

The background of the cover is a photograph taken from inside a dark cave, looking out through a jagged opening. The view shows a steep, rocky cliffside covered in sparse green vegetation. The cliff meets the sea at the bottom, with a small white structure visible on the peak in the distance under a clear blue sky. The overall mood is serene and scenic.

Annual Report 2020
& FINANCIAL STATEMENTS

MALTA AIR TRAFFIC SERVICES LIMITED



CONTENTS

| | |
|-----------------------------------|-----|
| Chairman's Message | 2 |
| Chief Executive Officer's Message | 4 |
| Management Organisational Chart | 6 |
| Sections Report | 7 |
| FINANCE & ADMINISTRATION | 7 |
| OPERATIONS | 10 |
| TECHNICAL SUPPORT | 14 |
| AIM & TRAINING | 23 |
| SQSC | 26 |
| HUMAN RESOURCES | 37 |
| Statistics | 40 |
| History - Bengħajsa W/T Station | 41 |
| Financial Statements 2020 | 51 |
| Supplementary Statements 2020 | 102 |



Chairman's Message

MAJOR (RETIRED) ANTHONY ABELA

We started the year 2020 with good prospects after the positive results we achieved in 2019 despite the prediction that we would have hardly broken even. However, at the back of our minds we were preoccupied as news of the COVID-19 outbreak started spreading around the world. We knew that this could potentially have a devastating effect on aviation if it spread out beyond China's borders.

Sadly, it did not take too long for the virus to reach Europe, initially in Italy, and negative repercussions started to be felt on the aviation sector. By March we saw air travel slow down and very rapidly coming to an almost complete standstill, except for Cargo flights which ultimately became instrumental in the carrying of medical supplies and other essentials.

At MATS, we immediately took measures to ensure that the Company was robust enough to go through the year with possibly no income at all. Here we have to thank our Staff and their Unions for their understanding and cooperation in an effort to save the company from any unsustainable situation.

Apart from the financial problems which MATS had to face, which thanks to its good management had enough reserves to keep itself above the water, even though these were intended for planned capital projects, there were other serious risks to address, such as the health of our specialised personnel, capital projects which were obligatory by EU Regulations and most of all the continuation of training new recruits which were a must to keep the Succession Plan ongoing. Training overseas, which in our case is very common, had to be suspended as air travel was brought to a standstill across European borders.

All capital projects were put on hold and a new prioritisation plan was drawn up, as well as a Contingency Plan to ensure 24/7 service, which covered even the extreme but realistic case of having a cluster of Covid positive cases of safety critical personnel. This included regular sanitisation of our premises, introduction of skeleton rosters where possible, minimum rotation of personnel on shift and most importantly a Contingency Operational Room. »

Chairman's Message

CONTINUED

Looking back, we can safely say that MATS handled the pandemic in the best possible way in all aspects, even though most times it felt like we were stepping in the unknown due to the volatility of the pandemic.

As Chairman, I am proud of each and every one of the Company's personnel as it was proven that with good will from all sides, we somehow

not only survived the initial difficult months of the pandemic, but we also adapted to the new way of living and as traffic is slowly but gradually catching up, MATS is there to keep giving its efficient and safe services to all airspace users who go through our airspace and our International Airport.

Thus, a big thank you and well done to All.

“

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Chief Executive Officer's Message

DR ING. KENNETH CHIRCOP

2020 will be remembered as one of the most challenging years in modern history.

We started it off with promising prospects of yet another record-breaking year both in terms of terminal and enroute traffic in the Malta FIR. We looked forward to executing projects and implementing technology that provides additional air traffic capacity without jeopardising the continuous progress in increasing safety levels. With the start of a reference period and a performance regulation mandating highly ambitious cost-efficiency targets, we knew this was not going to be an easy year. The reality however turned out to be very different.

This was the year when we were forced out of our comfort zones and had to adapt quickly to unprecedented change. It has undoubtedly been a different year for everyone, where no industry was spared from the negative repercussions of a worldwide pandemic. The aviation industry was impacted greatly by the spread of coronavirus, with the number of global passengers decreasing drastically in a matter of few weeks following the introduction of multiple restrictions and regulations that limited the free movement of individuals in an attempt to curb the spread of the virus.

European air traffic fell to 10% of 2019 levels. The aviation industry had never experienced such a hard-hitting global crisis since World War II.

But what did this new reality mean for Malta Air Traffic Services (MATS) Ltd – the small ANSP providing air navigation services in the Malta FIR?

As a small island nation with a single airport, Malta's economy depends heavily on air connectivity. As part of the Critical National Infrastructure, it was crucial therefore, that no matter what happened MATS needed to ensure a continuous service. The two major challenges brought about by the pandemic where the risk of infection of MATS staff that could compromise continuity of service and the drop in revenue due to the decline in air traffic.

A crisis management team was quickly set up to monitor and evaluate the challenges brought about by this pandemic and decide accordingly how to minimise their impact on the Company's day to day operations. The major decisions that were taken at the time were to introduce several measures to minimise the risk of infection and revise Company contingency plans to adapt to the constantly evolving situation. »

Chief Executive Officer's Message

CONTINUED

Operational staff rosters were modified with the objective to minimise the complement of personnel working in close (but necessary) proximity to each other and limiting to an absolute minimum the mixing of staff between watches, having standby units at home in case they need to be called in urgently and having in place arrangement with fumigation companies for emergency call-ins in case of suspected Covid-19 cases, amongst others. All this was possible with the minimal traffic that was being serviced and it also contributed to much needed savings in operational costs. Operational training was also halted. Major cost-cutting was achieved through the postponement of all non-essential projects.

The 1st of July saw the reopening of Malta International Airport as it welcomed its first flight after the relaxation of air travel restrictions. Slowly but surely commercial traffic started picking up again, bringing with it new

challenges as an increase in traffic meant that rosters needed to be re-visited, training had to resume and with the knowledge that the virus will be with us for a while yet, projects had to be re-started. We knew this day was coming and we had long been preparing for it. A key advantage was also the fact that we had accustomed and adapted ourselves and our lives to live with Covid. Once again, the necessary changes were implemented, and we continue learning as we move along.

