design has been presented to Enemalta for their final approval.

SECTION REPORTS

Projects Co-ordination Office

The Projects Co-ordination Office (PCO) aims to identify opportunities through which the company may foster its potential, as in diversification opportunities, as well as to identify gaps between current practices and European policy, in particular those at EU level. It then liaises internally with all sections at MATS and, thanks to the co-operation of all involved, achieves results from which the whole company gains.

Malta Air Traffic Services has been keen over the years to participate in joint EU-funded projects, including through the Single European Sky ATM Research (SESAR) initiative, the Connecting European Facility (CEF) and Horizon 2020. These

help to realise and develop future pan-European policy, involving new business opportunities in the context of the provision of ANSP services.

The RNAV implemented through the BlueGNSS project was concluded on time and successfully reached its scope in June 2018. This was a highly useful project that enables the use of the secondary runway 23/05 even in NE'ly gales or when local festa activity precludes the use of the main runway 13/31. Regular services from Malta International Airport can thus continue uninterrupted.

A similar project spread over two years, GNSS applicability on GA (General Aviation) aircraft,



SECTION REPORTS

Projects Co-ordination Office CONTINUED

← made progress in 2018 and is on target for delivery in 2019. Malta is part of a consortium of seven countries that was awarded the GRADE project that is to apply performance-based navigation, or RNP, to GA aircraft. The consortium is made up of Italians – CIRA (Leaders), NAIS, and Università di Napoli, Germans – DLR and Braunschweig University, Malta – MATS, and Bulgaria – BULATSA.

This project is expected to be of great benefit to Malta since MIA sees a mix of traffic around the aerodrome. Local air traffic controllers are involved, and it helps to keep Malta on the Horizon 2020 map. In January 2018 the Projects Co-ordination Officer attended a BlueMed meeting in Warsaw, Poland, to discuss political issues affecting the member states.

COLLABORATIVE PROJECTS

Work on TACO – Take Control, related to automated taxiing, providing a dove-tailed process that would facilitate the controller's forward thinking, was successfully concluded. This European Union project had Deep Blue and the University in France – ENAC involved. It was such a success that CESAR pushed the foreign project co-ordinator, who was from Rome, to continue to build on this initiative. Malta will not be involved because the next step will focus on airports with a higher density of traffic than Malta.

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, facilitating fuel saving for airspace users and better efficiency, was successfully concluded.

Work on SATMET also with the University of Malta, a project on autonomous aircraft movements aiming to save fuel, lower noise levels and promote greater



efficiency through the use of infra-red technology, is ongoing with the University now expected to communicate the outcome.

NEW ATC CENTRE

Following the award of the tender to excavate the site for the new Air Traffic Control Centre, adjacent to the current ATCC, in early 2018 the expected →

SECTION REPORTS

Projects Co-ordination Office CONTINUED

← works failed to start at the end of last year, despite having obtained the required excavation permit and being fully in line. The main stumbling block is the exponential rise in the cost to dump the excavation material in a local quarry due to the huge demand for this scarce resource by the local construction industry.

A living document – the document into which everything MATS needs to look at is placed – was created. This living document contains over 100 identified requirements. These emerged from 29 staff suggestions. One of the chapters identifies the requirements and elaborates on them further.

The project has been split into 17 disciplines, with each one having six phases: planning, design, implementation – plan, do, check, act. These stages are further split into sub-stages. The 17 disciplines will be reviewed by two working groups. Each working group will have a team composed of operations, technical and administrative persons who will work on a specific task, including water, electricity and communications, among others.

Over and above that, safety assessments are overseen by the SQS Section, who would check whether what is being proposed is in line with the company's policies and with the rules and requirements that EASA demands.

INTERNET AND SOCIAL MEDIA PRESENCE

The company website, launched in 2018, is now well embedded and a feature, Throwback Thursdays, was well received. There was a lot of activity on the MATS Facebook page related to the recruitment of air traffic control trainees. There was also interest from the mainstream broadcast media related to a visit by the Minister for Tourism and on the issue of drones around the airfield. Members of senior management were interviewed on a TV programme, *Airborne*.

OFF-SITE REFURBISHMENT

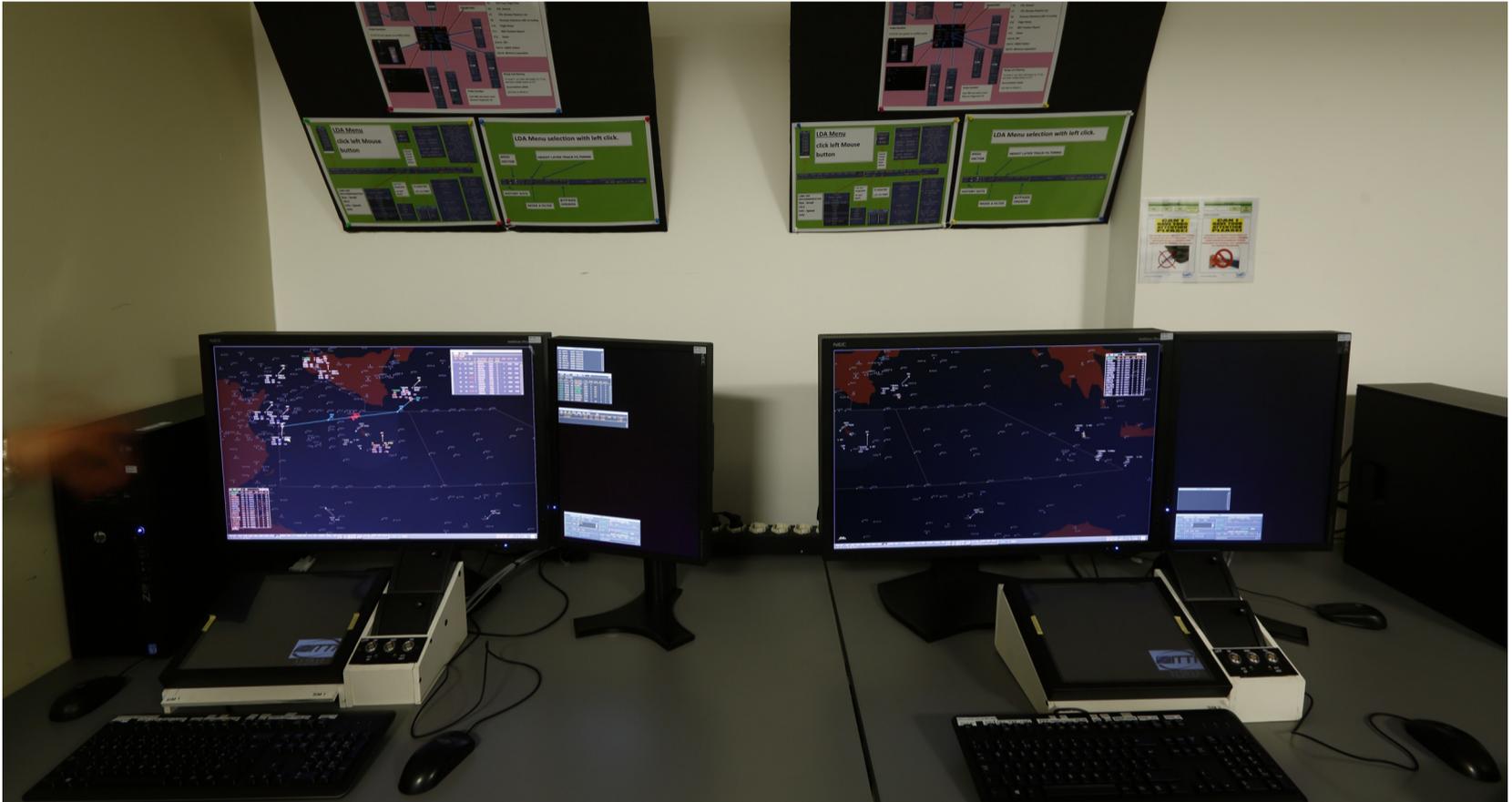
The former COMCEN building, over 3,000 m² near Gate 1, has been refurbished and is being leased out to new tenants, converting it into an aviation hub.

MATS has entered into agreement with eight companies, up from the three flying schools that were there before, and diversified its client base to include also an airline operating company (AOC), a part 145 and other aviation-related companies.

There is another building near Gate 1 that is in danger of collapsing and MATS are waiting for approval from the Lands Department to demolish it and create a green area with beautiful landscaping, providing more air for the people in the vicinity.

SECTION REPORTS

AIM and Training



As a result of a tender issued in 2017, the Czech Air Navigation Institute (CANI) of the Czech Republic was contracted as the training supplier. They conducted one ADI training over eight weeks from February 2018 for three controllers, who worked in Approach.

This was followed immediately after by Approach rating training also for eight weeks for five controllers that are Tower rated. CANI, a member of the Aviation Academy Group, is a modern, fully equipped Air Navigation Services Centre based in Jeneč, with a centre on the periphery of Prague airport. CANI has over 30 years of industry and air traffic control training experience.

A lot of time was spent updating the CANI simulators to Maltese scenarios – maps and related information. The Approach rating training for the five controllers was done on Malta FIR airspace for the first time. This should decrease the amount of

training on the job on their return to MATS because they have already been exposed to the local airspace and procedures as much as possible.

Team Resource Training (TRM) for controllers and for technical persons, held every two years, was held in 2018. The group is split 50:50. Unusual occurrence and spot training was moved to 2019 since the simulators were still being built at CANI.