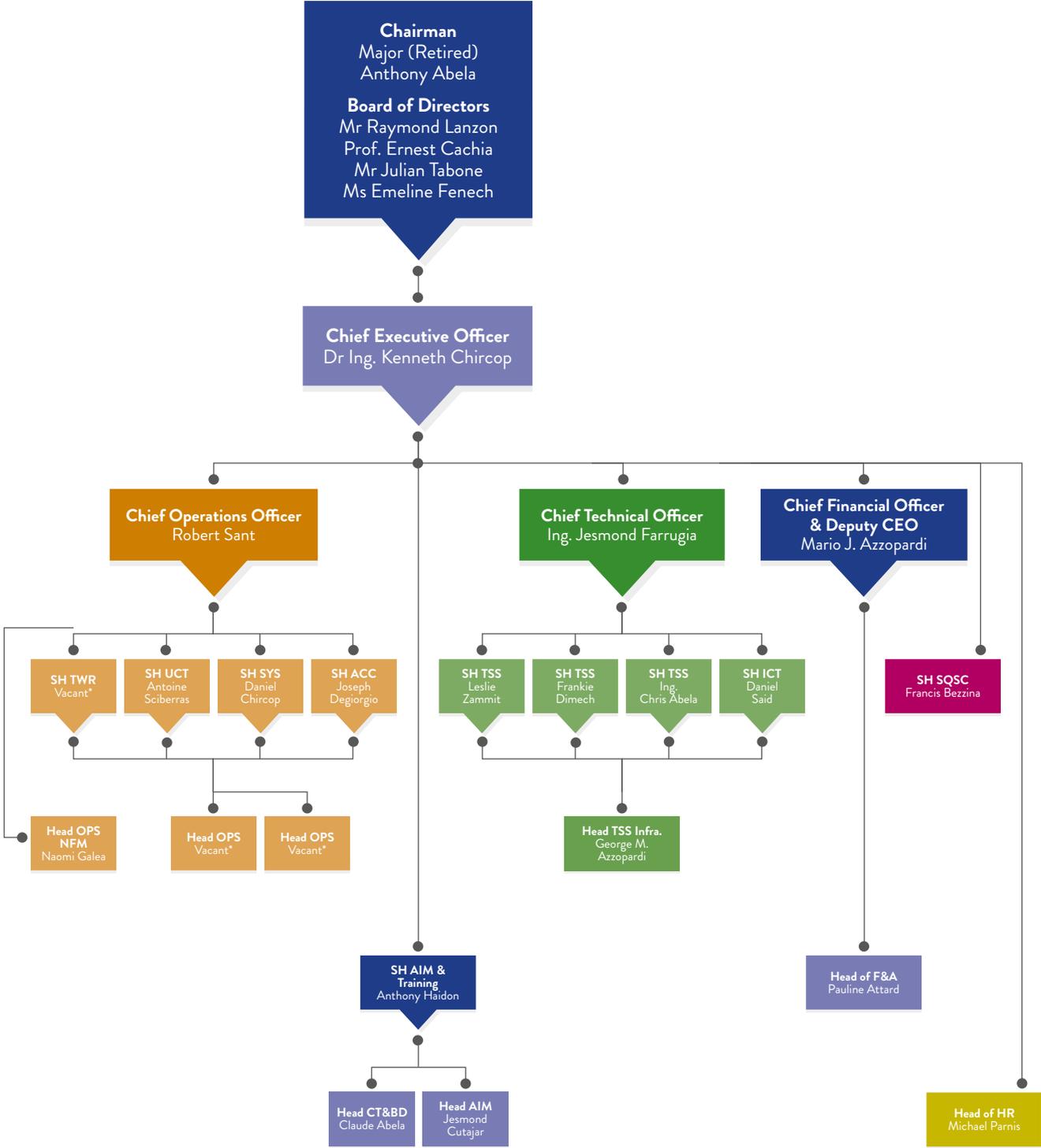
All this would not have been possible without the professionalism and flexibility of MATS management and staff, as together we navigated some very stormy waters. We look forward to the time when Covid-19 is no longer a concern, when air traffic starts hitting records again, when the challenges we were accustomed to, return. It will take a while, but I am confident that we will get there with patience and perseverance!



This was the year when we were forced out of our comfort zones and had to adapt quickly to unprecedented change.

MANAGEMENT

MALTA AIR TRAFFIC SERVICES LIMITED



*Currently handled by COO.



Finance & Administration

MARIO J. AZZOPARDI
DEPUTY CEO AND CHIEF FINANCIAL OFFICER

2020 was an exceptional year for MATS since, unexpectedly the Covid-19 pandemic brought about an unprecedented crisis in the aviation sector with significant disruptions in air traffic and daily cancellations of scheduled flights. Consequently, during the financial year ending on 31 December, 2020, MATS registered a loss before tax of €7.149 million (loss of €7.197 million after tax) and this resulted in a 21.5% decrease in the company's net asset value. In fact, as at the end of 2020, the value of the company decreased from €33.430 million to €26.232 million.

Financial Review

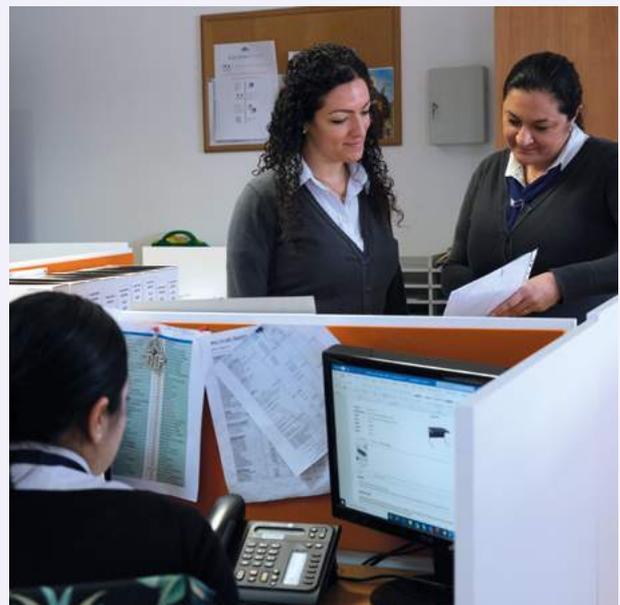
When compared to the previous year, from a profit before tax of €7.1 million in 2019 MATS registered a loss before tax of €7.1 during. The reason for this significant loss is attributable to the reduction in revenue brought about by the loss traffic brought about by the Covid-19 pandemic.