OTHER TRAINING

A course in Common Core basic training, organised for the new ATSEPs, was followed up with further specialised qualification training. ATSEPs also attended training with the factory suppliers of various new equipment.

It is intended that all ATSEPs, no matter how long they have been with the company, will undergo specialised qualification training on their individual speciality. ➔

SECTION REPORTS

AIM and Training CONTINUED

2018	
Number of persons attending	Course
20	ATSEP TRM COURSE
4	ATSEP BASIC COURSE
1	ATSEP QUALIFICATION SURVEILLANCE
2	ATSEP QUALIFICATION DATA PROCESSING
2	ARTAS: Local ARTAS Maintenance and Operational Support
22	CMS
1	ATSEP QUALIFICATION TRAINING COMMUNICATION (COM VOICE)
2	ACS RATING
6	LEX-SES-E ONLINE
14	SAF-FAT ONLINE
3	ADI PRE-OJT TRAINING
2	ACS PRE-OJT
2	HUM-TTI
2	HUM-SIM
1	ASM-ATFCM
2	SUR-ADS-B-MLA
2	COM-DLK
2	GEN-FUT
2	APT-ARM
1	NAV-PBN
1	SAF-SAS-1
2	SAF-TOOLS
3	SAF-SMS-A
2	SAF-SAS-1
3	SAF-HFA
1	LEX-SES
2	SEC-CYBER
2	SAF-SW
19	TRM ATCO
22	PSR ATCR 44S ENH OPERATION AND MAINTENANCE
21	OJTI REFRESHER
5	ASSESSOR REFRESHER
4	ASSESSOR TRAINING
13	GDPR
3	ADI TWR RATING TRAINING 2018
5	OJTI FULL COURSE
5	ASSESSOR REFRESHER
2	FEASTS 2018
4	ATSEP BASIC CCC
24	AMHS

SECTION REPORTS

Safety, Quality, Security Management and Compliance

In 2018, the Safety Management System entered its sixteenth year of operation, the Quality Management System in its twelfth year of function and the Security Management System entered the fifth year of function. Work on Compliance was launched in 2017 to ensure that all compliance issues which directly affect the SES ANSP licences of MATS fall under the management systems section. This will help the SQSC section to maintain oversight on regulatory compliance and the processes applied by the organisation.

ONGOING PROJECTS AND SAFETY ASSESSMENTS

The key focus in 2018 was the continued work to modernise the ground to ground communications and move over to VoIP. Many projects were undertaken linked to VoIP, all supported with the required safety assessments.

Apart from the usual ongoing safety assessments throughout the year, works continued at the Dingli Station, with the bigger safety assessments dealing with the upgrading of the MATS power supply infrastructure. These included the updates of the power supply set-up of the ATCC, that of the Dingli station – a large project that was completed, including an additional back-up generator and new UPS equipment.

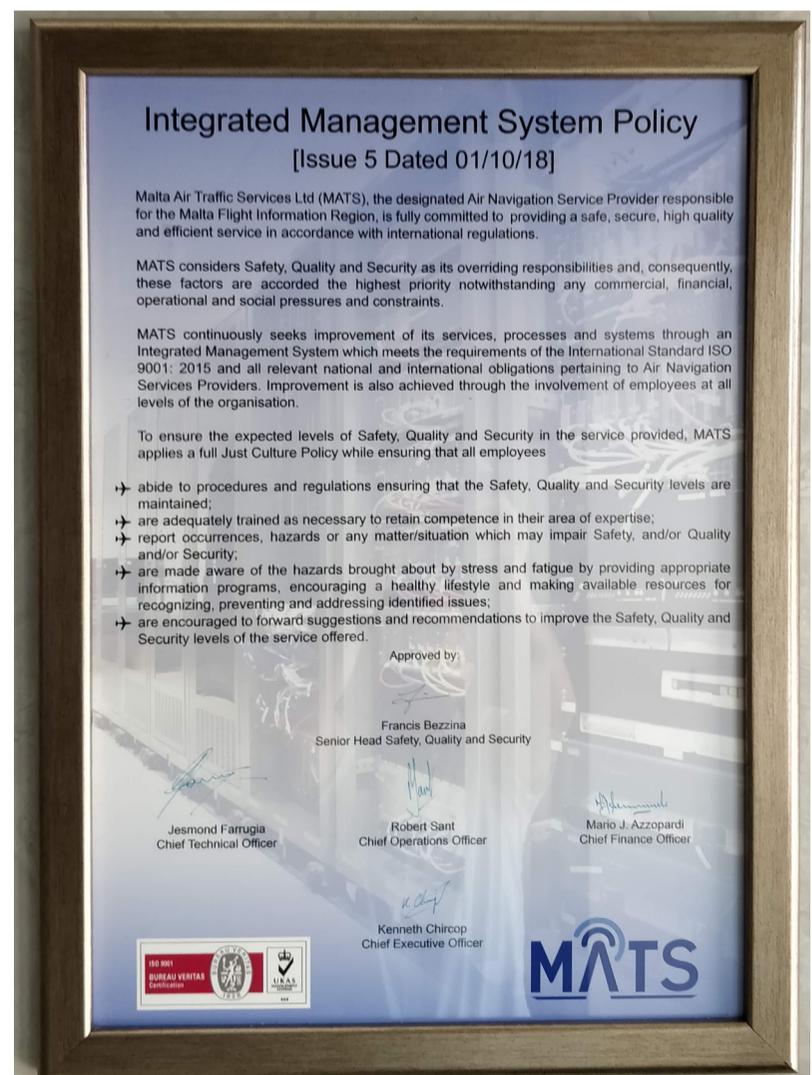
That of the ATCC requires a further step to renew the Stand-by Back-up System (SBS) UPS to new state-of-the-art equipment. This is expected to be concluded during 2019.

Another big project, the upgrading of the ATM-SBS system, is now concluded. Up to the end of the year, a safety assessment was also conducted on the

renewed fallback system. This is also being introduced in 2019, following the completion of the installation and the preparation of the required procedures.

NEW PSR RADAR AT DINGLI STATION

The new primary radar (PSR) at Dingli (DER) is still works in progress. The elementary work and setting up is still ongoing. Some teething problems were encountered but these are being addressed. It is important to note how sensitive a radar system is and, since we live on an island surrounded by sea, this always requires further setting up and tweaking to achieve optimum performance. ➔



SECTION REPORTS

Safety, Quality, Security Management and Compliance CONTINUED

◀ There were 11 large safety assessments conducted during 2018, as well as a further 18 Rapid Risk Assessments (RRAs)

THE NEW ATCC PROJECT

SQSC is involved in all the planning and the preparatory work of the new Air Traffic Control Centre at MATS. The entire process is being monitored from the SQSC aspect and, as soon as stability is achieved in the designs, the SQSC section will deliver the first draft of the operational environmental description. Brainstorming between subject matter experts and providing input at the design stage are the best way to minimise later

changes as much as possible once the design has been frozen.

The SQSC section has already identified 65 Safety Requirements that will be incorporated to influence the design. The input at this early stage and the safety assumptions provided are contributing to a design that is already mature in terms of safety considerations.

When it comes to compiling the initial Hazard log of the design, many elements are already in place. Thanks to this early preparatory work, the support from the management team, the project consultants and the architects, the number of Hazards that need to be addressed in the project are already being controlled at this preliminary stage. ▶



SECTION REPORTS

Safety, Quality, Security Management and Compliance CONTINUED



← BLUEMED SAFETY WORKING GROUP

The Just Culture Declaration of the Blue Med FAB was presented in April 2018. It was then forwarded to the ANSP Committee and is awaiting final approval. The approved version will be released during 2019. It was discussed once again during the ANSP Committee of March 2019.

Following the signing of an LoA covering the exchange of safety data between MATS and ENAV, in 2017, which is working very well, similar arrangements are being made with local AOCs, MROs and Malta International Airport and also with GA training schools.

The LoA with the Cyprus ANSP is not finalised yet and the one with Greece ANSP is still pending. The

draft Cyprus LoA is agreed with MATS and has now been forwarded by the Cyprus Safety office to the legal office for final inspection and eventual approval.

COMPLIANCE

In 2018 the General Data Protection Regulation (GDPR) regulation (EU) 2016/679 of the European Parliament and of The Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and the repealing of Directive 95/46/EC came into force. The SQSC section supported the Finance and Administration section in all the groundwork, the set-up within MATS, the



SECTION REPORTS

Safety, Quality, Security Management and Compliance CONTINUED

← creation of the necessary policies, required procedures – all under the SQSC compliance pillar.