Revenue

During 2020 MATS registered a total revenue of €15,932,922 (2019 : €30,669,734). Of the total revenue generated, 69% (€11 million) is from charges for en-route traffic and 12% (almost €2 million) is generated from terminal

navigational charges. The remaining 19% (almost €3 million) is generated from maintenance services and revenue from Government to reimburse MATS for the loss of revenue from the exemption of military aircraft.

Although that the determined unit rate for en-route traffic increased from €22.37 in 2019 to €27.29 for 2020, due to the loss of traffic, revenue from en-route traffic decreased by some €10.4 million (or 49%) when compared to 2019. »





Finance & Administration

CONTINUED

Revenue from terminal navigational charges (TNC) decreased by €4.353 million (or some 69%), i.e., from €6.339 in 2019 to €1.989 during the year under review. Income from maintenance and technical fees together with 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.

During 2020 our controllers provided services to a total of 56,621 instrument flight rules (IFR) flights that passed through Maltese airspace. This means a decrease of 56% when compared to 2019 (129,233 flights). 58% of the flights controlled were overflights while the remaining 42% were arrivals and departures at MIA.

Expenditure

Total expenditure for 2020 amounted to €23.082 million (an decrease of €0.519 million or 2.2% from the €23.601 million in 2019). The cost of wages and salaries is the largest component and, at €10.910 million, accounts for about 46% of the company's total expenditure. Compared to the wage costs of €12.309 million for 2019, the wage bill for 2020 decreased by some €1.4 million, or by almost 11% thanks to the immediate restrictions on overtime that were introduced in March 2020.

Other operating expenditure for 2020 decreased by €0.468 million (6%) and amounted to €6.884 million (2019 : €7.352 million). On the other hand, depreciation charge increased by some €15K or about 0.7%, from €2.125 million for 2019 to €2.140 during the year under review.

Statement of Financial Position

The value of the company as at the end of 2020 decreased by €7.198 million (about 21.5%), from €33.430 million as at 31 December, 2019, to €26.232 million at the end of 2020. Total assets decreased by about €3.904 million (or some 5% from €84.816 million at the end of 2019 to €80.912 million as at end of 2020). Included in the amount of assets is €32.521 million in leased assets from the Government of Malta (2019 : €33.220 million).

On the other hand, total liabilities decreased by €3.293 million (6%) from €51.386 million at the end of 2019 to €54.679 million in 2020. Included in the total liabilities is the amount due to Government in the form of shareholder's loans, amounting to €3.367 million and the lease liability €38.951 million on the property taken over from the Government of Malta (2019 : €39.167 million). »

Finance & Administration

CONTINUED

During 2020 MATS invested €687,499 in additions to fixed assets and the total cost of fixed assets as at 31 December, 2020, amounted to €46.564 million. Up to 31 December, 2020, €36.134 million was charged in depreciation on capital expenditure, leaving a net book value of €10.431 million.

Unit Rate

The en-route unit rate is derived by dividing the 'total charges' by the 'total service units'. The unit rate for Malta increased from €22.37 in 2019 to €27.29 for 2020. The en-route unit rate for Malta remained one of the cheapest in Europe. As can be seen from Table 1 below, at €27.29 Malta's unit rate was almost 40% below the €45.70 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

Due to the Covid-19 pandemic in 2020 Malta registered a decrease of almost 61% in TSUs (from 1,020K in 2019 to 396K in 2020). This reduction in traffic is slightly higher than the average reduction of 56.4 % registered in Europe. Table 2 below, shows the annual percentage growth in TSUs for Malta and the average of Eurocontrol member states.

| UNIT RATE | 2012 (€) | 2013 (€) | 2014 (€) | 2015 (€) | 2016 (€) | 2017 (€) | 2018 (€) | 2019 (€) | 2020 (€) |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Malta | 27.72 | 31.50 | 27.61 | 22.33 | 25.79 | 18.79 | 15.89 | 22.37 | 27.29 |
| Average Eurocontrol members | 57.60 | 57.40 | 57.20 | 58.60 | 55.80 | 52.80 | 54.60 | 46.78 | 45.70 |

Table 1: Comparison of the en-route unit rates for Malta and the average for Eurocontrol Member States

| ANNUAL GROWTH | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019) | 2020 |
|---------------|-------|-------|------|-------|------|------|------|-------|--------|
| Malta | 26.8% | 14.6% | 1.1% | 13.2% | 10% | 1.2% | 2.0% | 9.1% | -61% |
| Europe | -1.3% | -0.8% | 5.8% | 4.2% | 4% | 7% | 6.1% | 2.8% | -56.4% |

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



Operations

Traffic Analysis for January – December 2020

ROBERT SANT
CHIEF OPERATING OFFICER

Traffic Analysis for 2020

Malta Air Traffic Services registered a total of 55,709 movements in 2020. The pandemic triggered an overall loss of 43% traffic over 2019. In 2020 Malta ACC handled a total of 11,767 arrivals, 11,893 departures and 32,049 overflights. Translated into time, Malta ACC provided 153,292 minutes of service.

[Source: NM STATFOR]

Eurocontrol based the forecast of 2021 - 2024 on three scenarios which consider the availability of the COVID vaccine and the confidence of passengers in air travel. Scenario 1 considers that the vaccine is widely made available for travellers by Summer 2021 and an optimistic traffic growth of 54.6% is foreseen over 2020. Scenario 2 considers that vaccine is widely available for travellers by Summer 2022 and in this scenario, Malta ACC is expecting a marginal increase of 10.9% is forecasted. Scenario 3 features an environment with a lingering infection and low passenger confidence which would register a slight rise of 8.9% increase in traffic over the previous year.

Personnel

ATCO Recruits

Activity frozen due to the pandemic.

Staff Training

Year 2020 brought an unprecedented amount of training. In January, three controllers obtained their second validation, validating with a Tower rating. In February, three new controllers fresh from their ab initio and Tower training at CANI in the Czech Republic started their local training. Unfortunately, due to a pandemic (COVID-19) effecting the whole world which brought about many insecurities, all training was suspended in March.

On reactivation of the training program in July, following the guidelines of the health authorities, five new approach controllers were validated by mid-September followed by four new Tower controllers by mid-November.

In total, twelve controllers obtained a new validation in 2020, and albeit the many restrictions and obstacles brought about by the pandemic, it was truly a remarkable year.

2020 Projects

SPINS release

The OPS Section released two major amendments to the SPINS Manual in 2020. SPINS AMDT Edition 2.4 was dated 30 January and SPINS AMDT Edition 2.5 was »



Operations

CONTINUED

dated 03 December. Both releases featured the integration of Supplementary Instructions.

INTRAC Phase II

The INTRAC Simulations kicked off towards the second part of the year but the activity had to be suspended due to simulator technical matters. The INTRAC Phase II project will be the main project for 2022/2023.

Searidge Project

The Searidge project, yet again, had to experience another hiatus due to the pandemic. Before the pandemic, an important stage was however reached in January, when the Functional Acceptance Test (FAT) was successfully carried out at MATS premises. Following the FAT, a plan to conduct the Site Acceptance Test (SAT) and implement the system operationally was set for April/May. The plan had to be cancelled due to the pandemic, and a second date was agreed with Searidge to set the SAT for September/October. The SAT was once again cancelled due to the significant increase in the number of cases towards the end of the summer period since it was becoming evident that the chances of having Searidge support available on-site was highly unlikely. Due to the worsening situation, a new plan for the SAT had to be set. Following an evaluation of the

work required, it was then decided that MATS technical section will carry out all the physical assembly, whilst Searidge will provide all the required support remotely as regards software configuration and troubleshooting. The project is expected to re-start in 2021.

Met Information Display Upgrade

A new Automated Weather Information System (AWOS) was fully integrated by Malta International Airport (MIA) at the beginning of the year, following approximately 5 months of combined parallel and shadow operations. The project consisted of an upgrade in the network infrastructure, external sensors, and software including a new HMI for the MET console. Whilst the system is owned by MIA, MATS was involved in the project due to the HMI upgrade of the Met Information Display which acts as an interface to provide ATCOs with the required meteorological data.

Tablets In the OPS Room

Implementation of the OPS room tablets was also delayed due to the pandemic. They were eventually introduced in the main OPS Room and VCR in September, together with the first custom-built application which was developed as an extensive aircraft database for ATCOs. »

Operations

CONTINUED



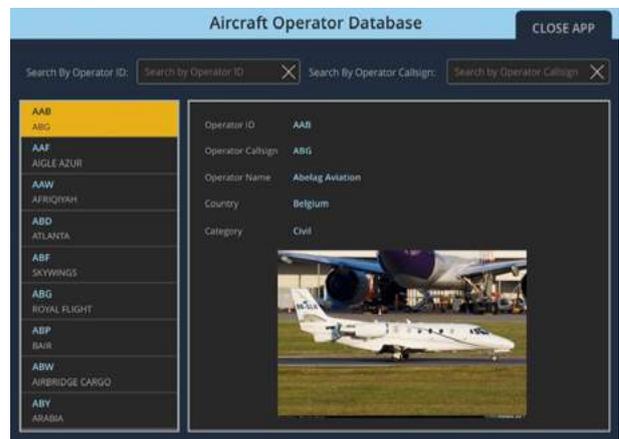
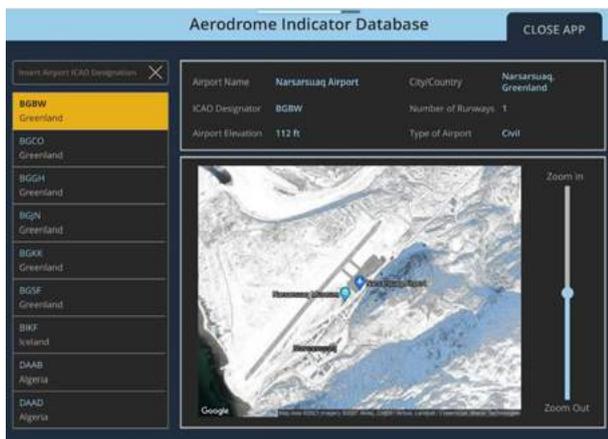
APP developments

As an ANSP, MATS utilizes documents by ICAO and IATA to support its function in air navigation service management. To facilitate the use of the ICAO Location indicator, Ops have translated the document into an APP for easy access. Location indicators are inserted in the flight plan as a 4-letter code which indicates an aerodrome of departure or destination.

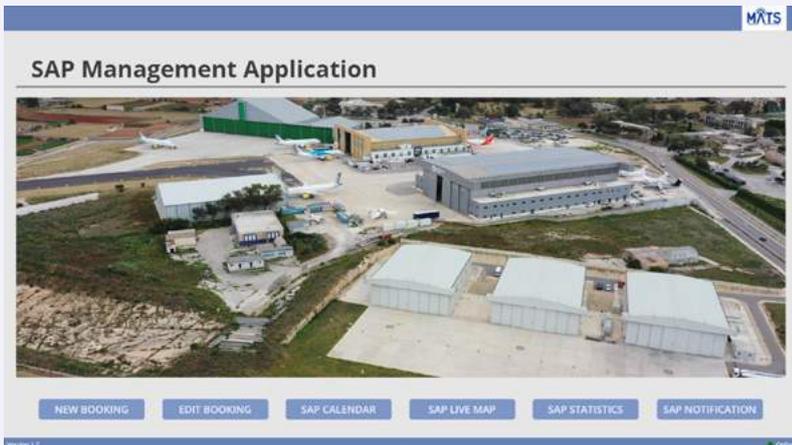
The ICAO code for Malta International Airport is LMML where L stands for Europe, M stands for Malta. The second APP is a database containing aircraft operating agencies and the relevant callsigns. Through this application, ATCOs can easily verify the callsign and associated aircraft operating agency.

MATS also developed Web Applications for Safi Aviation Park and local flying schools. A scheduling application was developed for Safi Aviation Park which gives the tenants and operators at Safi Aviation Park the possibility to book the movements at the park through the APP. This resulted in a harmonised and efficient operation at SAP with all operators having a clear visibility of the scheduled movements in advance.