NEW COMMON REQUIREMENTS REGULATION EC 2017/373

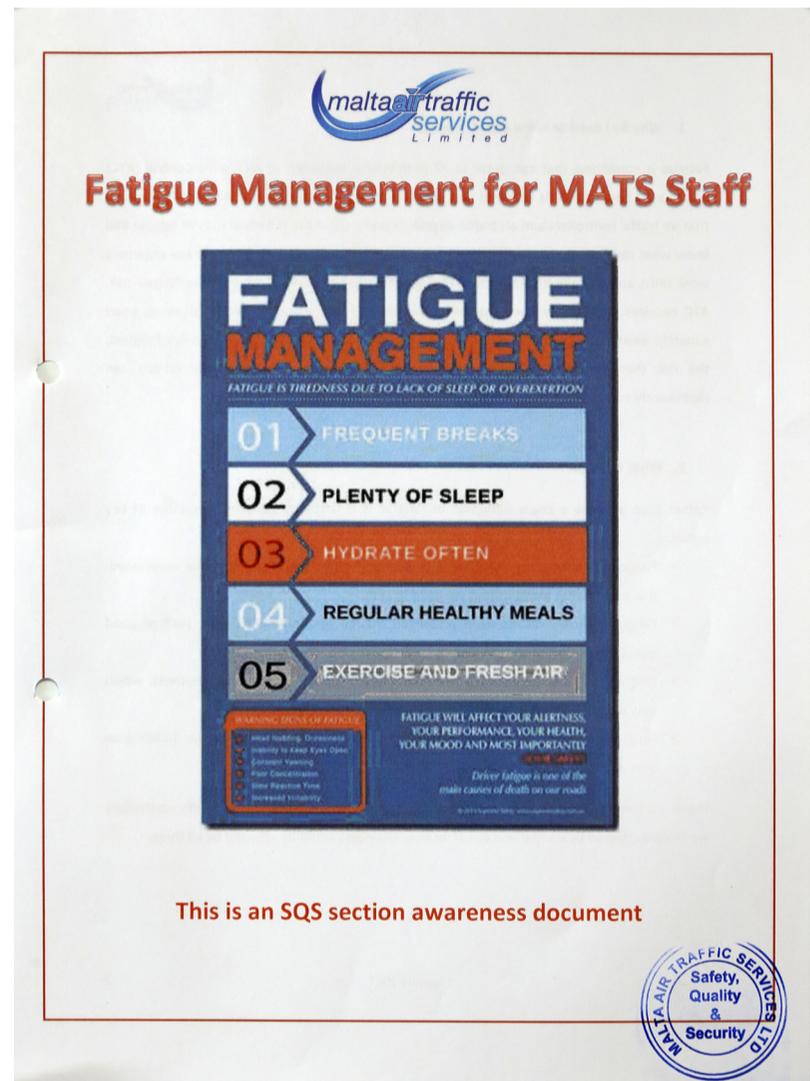
Commission Implementing Regulation (EU) 2017/373 of 1 March 2017 laying down common requirements for providers of air traffic management/air navigation services and other air traffic management network functions and their oversight, repealing Regulation (EC) No 482/2008, Implementing Regulations (EU) No 1034/2011, (EU) No 1035/2011 and (EU) 2016/1377 and amending Regulation (EU) No 677/2011 will become fully applicable on 2 January 2020. Work on implementing this new ANS common requirements regulation is ongoing.

Many annexes in the regulation will be similar to what we have today; others present new challenges. The most critical part of this regulation, which is exercising additional burdens on the SQSC section, are proposed changes in the process of conducting safety assessments. For the first time ATSEPs will now be fully regulated. In fact, Annex XIII, called Part PERS, is dedicated to ATSEPs and the management of a “competence scheme” for ATSEPs.

A snapshot will be taken in the third quarter of 2019 to see whether the entire landscape of EC regulation 2017/373 has been covered and, where gaps are identified, these will be addressed.

FATIGUE RISK MANAGEMENT

In line with new requirements in the same EC regulation 2017/373 Annex IV and amendment 50



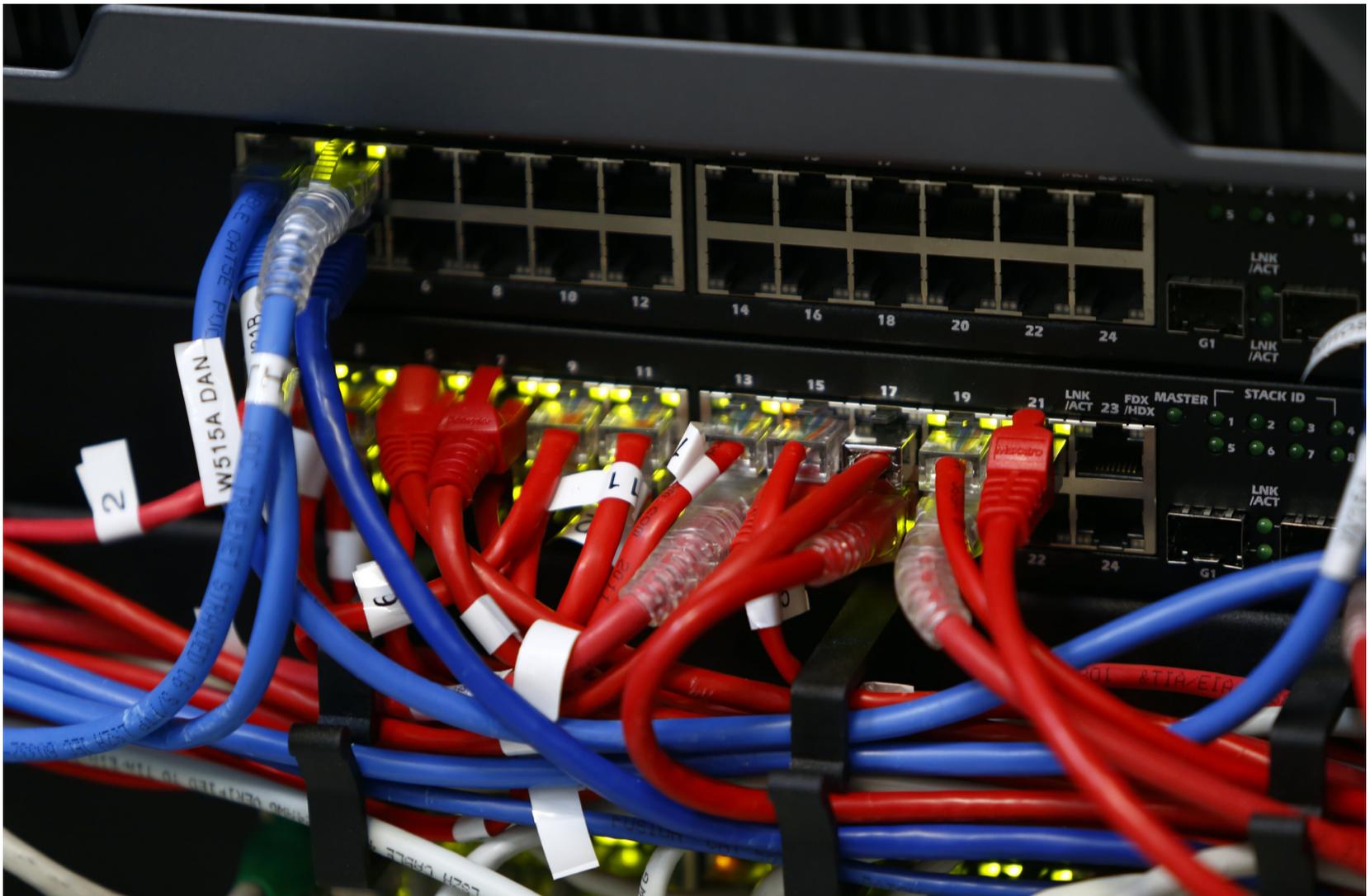
of ICAO Annex 11, a safety assessment of the rostering system has to be conducted taking into consideration the effects of fatigue and stress. SQS/ SAF/ SFM 31-18 MATS Stress and Fatigue Management Policy was prepared with the full support of MATCA and ATSEC associations.

The signatories of the policy include all the MATS section heads, the CEO and HR section and the Union representatives. The SQSC section takes this opportunity to thank the MATS staff associations for the support provided in formulating this important policy.

Following the training of the management team in fatigue risk management in 2017, training was

SECTION REPORTS

Safety, Quality, Security Management and Compliance CONTINUED



← also extended to the Safety Team. Discussions are ongoing with the staff associations to plan the training for the rest to the organisation. On the other hand, training in Mental Health First Aid (MHFA) is being delivered by the Richmond Foundation to focal points nominated by section heads, including the CISM peers who were nominated by the CEO, with another five members of staff receiving this training in 2019. This is an ongoing process, which will take some more time to conclude.

CYBER SECURITY

During 2017, three ATSEPs joined the SQSC section as part-time risk assessors specialising in ICT risk

assessments. Cyber security is on top of the list as a risk for the Safety of ATC Operations. The regulators and legislators are now exercising pressure on SQSC departments to ensure that the cyber security aspect of ICT is included in the portfolio of the SQSC sections.

For the first time ever the MATS management team included a cyber security requirement as part and parcel of the specification for the procurement of the new AMHS equipment. The support of Eurocontrol was roped in to ensure that subject matter experts are included to help the organisation in this new safety critical area.

The ICT branch within the Technical section did a great job on the cyber aspect of the AMHS. The →

SECTION REPORTS

Safety, Quality, Security Management and Compliance CONTINUED

← safety assessment, in fact, also tackled the cyber security aspect of the project and the collaboration with all those involved was excellent. In the recent past, the number of stakeholders in Europe that included cyber security requirements in the procurement specifications of EATMN equipment was low, but now this is being done by all those involved in the business.

This is a new chapter in the tackling of safety assessments. Cyber protection is now included in all projects with new requirements that need to be adhered to by primarily all the aviation stakeholders. Cybersecurity has developed into an additional risk that is already affecting business in the industry. Today's cyber foes are more determined, capable and technologically savvy than just a couple of years ago; this is bringing additional headaches to all organisations.