The second application included the development of a software program which allows different entities in the airfield such as flying schools and other operators to book their training slots and maintenance check flights via an app. »



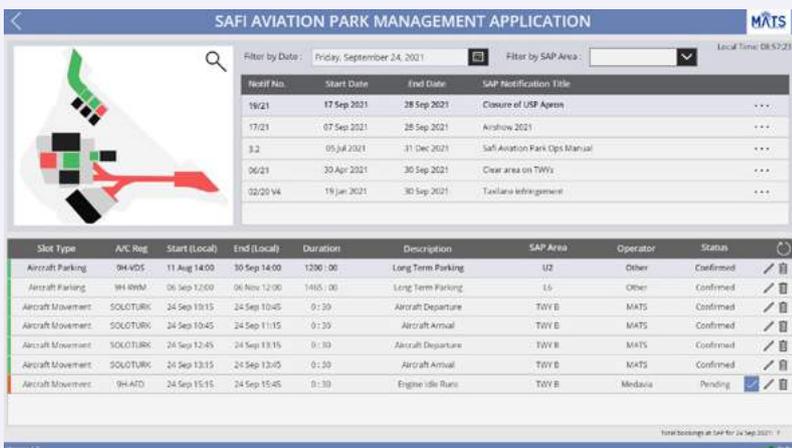
Operations CONTINUED



Despite the efforts made to get this app up and running, more procedures are required to be adopted to ensure that users of such an app can make best use of this tool for planning purposes.

U-Space and Unmanned Aircraft System Traffic Management (UTM)

In 2020, OPS dedicated its resources on future airspace management concept which involves drones. MATS was involved in several R&I project proposals where MATS was involved as a partner – one featured the development of innovative technology using UAVs to transfer medical equipment from Malta to Gozo, whereas the second project proposal was the development of solutions for green technologies at airports, to reduce the impacts of airport operations on the environment.





Technical Support

ING. JESMOND FARRUGIA
CHIEF TECHNICAL OFFICER

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

COMMUNICATIONS, NAVIGATION AND SURVEILLANCE

AMHS

Interoperability Tests using NewPENS connections

IOT tests were commenced in January 2020 with ENAV, HCAA and ENAIRE; our respective Italian, Greek and Spanish counterparts. These tests were not immediately successful with ENAV. On investigation with Frequentis, and later accepted by ENAV, it was ascertained that the issue pertained to ENAV system.

Tests with HCAA and ENAIRE were highly affected by the COVID-19 pandemic as these had to be postponed due to personnel availability issues in all sites. These tests were carried out during the later months of the year.

The NewPENS was the communication medium used during these IOT testing.

Contingency system

Field Trials

A scaffolding was installed at Fawwara to permit the installation of a 4 staged 6 element yagi. The latter was connected to a Jotron VOIP receiver and tuned to East frequency 122.775MHz. The aim was to carry out a long test period to record traffic and observe variations in range and quality over time from May until September.

Throughout the period it was possible to ascertain very good results with peak distance stretching to underneath Crete, during May / June. This is way beyond our farthest FIR point ARLOS and are obviously seasonal results which cannot be sustained reliably over a whole year. However, the statistical normal average enables to establish promising operational sustainability for long range points such as ARLOS, DEMAG, ROTAS and NEVIK.

Antenna Production

The various antennae bought for R&D enabling comparison and adaptations have permitted the resourceful team to study and come up with »

Technical Support

CONTINUED

antenna design and manufacture tailored to our needs. The results are promising and already in use in the new 4RF UHF link freshly in operation in replacement of the Telettra. The production promises significant savings both financially and operationally in terms of time of availability and support.

Sites

Fawwara

The site is earmarked to be extended by an encroached area permitting the installation



Fawwara radar station

of a 29m meter wooden mast relocated from Bengħajsa.

The final approvals for the new MAST from MEPA were forthcoming in May. This led the way to selection of contractor and works initialization and coordination in late November. The earmarked mast was scheduled for dismantling from Bengħajsa. The mast was dismantled in mid-October and is currently under maintenance and refurbishment in situ ahead of its installation at Fawwara.

Hal Far

The site is planned to hold part of the Contingency Transmitters and mainly the East main frequency. This requires appropriate installation points without negative effects on the installed radar.

A 34m unused metal lattice, was identified at Bengħajsa. This was planned to be installed adjacent to one of the corners of the radar building, extending to just under the dome's concrete structure. Its recycling promised immediate availability to the project of an important resource to be acquired at considerable cost savings. »

Technical Support

CONTINUED



Mtarfa

We encountered bureaucratic delays due to a squatter's action who has entered the adjacent building and cordoned the antenna base with a makeshift fence.

An amicable agreement was eventually obtained and the Lands Authority promised to discuss the handover during September.

UHF Link-contingency

The operation of the contingency main VHF frequencies relied on the aged Telettra UHF link between Dingli and Luqa. It developed a critical fault on the 2nd of April. The link had no manufacturer support, was quite old and a very reduced number of spares.

A decision was taken to replace Telettra before total failure and consequent loss of the contingency function.

The main guidelines used in the search were:

- 1) Complete substitution of service sustained by Telettra with minimum alterations
- 2) Same UHF band (<400Mhz, 64 QAM, 200Khz bandwidth, 12channel 4 wire E&M, monitoring facility)

- 3) Able to be expanded to support ethernet traffic
- 4) Professionally supported
- 5) In use in other critical industry
- 6) In line with EU and SES requirements
- 7) Providing all communication's regulatory requirements
- 8) Good value for money enabling prolonged sustained use »



UHF Dingli to Luqa link

Technical Support

CONTINUED

SeaRidge Project

The pre-SAT tests were organised and carried out in January. All the equipment and cameras were installed in the present contingency room and the workshop's roof for real time analysis.

Air Ground Data Link

The Data Link Project entails many sections of the Company's resources. The project's scope of supply includes the VHF Ground Station (VGS) that would be capable to communicate with ARINC and SITA subscribed aircraft.

SURVEILLANCE AND DATA PROCESSING

ADS-B

In Complying with Article 6 of the European SPIR Regulation (EU1207/2011). MATS sought to communicate the Company's interest in participating in the EUROCONTROL's SIAAAM project. A formal agreement was signed with EUROCONTROL through which an ADS-B receiver and analyser was installed at the ATCC in place of the de-commissioned BLUE GNSS system. The result is that we are contributing to the European network by which

faulty avionics may be located and rectified before an incident occurs, while equipping our own source of ADS-B data for technical usage.

Restructuring of the Simulator and Pilot Rooms

The upgrade and restructuring of the Simulator and Pilot rooms was performed during the pandemic lockdown period.