MATS supported the safety assessment prepared for the AMHS architecture by the manufacturer. The FHA/PSSA/SSA for the architecture was prepared by the manufacturer in full collaboration with MATS. What is left now is the implementation safety assessment, which is the responsibility of the SQSC section.

SAFETY PERFORMANCE – EFFECTIVENESS OF SAFETY MANAGEMENT

The effectiveness of the MATS safety management system is being measured with two different standards now. The Effectiveness of Safety Management (EoSM) by EASA, which MATS completed and achieved 84% maturity, which is well within the top group of European ANSPs. This is meeting requirements as specified in the performance Scheme for RP2. The process of building a working relationship with the Judiciary

system is still ongoing, it is still maturing, and more work needs to be done.

The Standard of Excellence (SoE) of Eurocontrol/CANSO, is the measurement tool being used to evaluate the Safety maturity. The weighting mechanism is completely different from the EoSM and one can't compare like with like. It is more intense, and the evaluation goes into areas that are more complex and require much more work.

The probable results from the SoE tool are expected to be on average 10 percentage points less than those achieved by the EASA's EoSM. MATS is within this expected bracket. It has to be appreciated that the SoE requires a lot more work, is much more complicated and requires a lot more evidence.

SAFETY CULTURE SURVEY

The Safety Culture Survey conducted last year by the London School of Economics in collaboration with Eurocontrol is still ongoing, with activities including the distribution of the abridged version of the report to all staff. The management supported by the SQSC team is holding internal discussions to conclude the process by the end 2019. This is still a works in progress, which requires time and effort to conclude.

SAFETY SURVEYS

Surveys are being carried out on an annual basis. These are done to identify areas for continuous improvement of the service delivery. The surveys carried out during 2018 are:

- February-April 2018: Safety Culture Survey
- June 2018: SQS/SAF/SUR 24-18 Safety Net-ATM System Audible Alarm Survey.

SECTION REPORTS

Safety, Quality, Security Management and Compliance CONTINUED

← SAFETY OCCURRENCES AND INVESTIGATIONS

The following is the list of occurrences gathered by MATS:

OPERATIONAL OCCURRENCES	
Type of occurrence	Number of occurrences
Others	50
Laser	11
Runway Incursion (RI)	6
Bird Strike (BS)	5
Non-adherence to ATC instructions	5
Accident	4
Separation Minima Infringement (SMI)	1
TWY/ TXL Incursion	1
Radio Communication Failure (RCF)	0
Drone	0
Total reported Occurrences	83

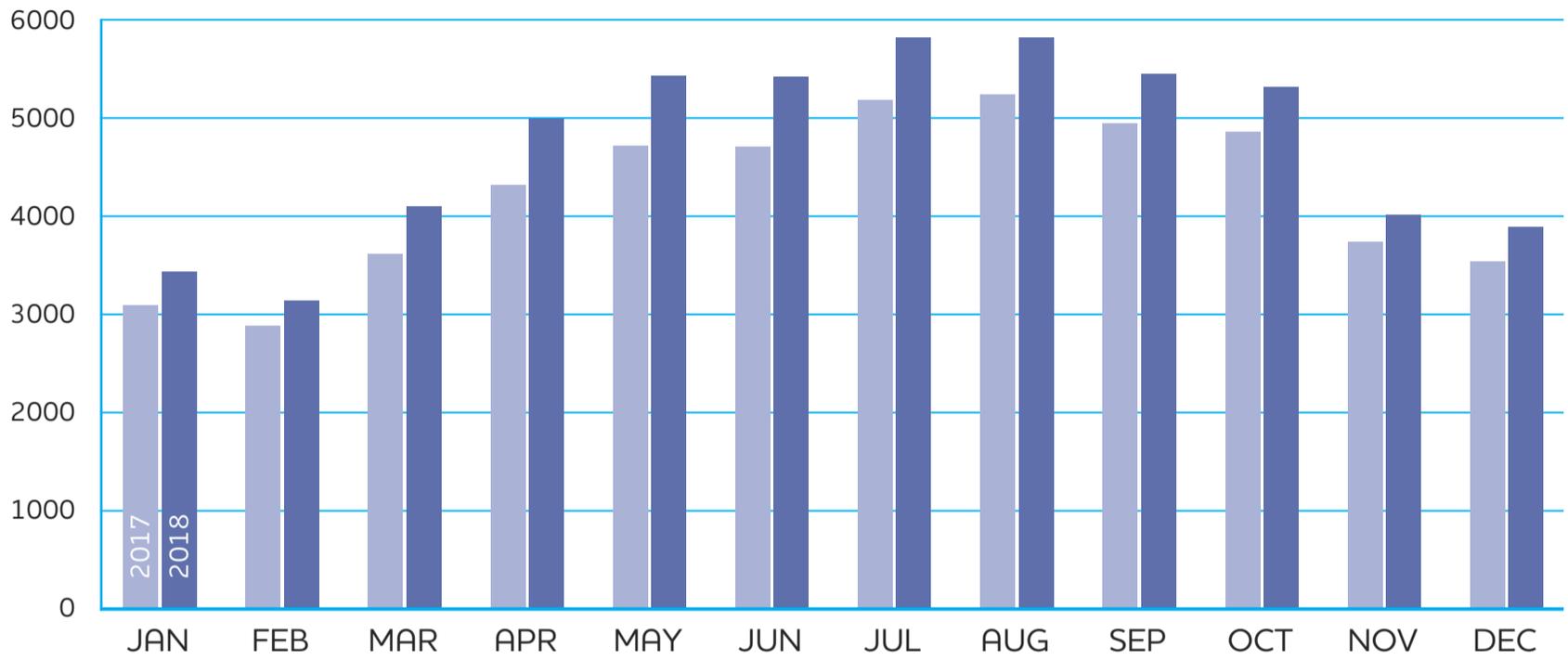
TECHNICAL OCCURRENCES	
Type of occurrence	Number of occurrences
Communications	19
Data Processing	12
Navigation	5
Surveillance	1
Power	1
Infrastructure	0
SEC	0
MET	0
ARS	0
ICT	0
Total reported Occurrences	38

OCCURRENCE REPORTS THAT QUALIFY FOR A RAT EXERCISE

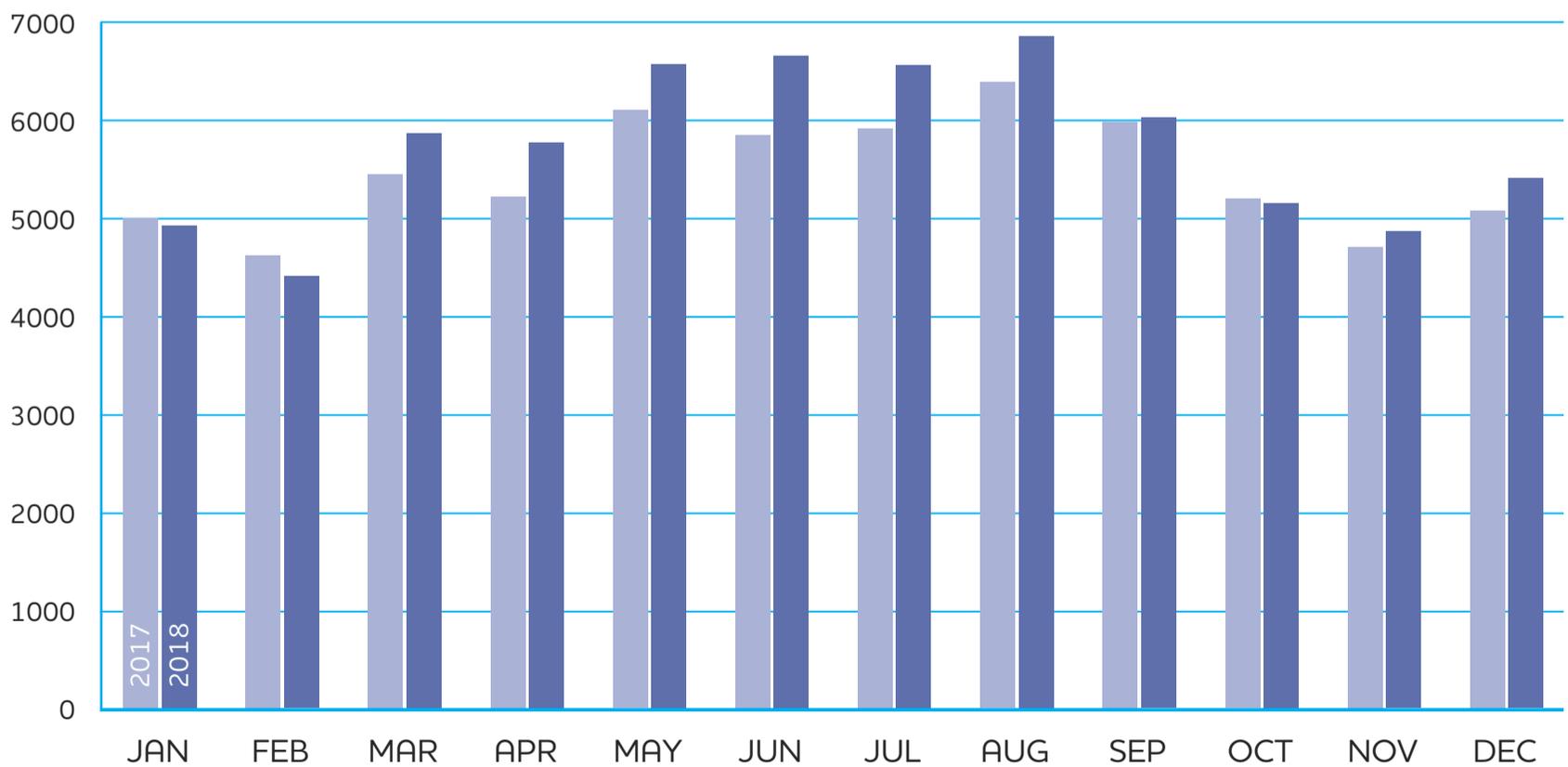
Type of occurrence	Occurrences that qualify for a RAT	RAT severity C or above	Amount of RAT conducted with Severity C or above
ATM Specific	16	3	100%
Runway Incursion	6	0	100%
Separation Minima Infringement	1	1	100%

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: **ALISON EBEJER, Air Traffic Safety Administrative Support Officer; ANTOINE SCIBERRAS, Senior Head – Unit Competency and Training in the Operations Section; and MARTIN LIA, ATSEP (Air Traffic Safety Electronic Personnel) in the Technical 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?**

Alison Ebejer: I have been working with MATS since July 2014. I was posted at the SQSC section and have been working there ever since. My main role is that of Air Traffic Administrative Support Officer. During the past five years that I have been with the section, I continued my training and now I am a qualified internal auditor and surveyor.

On a typical day, I usually start by checking all e-mails received and take action when and where required or as directed by SH SQSC. Then I check and classify ATM Specific and Technical Event occurrences from the daily failure reports and forward them to the Technical Management for the required action and reporting. This is done in collaboration with the SH SQSC.

ATM specific occurrence reports are then forwarded to the Technical Investigators for further analysis and action in line with the ORIPS document. I also forward any safety material as directed by SH SQSC

to Management, ATCOs, ATSEPs, AIM and staff. I am the administrator and tread leader for the CENTRIK platform and also the alternate to the main PoC of CENTRIK for MATS, OPS Head Naomi Galea.

As a lead support to SQSC specialist on security matters, I manage the process for security access cards to the ATCC Tower Building. In fact, dedicated software is installed on my PC to be able to manage this process. I take care of the legal data impounding process for investigation purposes, or when requested by the Civil Aviation Directorate of Transport Malta (TM-CAD) and the Bureau of Air Accident and Investigation Malta (BAAI).



ALISON EBEJER

Meet your colleagues CONTINUED

◀ I also co-ordinate with TM-CAD for the filling of Change Management forms for all Safety Assessments, Rapid Risk Assessments (RRAs) and safety reviews. A final report is then prepared on all RRAs and safety reviews and a soft copy is forwarded to management, TM-CAD, OSRs and Union representatives.

The SQSC section has a team of 26 part-timers, including investigators, OSRs and Auditors/Surveyors. At the office, we support the team by providing any documentation that is required, co-ordinating meetings, logbooks, overtime sheets and any other support requested by the members. We do our best to keep them happy!

On a yearly basis, I prepare the SQSC section annual report and the section staff competence hours and support team report.

Other duties, among others, include:

- uploading safety material on the internal system and on CENTRIK (Safety Alerts from EASA, MIA, SKYBRARY, MATS; Quality, Safety and Security documentation);
- filing all documents and corresponding mails of Safety Cases, Safety Reviews, RRAs, investigations and safety related mails and documents;
- preparing the logistics of Safety Meetings by printing all necessary documentation needed and scheduling the OSRs to assist during the meetings. Preparing also the logistics for SAFCOM and Safety Team meetings;
- updating the AIP and SPINS manual and forwarding a copy of the AIP to Capt. Frank Zammit (BAAI) and the Hon. Mr Justice Giovanni Grixti; and
- taking care of all ICAO releases, distributing them within the organisation in accordance with an established SOP.

I do not have a particular hobby. I enjoy doing something for a period of time, then jump on to the next one. My interests in the past have included stamp collecting, gardening, daily promenade walks, reading and experimenting with new recipes. Now, I do not have time to embark on a new hobby, but I make it a point to find some time to read before going to sleep.

I have a sweet tooth, so I prefer to skip healthy meals to enjoy a delicious cupcake or similar temptations. Cold days are my favourite time of the year to visit a local renowned cafeteria to enjoy one of their pastries, along with a hot cappuccino.

The most satisfying aspect of my job is that I form part of section and a team that do their utmost to maintain job satisfaction. We work as a team to protect all MATS licences and certifications. The motto of our section head is “*everybody knows*”.

This policy gives all team members at SQSC visibility and direction. This was also explained to our new support, Specialist Johan Debattista, on the first day in front of us. Fortunately, with this management style, we always know where we are going!

Antoine Sciberras: I started work in ATC in late 1988, i.e., nearly 31 years ago, as an air traffic control assistant, then within the Armed Forces of Malta. In 1990, I was selected to commence *ab-initio* a course in Bailbrook College, Bath, United Kingdom. I validated as a Tower controller. After what is called a period of consolidation, usually about a period of two years, I commenced my training for Approach and got validated.

At the time, it was an old Mark 1, AR1 primary radar, used since the British were here. In time, this was changed to a secondary mono pulse radar ▶

Meet your colleagues CONTINUED

← system. There is a big difference between primary radar and secondary radar. The PSR (Primary Surveillance Radar) is a conventional radar sensor that illuminates a large portion of space with an electromagnetic wave and receives the reflected waves back from targets within that space. This is reflected on a scope as a target.

Secondary radar is a lot more complex than primary radar. It is called a transponder because it transponds to the interrogation from the secondary radar. The SSR generates a beam of pulse in the horizontal direction for the interrogation, while the target or



ANTOINE SCIBERRAS

the aircraft transmits back omnidirectionally. Range is improved and power consumption is much less. In today's world, it is more environmentally friendly. It also gives you information regarding the plane, such as its callsign and the level the plane actually is.

In 1997, I did my Area procedural validation and, eventually, conversion to area radar. The procedure is a totally different story, where separation between aircraft is based on time not distance. My last role in the operational side was that of a supervisor.

Over the years, I got involved in the safety department as an investigator, my role being that of finding out what happened in a particular occurrence and suggesting recommendations to the high end, i.e., Management, so that corrective measures could be taken and a similar incident would hopefully not happen again.

My current role is that of Senior Head – Unit Competency and Training (SH-UCT). I am now responsible, among other things, for training in the Operations section, in assisting in the development and implementation of training procedures to ensure that the provision of ATS is fully compliant with international standards and recommended practices.

A typical day's work would commence with checking any updates on regulation 340/2015 regarding ATCOs' licencing and any updates on standard and recommended practices (SARPs), and holding meetings with other senior heads on any training they wish to introduce. I also check on the training programme being carried out both locally and abroad.

My two main hobbies are gardening and woodworking. I find gardening so relaxing after a hard day's work; it helps take off the mental load full of tension since one has to take decisions with the information available, instantly and correctly. Also, →

Meet your colleagues CONTINUED

◀ I used to love diving, but I don't practise that hobby any more. My favourite food is anything Italian, especially pasta. What can go wrong in an Italian diet, may I ask?

It is very satisfying to confirm that all ATCOs are working in conformity with EU and ICAO law as dictated by the UCS (unit competency scheme). ATC is all about teamwork and knowing that all are on board is fulfilling.

Martin Lia: I have been working with MATS since its inception. I first started working as a student apprentice with the Department of Civil Aviation on 18 November 1981 in the Technical Department.

We were a group of apprentices who followed a three-year apprenticeship and, after successfully passing our exams, were employed full time in the technical department at that time as NAV-AIDS fitters. Then, after a couple of years, we were promoted to Technicians.

I have been working as a technician since then. Back in the late '90s we were transferred to Malta International Airport and, from 2001, to Malta Air Traffic Services. We then progressed in our careers through specialisation and further training. The Technical Section was affiliated with IFATSEA (International Federation of Air Traffic Safety Electronics Associations) in the meantime and the affiliation was of great benefit for the MATS ▶



MARTIN LIA

Meet your colleagues CONTINUED

← Technical Section in terms of recognition and professionalism.

I am currently employed as an ATSEP (Air Traffic Safety Electronic Personnel). We are split up into three domains: one on radar, one on navigation and the third on communications. I work on the radar heads in Dingli, Hal Far, Fawwara and Luqa. I also work on the ATM system – displays and information systems. It is a varied job and one which requires that you keep up to date continually.

There are eight ATSEPs in every shift – around 36 in all. On each watch we have a supervisor who alternates so that, if it is not their turn to be at the helm, they perform their duties on the equipment to keep their certification valid. The supervisor co-ordinates the day's work with the Ops supervisor and assigns the work to the ATSEPs on duty, since it is important for only one person to communicate with Ops to have information flowing through a single channel.

A typical day would either start in the morning or in late afternoon for the night shift. We work on a day, night, rest, off shift cycle. When we arrive in the Technical Section in the morning, we meet the shift that is going out at the end of their day so that, if there is any pending work, they pass it on to us. If there is no pending work, we conduct a site check of the equipment rooms and then see what scheduled maintenance there is.

The most pressing jobs are always done first thing in the morning. We do certain work at Dingli, Hal Far and Fawwara on particular days. We try to get the maintenance out of the way in the morning, although we never really manage, and it often spills into the afternoon.