The original project consisted of the introduction of the UFA Simulator system, the introduction of enhanced capabilities on the LEONARDO Simulator and the upgrade of the original Simulator room. One of the greatest challenges in the original project was the lack of space available necessary to integrate the additional equipment of the UFA Simulator. Finding a suitable space in the first floor to install the UFA equipment was particularly challenging and fitting all the HMI equipment in the original Simulator and Pilot rooms was not an easy task either.

During the regular meetings related to the COVID-19 pandemic, Management acknowledged the importance of having a suitable Simulator environment to ensure that the recommendations issued by the Health

Technical Support

CONTINUED



The New Contingency OPS Room

» authorities related to social distancing and capacity requirements could be satisfied. The concerns were accentuated by the fact that the duration of the restrictions were expected to be long. After considering various options, MATS decided to reorganise the spaces in the ATCC first floor premises.

Introduction of the Contingency OPS Room

MATS has always acknowledged the need for a Contingency OPS room which would enable us to transfer the operations in case the main OPS

room becomes unavailable. The area that was originally used for the ATM shadow operations has been turned into a Contingency OPS room.

The project involved a number of activities which were distributed over the period between October and December 2020.

Below is a list of the salient activities performed to achieve this project.

- Removal of previous equipment installations, services and cables in the area.
- Installation of new cable trays to support the laying of new cables.
- Installation and testing of a new state-of-the-art fibre-optic KVM matrix system.
- Installation of the new console furniture to support the high-level monitors.
- Installation and testing of all the systems.
- Development of documentation, procedures and briefings.

A new, state-of-the-art, fibre optic KVM matrix switching system was introduced to facilitate the switching of the Fallback system from the OPS Room to the Contingency OPS Room (and vice versa). »

Technical Support

CONTINUED

The new matrix technology provides a quick, efficient, resilient and flexible solution that enables the switching of the KVM information between different users in different locations.

Another important aspect was that the graphical application that allows the user to switch the system was developed by a member of the ATM ATSEP team. The application was written in Python. This is a significant step forward as the Technical section has now started developing applications to meet particular requirements that arise from time to time. In the past, these requirements were performed by external entities and therefore, apart from being able to customise our own applications, we are saving on development costs. This is the result of building a healthy environment where employees are encouraged and supported to demonstrate and apply their skills.

Reduction of separation minima in the West sector

At the beginning of 2020, the reduction of separation minima from 10NM to 5NM in the WST sector was implemented on the ATM operational systems. An on-site activity was organised by LEONARDO which included the following main tasks:

- 1) Updating of the MTCD Airzones Separation Criteria to meet the new separation levels. This consisted of exporting the MTCD criteria in the Testbed and importing them into the OPS and SBS system partitions.
- 2) Installation and testing of the new STCA separations in the Testbed, FallBack, OPS and SBS system partitions.
- 3) Upgrading of the Ultimate Fallback Facility (UFF) monitoring management.

ARTAS SYSTEM

The activities related to the ARTAS systems performed during 2020 were mainly associated with the installation of ARTAS V9.0.0. This process was important as it paves the way for the installation of the next ARTAS version V9.0.1 which is planned to be installed on the operational environment.

New setup to support the switching of OLDI FMTP connections

A new architecture based on the established gateway solution provided by CADMOS was designed and configured to ensure a graceful and seamless migration to FMTP. The solution is based on the current concept that enables the »

Technical Support

CONTINUED



Dingli DER Link

switching of the OLDI connections either to the OPS system or the SBS system by means of a simple interaction from ATSEP. The new gateway setup was installed and tested on the Testbed and SBS systems. The Eurocontrol ETIC tool was used to validate the FMTP connection and message exchange. The CADMOSView application was also upgraded to extend the support of the switching of the OLDI lines with the FMTP protocol. This ensures a graceful and seamless migration of all the lines. The tests performed were successful and the next step is

to integrate the setup with the M-NET routing and firewall setup before proceeding with ENAV on NewPENS.

MNET

Gozo VOR Link

The Gozo VOR Link has been successfully completed and put into operational use last year. There have been no glitches so far, with the system performing very stably.

Dingli DER Link

The Dingli DER link is the flagship connection of the MNet point to point design since it is the most critical one due to the importance of the Dingli station for MATS operations. It has been put into operational use in January 2020 and has since performed impeccably. This could be partly attributed to its highly resilient redundancy mechanism with a failover time of 2-3ms, which makes any degrading faults totally transparent to the client systems. While this has taken a decent amount of time to design, prototype and implement; we are happy to see that it is now paying off.

Open Source MNet R&D

The MNet design process has been very challenging, but a learning experience all along. »

Technical Support

CONTINUED

This has allowed MATS to propose an improved MNet design, which will result in a considerable saving of implementation time, cost, and learning curves; while keeping the good design of the original MNet and adding the firewalling component as originally intended. Furthermore, care is being taken to ensure the design is SOC IDS/IPS ready and that when these systems are available, they could be implemented with minimal (ideally no) downtime to the client systems.

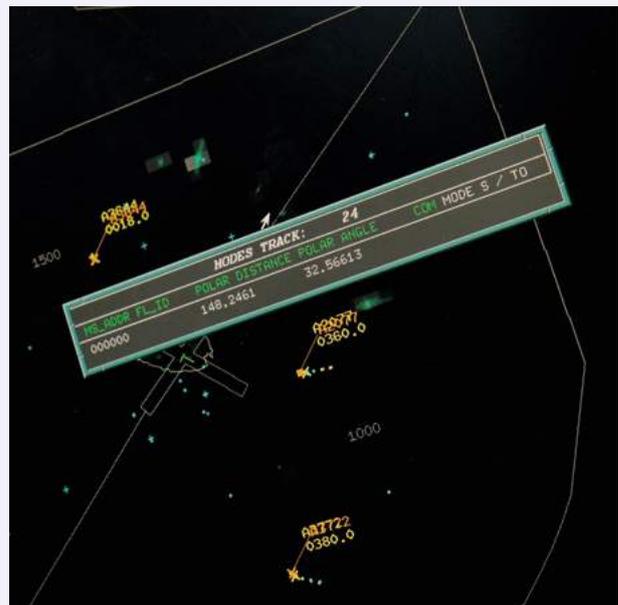
The actual hardware components are off the shelf components, basically limited to layer-2 managed switches and single CPU mini-servers that run the router/firewall open-source software. Furthermore, since the software is open source, it is not susceptible to supplier backdoors or exploits thereby also improving security. To achieve this, MATS have embarked on an in-depth R&D process to first transpose the proven design concepts used in the original MNet links, and then to add the firewalling. This has proven to be especially challenging in the area of multicast radar data since we will be trying to firewall data that is broadcast by nature. The next step is to design and prototype the Layer 2 section of the MNet Link, using the same RSTP technology utilised earlier.

newPENS

Work is also in progress on the newPENS distribution network which connects MATS systems to the rest of Europe. The same open-source technology mentioned above is being utilised even though the configuration is totally different from that of a point-to-point link.