We conduct daily site checks at the three radar sites, although we have nobody working on these sites

...my biggest satisfaction is reaching the end of a working day with everything having run smoothly

permanently since these sites are monitored remotely. There are certain things that you immediately feel when there is a lack of people's presence. Even the simple opening of a door prevents it from rusting. It is important for us to be on site, even for a short time daily, when visiting for preventive and corrective maintenance.

All equipment here is redundant and thus our intervention is normally to repair to recover the redundancy and preventive maintenance to ensure that we always work to recover full redundancy and to maintain it.

I am also involved in the Safety Team as an Investigator. I have been in this role for the past eight years.

I joined the DCA because I love aviation and, as a hobby, I collect diecast scale model aircraft, mainly commercial, in 1:400 scale. I also have models of World War II aircraft involved in Malta. They are of the Corgi brand and of a different scale.

My favourite food is meat and fish. I also like to cook my food.

Since I am also involved in safety, my biggest satisfaction is reaching the end of a working day with everything having run smoothly. Everything was co-ordinated and done well on the day. Most importantly, that safety was not impacted. That is something we keep in mind, first and foremost.



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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) with registration number C 27965.



Directors

Major Anthony Abela (Chairman)

Mr Raymond Lanzon
 Prof. Ernest Cachia
 Dr John Vassallo
 Ms Xanthe Spiteri
 Ms Charmaine Felice (appointed on 9 March 2018)

Company Secretary

Dr Andrew Sciberras

Registered Office

Malta Air Traffic Services
 Malta International Airport
 Luqa LQA 5000

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. Company Secretary Dr Andrew Sciberras is standing and (inset) the newly appointed Director Ms Charmaine Felice.

Directors' Report

The directors submit the annual report and audited financial statements of Malta Air Traffic Services Limited (the "Company") for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The Company's principal activity 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 (2017: €500,000).

REVIEW OF THE BUSINESS

The Company made a profit before tax of €1,061,685 for the year ended 31 December 2018 (2017: €3,975,197). The Company's financial position remains satisfactory and the directors expect the general level of operating activity to be improved in the foreseeable future.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events have occurred after the end of the reporting period 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 2018, the directors were as listed on page 42.

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) enacted in Malta requires the directors to prepare financial statements for each financial year 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 year.

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;
- make judgments and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accrual basis;



Directors' Report CONTINUED

- ◀ • 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 provision 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). This responsibility includes designing, implementing, and maintaining such internal control as the directors determine is necessary to enable the preparation



MAJOR ANTHONY ABELA
Chairman

05 August 2019

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:



MR. RAYMOND LANZON
Director

Statement Of Comprehensive Income

	Note	2018 €	2017 €
Turnover	4	23,788,474	25,356,075
Staff costs	9	(12,206,359)	(10,265,614)
Depreciation expense	11	(2,645,643)	(2,680,275)
Other operating expenses		(8,326,691)	(8,082,893)
Operating profit		609,781	4,327,293
Finance costs	5	(64,106)	(62,822)
Other income/(expenses) - net	6	516,010	(289,274)
Profit before tax	7	1,061,685	3,975,197
Taxation	10	(419,678)	(1,397,581)
Profit for the financial year		642,007	2,577,616
Total comprehensive income for the year		642,007	2,577,616

Statement of Financial Position

AS AT 31 DECEMBER, 2018

	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Property, plant and equipment	11	11,280,982	10,081,262
Term deposits	23	13,500,000	6,500,000
		<u>24,780,892</u>	<u>16,581,262</u>
Current assets			
Financial assets at fair value through profit or loss	12	3,023,481	1,594,839
Trade and other receivables	13	3,495,549	3,099,228
Cash and cash equivalents	22	2,033,726	2,882,022
Term deposits	23	11,200,000	17,500,000
Current tax receivable		701,028	693,161
		<u>20,453,784</u>	<u>25,769,250</u>
TOTAL ASSETS		<u>45,234,676</u>	<u>42,350,512</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	10,000,000	10,000,000
Retained earnings		25,809,852	25,667,845
TOTAL EQUITY		<u>35,809,852</u>	<u>35,667,845</u>
Non-current liabilities			
Provision for retirement benefits	17	2,339,206	765,233
Other financial liabilities	16	3,583,245	3,123,021
Deferred tax liabilities	19	126,248	433,150
		<u>6,048,699</u>	<u>4,321,404</u>
Current liabilities			
Trade and other payables	14	3,278,345	2,288,312
Other financial liabilities	16	67,966	67,966
Bank overdraft	15	29,814	4,985
Total current liabilities		<u>3,376,125</u>	<u>2,361,263</u>
TOTAL LIABILITIES		<u>9,424,824</u>	<u>6,682,667</u>
TOTAL EQUITY AND LIABILITIES		<u>45,234,676</u>	<u>42,350,512</u>

The financial statements set out on pages 45 to 69 have been authorised for issuance by the Board of Directors on 05 August 2019 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, 2017				
Balance at 01 January, 2017		10,000,000	23,590,229	33,590,229
Total comprehensive income for the year:				
<i>Profit for the financial year</i>		-	2,577,616	2,577,616
Dividends declared and paid during the year	21	-	(500,000)	(500,000)
Balance at 31 December, 2017		10,000,000	25,667,845	35,667,845
Financial year ended 31 December, 2018				
Balance at 01 January, 2018		10,000,000	25,667,845	35,667,845
Total comprehensive income for the year:				
<i>Profit for the financial year</i>		-	642,007	642,007
Dividends declared and paid during the year	21	-	(500,000)	(500,000)
Balance at 31 December, 2018		10,000,000	25,809,852	35,809,852

Statement of Cash Flows

	Note	2018 €	2017 €
Cash flows from operating activities:			
Profit before tax		1,061,685	3,975,197
Adjustments for:			
Depreciation	11	2,645,643	2,680,275
Retirement benefit expense	9	1,573,973	46,849
Provision for doubtful debts		72,825	190,683
Interest expense	5	64,106	62,822
Decrease/(increase) in fair value of financial assets at fair value through profit or loss	6	61,169	(20,104)
Loss/(gain) on disposal of financial assets at fair value through profit or loss	6	10,189	(14,944)
Interest income	6	(258,847)	(280,581)
Reversal of provision for doubtful accounts	6	(328,521)	-
Profit from operations		4,902,222	6,640,197
Increase/(decrease) in trade and other receivables		(140,625)	692,081
Increase in trade and other payables		990,034	1,652,876
Cash from operating activities		5,751,631	8,985,154
Interest paid		(1,791)	(233)
Income taxes paid		(734,447)	(3,856,072)
Net cash generated from operating activities		5,015,393	5,128,849
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(3,845,273)	(2,311,710)
Movement in term deposits - net		(700,000)	(1,221,482)
Interest received		258,847	260,581
Acquisition of financial assets at fair value through profit or loss		(1,500,000)	-
Net cash used in investing activities		(5,786,426)	(3,252,611)
Cash flows from financing activities:			
Dividends paid	21	(500,000)	(500,000)
Proceeds from cash advances from related parties - net		397,908	397,908
Net cash used in financing activities		(102,092)	(102,092)
Net (decrease)/increase in cash and cash equivalents		(873,125)	1,774,146
Cash and cash equivalents at beginning of year		2,877,037	1,102,891
Cash and cash equivalents at end of year	22	2,003,912	2,877,037

Notes to the Financial Statements

1. GENERAL INFORMATION

Malta Air Traffic Services Limited (the “Company”) is a limited liability company incorporated in Malta with registered address at Malta International Airport, Luqa LQA 4000, Malta. The Company’s principal activity is to provide air navigation services within the Malta Flight Information Region.

Malta Government Investments Ltd, a limited liability company registered in Malta, is the immediate parent of the Company. The Government of Malta is the ultimate controlling party of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes disclosed in the new or revised standards, interpretations and amendments adopted which were applied in line with the transitional provisions.

Basis of measurement and statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Companies Act (Cap. 386) enacted in Malta.

The financial statements have been prepared under the historical cost basis, unless otherwise mentioned in the relevant accounting policies below.

Functional and presentation currency

The financial statements are presented in Euro (€) which is the Company’s functional currency.

New or revised standards, interpretations and amendments adopted

The Company adopted several new or revised standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and endorsed by the EU. The adoption of these new or revised standards, interpretations and amendments did not have a material impact on these financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* supersedes IAS 11 *Construction Contracts* and IAS 18 *Revenue*. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 *Financial Instruments* for the first time in the current year. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for the annual period beginning 1 January 2018, 

Notes to the Financial Statements CONTINUED

← bringing together all three aspects of the accounting for financial instruments namely classification and measurement, impairment, and hedge accounting.

New or revised standards, interpretations and amendments issued but not yet effective

Several new or revised standards, interpretations and amendments were in issue and endorsed by the EU but are not yet effective for the current financial year. The Company has not early adopted the new or amended standards in preparing these financial statements.

Except as otherwise disclosed below, the other standards, interpretations or amendments are not relevant and not expected to have a material impact on the Company's financial statements.

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces *IAS 17 Leases* and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For lessor accounting, the standard does not substantially change how a lessor accounts for leases under IAS 17.

The directors are currently in the process of assessing the impact of its adoption.

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 Company operates.

Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the end of reporting period. All resulting differences are taken to profit or loss.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled when performance obligation is satisfied in a manner that depicts the transfer of control over the goods or services promised to the customer. A performance obligation may be satisfied either at a point in time or over time. →

Notes to the Financial Statements CONTINUED

← The consideration relates to the transaction price allocated to each performance obligation as defined in the contract with the customer. The transaction price reflects discounts, rebates and refunds to customers and excludes sales taxes, if any.

Provision of services

Revenue from a contract to provide services is recognised at a point in time upon completion of the service. Services being provided by the Company includes en-route and terminal traffic.

Grants

Grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants that are receivable with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

Taxation

The tax charge/(credit) in profit or loss normally comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period.

Deferred income tax is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

An item of property, plant and equipment is initially measured at cost. Cost includes the purchase prices and other expenditures directly attributable to bringing the asset to the location and condition for its intended use. Subsequent expenditures relating to the asset are added to the carrying amount when it is probable that →

Notes to the Financial Statements CONTINUED

← 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.

After initial recognition, an item of property, plant and equipment is carried at cost less accumulated depreciation and impairment losses, if any.

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:

	%
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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions are recognised in profit or loss when the changes arise.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

On disposal of an item of property, plant and equipment, the cost and related accumulated depreciation and impairment losses, if any, are derecognised and the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements CONTINUED

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

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when they are extinguished, discharged, cancelled or expire.

Financial assets

Financial assets are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

The Company's financial assets are as follows:

Financial assets at amortised cost

Financial assets at amortised costs are financial assets that are held within the business model whose objective is to collect contractual cash flows ("hold to collect") and the contractual terms give rise to cash flows that are solely payments of principal and interest.

On initial recognition, financial assets at amortised cost are recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Discounting is omitted when the effect of discounting is immaterial. Trade receivables without a significant financing component are measured at the transaction price as a practical expedient.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method less impairment losses, if any. Gain or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.



Notes to the Financial Statements CONTINUED

← The Company's financial assets under this classification include cash and cash equivalents and trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading, financial assets designated on initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

On initial recognition, these are measured at fair value and transaction costs are charged to profit or loss. Subsequently, these are remeasured at fair value with fair value changes recognised in profit or loss. Dividends are recognised in profit or loss when the right of payment has been established.

The Company's financial assets at FVTPL include corporate bonds and quoted shares.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost. Equity instruments are not subject to impairment assessment.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

For trade receivables and accrued income, the Company applies a simplified approach to measuring ECLs which recognises lifetime ECLs. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected credit losses are accounted as impairment loss on financial assets and are presented as a separate line item in profit or loss.



Notes to the Financial Statements CONTINUED

Financial liabilities

Financial liabilities are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

The Company's financial liabilities are mainly financial liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value, net of transaction cost and are subsequently measured at amortised cost using the effective interest method. All interest-related charges under the interest amortisation process are recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

Financial liabilities under this category include trade and other payables, bank overdraft and other financial liabilities.

Offsetting of financial assets and financial liabilities

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

Cash and cash equivalent

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 purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at bank.

Accrued income

Accrued income is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, accrued income is recognised for the earned consideration that is conditional.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.



Notes to the Financial Statements CONTINUED

Leases

At inception of an arrangement, the Company determines whether the arrangement contains a lease. The determination of whether an arrangement contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. Where the Company is the lessee, the leased assets are capitalised. A lease asset and lease liability are established at the fair value of the leased assets or, if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease

Assets held under other leases are classified as operating leases and are not recognised in the Company's statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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.

Fair value measurement

Certain assets and liabilities of the Company are measured at, or require disclosure of, fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market.



Notes to the Financial Statements CONTINUED

◀ The Company measures the fair value of an instrument using the quoted price in an active market for that instrument, if available. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Events after the reporting period

The Company identifies events after the end of each reporting period as those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The Company's financial statements are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to these consolidated financial statements when material.

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

The preparation of financial statements in conformity with IFRS as adopted by the EU 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, except for the matters disclosed below, 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.

Funds from shareholder

The annual funds obtained from the main shareholder amounting to €2,329,373 are allocated between income from government as a compensation for loss of revenue from the exemption of military traffic, and loan from shareholder. The annual percentage allocation of 80:20 ratio being applied on the funds is based on management's best estimate & judgment.



Notes to the Financial Statements CONTINUED

4. TURNOVER

	2018 €	2017 €
Provision of air traffic control services		
En-route traffic	14,432,502	17,103,641
Terminal traffic	5,265,645	5,305,517
Exempt traffic	1,863,499	1,863,499
Grants	1,250,656	23,960
Maintenance and technical fees	976,172	1,083,418
	23,788,474	25,356,075

5. FINANCE COSTS

	2018 €	2017 €
Finance leases	62,315	62,589
Interest on bank overdraft	1,791	233
	64,106	62,822

6. OTHER INCOME/(LOSSES) – NET

	2018 €	2017 €
Reversal of provision for doubtful debts	328,521	-
Interest income on bank deposits	258,847	280,581
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(10,189)	14,944
Net gain/(loss) from changes in fair value of financial assets at fair value through profit or loss (Note 12)	(61,169)	20,104
Other losses	-	(604,903)
	516,010	(289,274)

Notes to the Financial Statements CONTINUED

7. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2018	2017
	€	€
Staff costs (Note 9)	12,206,359	10,265,614
Depreciation (Note 11)	2,645,643	2,680,275
Auditors' remuneration	3,000	3,000
	<u> </u>	<u> </u>

8. KEY MANAGEMENT PERSONNEL COMPENSATION

	2018	2017
	€	€
Directors' fees	50,347	25,157
	<u> </u>	<u> </u>

9. STAFF COSTS

Staff costs incurred during the year were as follows:

	2018	2017
	€	€
Wages & salaries	10,296,560	9,902,554
Social security costs	335,826	316,211
Retirement benefit expense (Note 17)	1,573,973	46,849
	<u> </u>	<u> </u>
	<u>12,206,359</u>	<u>10,265,614</u>

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

	2018	2017
Operations	51	52
Technical	45	46
Administration	49	51
	<u> </u>	<u> </u>
	<u>145</u>	<u>149</u>

Notes to the Financial Statements CONTINUED

10. TAXATION

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

	2018	2017
	€	€
Current tax expense	726,580	1,566,222
Deferred tax expense/credit (Note 19)	(306,902)	(168,641)
	<u>419,678</u>	<u>1,397,581</u>

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

	2018	2017
	€	€
Profit before tax	<u>1,061,685</u>	<u>3,975,197</u>
Theoretical tax expense	371,590	1,391,319
<i>Tax effect of:</i>		
Non-deductible expenses	27,151	2,036
Excess of carrying amount of tangible fixed assets over tax base	72,706	68,417
Income taxed at 15%	(51,769)	(56,116)
Non-taxable income	-	(8,075)
	<u>419,678</u>	<u>1,397,581</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	1,430,234	382,916	13,391,476	4,723,538	19,172,667	39,442,114
Additions	3,194,389	-	99,123	-	408,671	117,522	25,568	3,845,273
Balance at 31 December, 2018	3,443,112	92,560	1,529,357	382,916	13,800,147	4,841,060	19,198,235	43,287,387
Accumulated depreciation								
Opening balance	-	(92,560)	(1,017,037)	(317,037)	(9,200,139)	(3,155,431)	(15,578,648)	(29,360,852)
Depreciation	-	-	(196,390)	(14,905)	(1,325,174)	(170,236)	(938,938)	(2,645,643)
Balance at 31 December, 2018	-	(92,560)	(1,213,427)	(331,942)	(10,525,313)	(3,325,667)	(16,517,586)	(32,006,495)
Carrying amount								
At 31 December 2017	248,723	-	413,197	65,879	4,191,337	1,568,107	3,594,019	10,081,262
At 31 December, 2018	3,443,112	-	315,930	50,974	3,274,834	1,515,393	2,680,649	11,280,892

The carrying amount of the Company's buildings include €973,293 (2017: €999,175) in respect of assets held under finance leases.

Notes to the Financial Statements CONTINUED

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 €	2017 €
<i>Fair value</i>		
At beginning of the year	1,594,839	1,559,791
Acquisition of investment portfolio	1,500,000	-
Net (loss)/gain from changes in fair value during the year	(61,169)	20,104
Portfolio movements	(10,189)	14,944
At end of the year	3,023,481	1,594,839

13. TRADE AND OTHER RECEIVABLES

	2018 €	2017 €
Trade receivables	1,768,792	2,361,310
Accrued Income	1,535,378	549,915
Prepayments	109,803	105,325
VAT receivables	81,576	82,678
	3,495,549	3,099,228

Trade receivables is stated net of provision for doubtful debts amounting to €72,825 (2017: nil).

Accrued income is stated net of provision for doubtful debts amounting to €1,077,714 (2017: €2,570,399). Movements in the provision of doubtful debts include bad debts written off during the year amounting to €1,164,164 (2017: €35,425) and reversal of provisions amounting to €328,521.

14. TRADE AND OTHER PAYABLES

	2018 €	2017 €
Trade payables	2,408,393	695,543
Accruals	837,212	312,722
Deferred income	32,740	1,280,047
	3,278,345	2,288,312

Notes to the Financial Statements CONTINUED

15. BANK OVERDRAFT AND LOAN

	2018 €	2017 €
Bank overdraft	<u>29,814</u>	<u>4,985</u>

As at 31 December 2018 and 2017, the Company has bank overdraft facilities of €698,801. The outstanding bank overdraft as at 31 December 2018 is secured by general hypothec over the Company's assets. The average rate of interest during the year and was 5.15% (2017: 5.15%).