SOC

The IDS is the main system that SOC Engineers use to monitor traffic and detect suspicious or malicious activities. However, IDS systems that »



Air Traffic Management System



Technical Support

CONTINUED

analyse aviation protocol traffic do not exist as most are limited to other protocols with a much wider market base, such as HTTP/SMTP/FTP, etc.

MATS Corporate ICT

The Corporate ICT network this year has been instrumental in granting remote working capabilities to most MATS staff, proving the scalability and flexibility of the design. The Internet bandwidth was increased by 33% while more stringent bandwidth management was implemented. Access was granted quickly, and connections monitored to have any issues sorted as quickly as possible. Connections were routed over encrypted VPN and then encrypted RDP to the user's own office machines.

The VM Hosts were upgraded to Windows Server 2019, with the actual VM guests to follow later in 2021. Additionally, the daily LTO-based backup system has been overhauled and serviced. Servers are still deemed to be serviceable and their replacement is envisaged in 2-3 years' time, probably when the next Windows Server version is released.

New recruits

This is an ongoing process for all levels within

the Technical section. As regards the ATSEP community, six additional ATSEP Trainees were employed to replace a group of ATSEPs who will be retiring in the near future. They all attended MCAST and are graduates. Recruitment will continue in 2021 as we intend to increase the complement during the day-to-day work on projects and perform system analysis, which goes beyond the standard maintenance procedures. Succession planning at management level has been set and agreed within the company and the plan will start being implemented in 2021. A new mindset has been adopted, even in the Technical section Workshop, to adopt an engineering mentality rather than one that does firefighting when things go wrong. The team spends time analysing data and the results are apparent.

There is still room for improvement, but the change is yielding the desired results and will continue to do so over time as this challenge continues to be overcome.

COVID-19 Rosters

During the lockdown period, the technical section required to manage the shift rosters in a flexible and efficient way to maintain a minimum complement while ensuring that all safety critical systems are properly covered.



AIM & Training

ANTHONY HAIDON
SENIOR HEAD AIM AND TRAINING

The year 2020 was dominated by the COVID-19 pandemic and this had an effect on both branches of the Section.

The AIM Branch was impacted by the Pandemic in that the rostering of personnel on duty was spread to 5 days and the number of persons on duty at any one time was reduced to 2.

Although the manning was reduced the work remained at the same level in regards to NOTAMs and AIP publications as in previous years. The Pandemic had a major effect on the number of flights and consequently the number of flight plans handled by MATS was drastically reduced. The AIP coordinators were also asked to draw maps more than usual. These maps were used by the operations section in safety cases and also in preparation for the INTRAC airspace design.

As regards the training branch more than 80% of the training has been postponed or even cancelled. Nevertheless, the Training Section still managed all ATCO ratings, endorsements and all ATCO Medicals in coordination with TM-CAD. Furthermore, we have completed the Centrik design for the Training Section, which now also include ATSEP in the system. We have continued to coordinate with HR-OPS,

SQSC and TSS in pre-scheduling all the training required. For the TSS section, we planned the CCC, QUAL, QUAL Shared, QUAL Shared Voice. We have also scheduled and organised Pseudo pilot/Sim Coordinators refresher training on the Leonardo simulator. In early 2020 three approach controllers have been validated in the aerodrome position; however, shortly after, the job training was halted due to the pandemic. On the job training reinitiated in the second half of 2020, the result was that another five ATCOs had been validated in the approach position »



The Leonardo simulator

AIM & Training

CONTINUED



in addition to their Aerodrome rating, three ATCO have been validated in the Aerodrome in addition to their Approach rating, and four ATCO trainees have been validated as Aerodrome controllers.

From a business development aspect and following the success we already had with Lufthansa in late 2019, we also planned and carried out Phraseology training for BATS officers. From a documentation perspective, we have created and published the ATCO recruitment and FEAST Policy and also the ATCO Deployment Manual and forwarded it to HR for issuing. Additionally, we have also issued the MATS corporate training plan for the year.

We have coordinated all the Stress & Fatigue Management and CISM training for all MATS employees and managers from a corporate level. We have also scheduled, planned and organised the SEDQA SAFE Training for all MATS employees; however, after ample work on the planning, the courses had to be cancelled at a later stage in light of the pandemic's second wave. In 2020 we also took over ADP Licensing, and Mr Despott was appointed as the OASO in charge.

The simulator's set-up within the Training Section has been reconfigured and relocated to permit the installation of the new Part Task training simulator and abide by the restrictions imposed by the Covid pandemic. Furthermore, during the relocation process, a new ACC WST PLN position (D02) was added to the Leonardo simulator. In addition, the Leonardo simulator was equipped with a new video and audio recording facility.

The new Part Task training simulator (UFA), which has been shelved since 2017 (due to space availability), has been installed, configured, and tested. In addition, the software has been updated to the latest version, whilst a Maintenance and Service contract has been signed with UFA Inc. to ensure full support for the coming years. At the same time, the system simulator (Leonardo) has been converted to a new IAS-based APD (Aircraft Performance Database), which included the manual conversion of the APD to IAS based speeds for all aircraft types and alignment to the BADA Aircraft Performance Model. This conversion led to a significant improvement in the aircraft performance during simulations, as confirmed by the ATCOs themselves. In parallel, various upgrades were also installed on the Leonardo »

AIM & Training

CONTINUED

« simulator to resolve bugs and improve the simulator's performance.

During 2020, the simulators were mainly used for the training and validation of 5 ATCOs to APS certification and the INTRAC Phase 2 evaluation process with the INTRAC Working Group.

Looking forward towards 2021 after a less than desirable 2020, with the new relaxation of travel restriction, the section was put into full speed in organising the required training for the other sections within the Company (Operations Technical and AIM).