16. OTHER FINANCIAL LIABILITIES

	2018 €	2017 €
Amounts owed to government	2,434,961	1,969,086
Obligations under finance lease (Note 18)	1,216,250	1,221,901
	<u>3,651,211</u>	<u>3,190,987</u>

Other financial liabilities are repayable as follows:

	2018 €	2017 €
Within one year	67,966	67,966
Between two and five years	271,864	271,864
Over five years	3,311,381	2,851,157
	<u>3,651,211</u>	<u>3,190,987</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>3,583,245</u>	<u>3,123,021</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 these employees and expected increases in salaries, where applicable. 

Notes to the Financial Statements CONTINUED

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

	2018 €	2017 €
At beginning of the year	765,233	718,384
Retirement benefit expense	1,573,973	46,849
At end of the year	2,339,206	765,233

On 2 January 2019, the Company was charged by the Service Pensions Department (Government) for the Company's contribution in respect of the pension paid out to the retirees from the date of their retirement up to 31 December 2018. The total amount to be paid out by the Company, as charged by the Service Pensions Department, as at 31 December 2018 amounted to €2,339,206.

18. OBLIGATIONS UNDER FINANCE LEASE

	2018 €	Minimum lease payments 2017 €	2018 €	Present value of minimum lease payments 2017 €
Amounts payable under finance leases:				
Within one year	67,966	67,966	62,315	62,589
Between two and five years	271,866	271,866	244,919	246,226
After five years	2,990,526	3,058,492	909,016	913,086
	3,330,358	3,398,324	1,216,250	1,221,901
Less: future finance charges	(2,114,108)	(2,176,422)	-	-
Present value of lease obligations (Note 16)	1,216,250	1,221,901	1,216,250	1,121,901
Less: amounts included in current liabilities	(67,966)	(67,966)		
Amounts included in non-current liabilities	1,148,284	1,153,935		

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

Notes to the Financial Statements CONTINUED

19. DEFERRED TAX LIABILITIES

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

	2018 €	2017 €
At the beginning of year	433,150	601,791
Deferred tax expense/(credit) (Note 10)	(306,902)	(168,641)
At end of the year	126,248	433,150

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 35%. The total amount of deferred tax liabilities represents the temporary differences arising from the following:

	2018 €	2017 €
Difference between net book value of property, plant and equipment and their tax base	1,347,659	1,600,621
Provisions	(1,221,411)	(1,167,471)
	126,248	433,150

20. SHARE CAPITAL

	2018 €	2017 €
Authorised 10,000,000 ordinary shares of €2 each	20,000,000	20,000,000
Issued and fully paid up 5,000,000 ordinary shares of €2 each	10,000,000	10,000,000

21. DIVIDENDS

	2018 €	2017 €
Gross of income tax Ordinary shares dividend	769,231	769,231
Net of income tax Ordinary shares dividend from Malta Tax Account	500,000	500,000

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:

	2018 €	2017 €
Bank balances	2,033,726	2,882,022
Bank overdraft (Note 15)	(29,814)	(4,985)
	<u>2,003,912</u>	<u>2,877,037</u>

23. TERM DEPOSITS

	2018 €	2017 €
Maturing within one year		
1-year fixed deposits	<u>11,200,000</u>	<u>17,500,000</u>
Maturing after one year		
2-year fixed deposits	<u>13,500,000</u>	<u>6,500,000</u>
	<u>24,700,000</u>	<u>24,000,000</u>

24. OPERATING LEASE

	2018 €	2017 €
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:

	2018 €	2017 €
Within one year	2,261,406	2,261,406
Between two and five years	9,045,624	9,045,624
Over five years	99,501,912	101,763,318
	<u>110,808,942</u>	<u>113,070,348</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 enable the Company to provide navigational transmitting services.

Notes to the Financial Statements CONTINUED

25. RELATED PARTY DISCLOSURES

	Related party activity 2018 €	Total activity 2018 €		Related party activity 2017 €	Total activity 2017 €	
Transactions with ultimate controlling party:						
Revenue	1,863,499	23,788,474	7.8%	1,863,499	25,356,075	7.3%
Administrative expenses	2,261,406	9,490,855	23.8%	2,261,406	8,082,893	28.0%

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities reflected in these financial statements approximated their fair values due to their short-term maturities. Accordingly, fair value of the financial assets and liabilities are not disclosed.

The fair value of the Company's other financial liabilities as at the end of the reporting period is not significantly different from the carrying amounts in view of interest rates to which they are exposed.

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.

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 banks.

Receivables are presented net of allowance for doubtful debts. Allowance for doubtful debts is recognised when there is an identified loss event which, based on previous experience, is evidence of a reduction in the

Notes to the Financial Statements CONTINUED

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 banks are 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 into account 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 denominated in foreign currency, borrows funds when the amounts payable or receivable are denominated in foreign currency or acquires or disposes of assets, or incurs or settles liabilities, denominated in foreign currency. Foreign currency transactions are mainly denominated 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 government 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 and fair value interest rate risk on borrowings carrying a floating 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 instrument prices is based on an instantaneous increase or decrease of 2% at the reporting date, with all other variables remaining constant.

	2018 €	2017 €
Profit or loss		
Financial instrument prices	<u>+/- 60,470</u>	<u>+/- 31,196</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 Company's capital structure consists of debt, which includes the borrowings disclosed in Notes 15 and 16, cash and cash equivalents 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 in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the Company balances its overall capital structure through the payments of dividends, issuance of new shares, as well as the issuance of new debt, or the redemption of existing debt.

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

Independent Auditors' Report

To the Shareholders of Malta Air Traffic Services Limited

OPINION

We have audited the accompanying financial statements of Malta Air Traffic Services Limited (the "Company") set out on pages 45 to 69, which comprise the statement of financial position as at 31 December 2018, and 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of 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 these requirements and 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179 (3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' 

Independent Auditors' Report CONTINUED

← report for the financial year on which the financial statements had been prepared is consistent with those in the financial statements; and

- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU 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 going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or 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 skepticism 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, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting →

Independent Auditors' Report CONTINUED

and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- 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

05 August 2019



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Detailed Statement of Comprehensive Income

SCHEDULE I

	2018	2018	2018	2017
	€	En-route €	Terminal €	€
Revenue	23,788,474	14,432,502	9,355,972	25,356,075
Staff costs	(12,206,359)	(9,765,087)	(2,441,272)	(10,265,614)
Depreciation expense	(2,645,643)	(2,116,514)	(529,129)	(2,680,275)
Other operating expenses	(8,326,691)	(7,427,156)	(899,535)	(8,082,893)
Finance costs	(64,106)	(51,285)	(12,821)	(62,822)
Other income/(losses) – net	516,010	328,521	187,489	(289,274)
	<u>1,061,685</u>	<u>(4,599,019)</u>	<u>5,660,704</u>	<u>3,975,197</u>

Revenue

SCHEDULE II

	2018	2018	2018	2017
	€	En-route €	Terminal €	€
<i>Provision of air traffic control services:</i>				
En-route traffic	14,432,502	14,432,502	-	17,103,641
Terminal traffic	5,265,645	-	5,265,645	5,305,517
Exempt traffic	1,863,499	-	1,863,499	1,863,499
Grants	1,250,656	-	1,250,656	23,960
Maintenance Fees	976,172	-	976,172	1,059,458
	<u>23,788,474</u>	<u>14,432,502</u>	<u>9,355,972</u>	<u>25,356,075</u>

Other operating expenses

SCHEDULE III

	2018	2018	2018	2017
	€	En-route €	Terminal €	€
Rent	2,261,907	2,103,574	158,333	2,261,406
Regulatory and supervisory costs	1,183,754	1,001,326	182,428	1,043,988
Eurocontrol contribution	962,000	912,000	50,000	1,147,914
Repairs and maintenance	785,965	683,790	102,175	643,250
Meteorological services	778,551	677,339	101,212	745,839
Insurance	448,203	389,937	58,266	433,941
Communication expenses	418,784	364,342	54,442	303,843
Training	395,801	344,347	51,454	508,272
Legal and professional fees	213,879	186,075	27,804	96,434
Water and electricity	187,975	163,539	24,436	211,620
Travelling	95,827	83,370	12,457	83,665
Cleaning	92,806	80,741	12,065	82,520
Provision for doubtful debts	72,825	63,358	9,467	190,683
MOT regulation costs	60,000	60,000	-	-
Subscriptions	58,832	51,184	7,648	61,101
Motor vehicle expenses	55,995	48,716	7,279	67,991
General expenses	54,518	47,430	7,088	35,985
Directors' fees	50,347	43,802	6,545	25,157
Printing and stationery	48,260	41,986	6,274	53,777
Sponsorship	34,096	27,277	6,819	665
Medical fees	19,153	16,663	2,490	11,329
Advertising	11,814	5,907	5,907	4,570
Carriage	5,516	4,799	717	6,264
Donations	4,890	4,254	636	5,500
Bank charges	4,842	3,874	968	1,746
Penalties & fines	4,695	4,085	610	320
Entertainment	4,078	3,548	530	4,330
Hire of equipment	3,320	2,889	431	6,617
Auditors' remuneration	3,000	2,610	390	3,000
Staff welfare	2,967	2,582	385	3,712
Registration fees	1,877	1,633	244	1,450
Safety wear	112	97	15	78
Visitors' fees	102	82	20	-
Bad debts written off	-	-	-	35,425
	8,326,691	7,427,156	899,535	8,082,893



MALTA AIR TRAFFIC
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