The training plan being drawn will include training regimen for ATCO, ATSEP, AIM, and at a corporate level. We will continue with the preparation of abnormal/unusual simulator exercises. Our OPS Instructors, together with our Training Facilities specialist and our SIM Coordinators, have successfully compiled an array of sixteen exercises. Also, we have a planned training in the the QUAL COMM for ATSEP and the ATCO supervisors course. We are also planning to conduct the UFA simulator training for the Training Facilities Specialist, SIM Coordinators, and pseudo pilots. Also in the plan is the SAFE (Alcohol and drug abuse)

Awareness training for all MATS employees and managers, which will comprise of three courses: Approaching the employee with addiction difficulties, Drugs and their effects, and Alcohol and its effects. Additionally, we also plan to conduct the Assessors and the OJTI refresher courses for ATCOs.

In April 2021, we plan to conduct the AMHS training for all AIM personnel and two groups of ATSEP, which are divided into four groups over four weeks. These courses are the first to be delivered online.

Further training to Operations, Technical and AIM are being planned and where possible they will take the form of online courses to minimise the possible induction of the COVID -19 virus within the company.



Safety, Quality, Security and Compliance Management (SQSC)

FRANCIS BEZZINA
SENIOR HEAD SAFETY, QUALITY,
SECURITY AND COMPLIANCE

Safety, Quality and Security Management, set up 15 years ago

The focus by the SQSC is a means to verify the performance of the MATS management system, identify the causes of substandard performance of the management system, determine the implications of such substandard performance, and eliminate or mitigate such causes.

2020 the year of the Covid-19 Pandemic

The year 2020 disrupted the planning for the Aviation industry, the MATS plans and objectives, and as expected the SQSC section planning was not spared. The COVID-19 pandemic affected the entire world and crippled its economies, the aviation sector was the worst hit and since we are no exception, we took the hit also particularly our finances and thus our projects. As an ANSP, MATS depends on its staff to deliver ATC services to the Airspace Users. The majority of jobs at MATS are specialised and the Company is considered as a Critical Infrastructure (CI) which falls under the umbrella of the Critical Infrastructure Protection (CIP) directorate. Thus, we are obliged to ensure that service continuity is unhindered especially in circumstances where the country is facing such a calamity. We have a

legal obligation under CIP policies to take all the necessary measures as an organization which is considered as highly critical for the State, to put in place preventive measures to reduce the risk to our operations in all circumstances especially in dark times.

We did not sit on our laurels and on the 27th of February 2020 when the pandemic was not yet taking hold of the island, the MATS SQSC section supported by the management team conducted an ad hoc risk assessment on the operational risk and implement the necessary mitigation measures to keep the risk as low as reasonably practical (ALARP baseline). This was done to safeguard the Company business continuity. The SQSC section also actively supported the works on the Eurocontrol Network Operational Safety assessment for the COVID-19 pandemic. In fact the SH-SQSC was a member of the team of European safety managers that supported the safety case for the Network manager as follows:

- EUROCONTROL Network Management Directorate
- Document Title: European Network Operations Plan
- Document Subtitle: Recovery Plan
- Released Issue »

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED

The safety argumentation and GSN modelling where the SQSC supported can be accessed from p323 onwards in the said document which can be accessed using the link below:

<https://www.eurocontrol.int/sites/default/files/2020-05/nop-2020-recovery-plan-1-3-22052020.pdf>

Important projects

This year 2020 although we are handling a pandemic and the critical changeover to EU Regulation 2017/373, we still had to handle all the oversight and auditing activities including an EASA inspection which was done online. The only oversight activity which was postponed for February 2021 was the UKAS BV ISO 9001-2015 survey audit (Year 1), that was postponed due to the lockdowns around Europe. The SQSC section still managed to do the entire internal audit and survey process for this year.

Important Safety Cases

This year we tackled the Contingency OPS room, we replaced the UHF link, these two projects are now closed without any problems. The continuation safety work on the new ATCC had to be postponed indefinitely due to financial crisis created by the pandemic. We had to prioritise projects in line with the financial

impact because the most important aspect in these difficult times was the staff salaries. However, we still managed to achieve a lot on projects prioritised in these dire circumstances. This year we finally managed to introduce in operations the DER PSR which presented itself with issues, these are now solved and this new PSR is now fully operational.

The ADS-B project (Malta and Greece) which required a lot of safety and operational research, is now on the back burner unfortunately, due to financial and logistic problems. The SQSC and OPS section worked together incessantly for weeks on the legal and regulatory side in full coordination with TM-CAD while the technical section team worked on the technical solutions needed to cover the entire Maltese airspace with a new layer of surveillance ADS-B coverage. The Kithira ADS-B is delivering to us excellent service and filling the gaps when the Kithira MSSR is not available. We have entered in partnership with Eurocontrol to provide ADS-B data from our systems for analysis and the measurement of performance of ADS-B all covered by the required LoAs. The ADS-B project to cover the entire Maltese airspace will be continued once the aviation sector initiate the much-awaited recovery. »

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED



The ARTAS trackers were upgraded to ensure ADS-B returns that meet all the quality requirements. When the project of the ADS-B surveillance layer is completed, it will be the first ground-based system operated over the high seas in the Mediterranean region, but the COVID-19 virus had other plans for us. This year we managed to upgrade our G-to-G communications from X25 etc.. to VOIP, another set of safety assessments were conducted, we have achieved our objective to move to VOIP before our CSP providers pull the plug on the legacy analogue systems which are now defunct. Many other safety assessments were done, in this report only a snapshot of the most important is being presented.

Projects are not undertaken as deem fit, but through a project prioritization exercise, with the involvement of all sections management which includes *inter alia*, the Company requirements in respect to its national obligations, compliance with European Union Regulations laying down common requirements for providers of air traffic management/air navigation services, as well as those establishing Common Project One supporting the implementation of the European Air Traffic Management Master Plan provided for in Regulation (EC) No 550/2004.

Safety Surveys

The objectives for 2020 were met. Survey on ATCOS-ATSES Coordination (a snapshot on performance) was done. Another Survey on CNS Equipment that incorporates battery backups was done to evaluate the underlying risks of batteries installed inside equipment and the inherent hazards on the sites.

Safety Assessment process updates

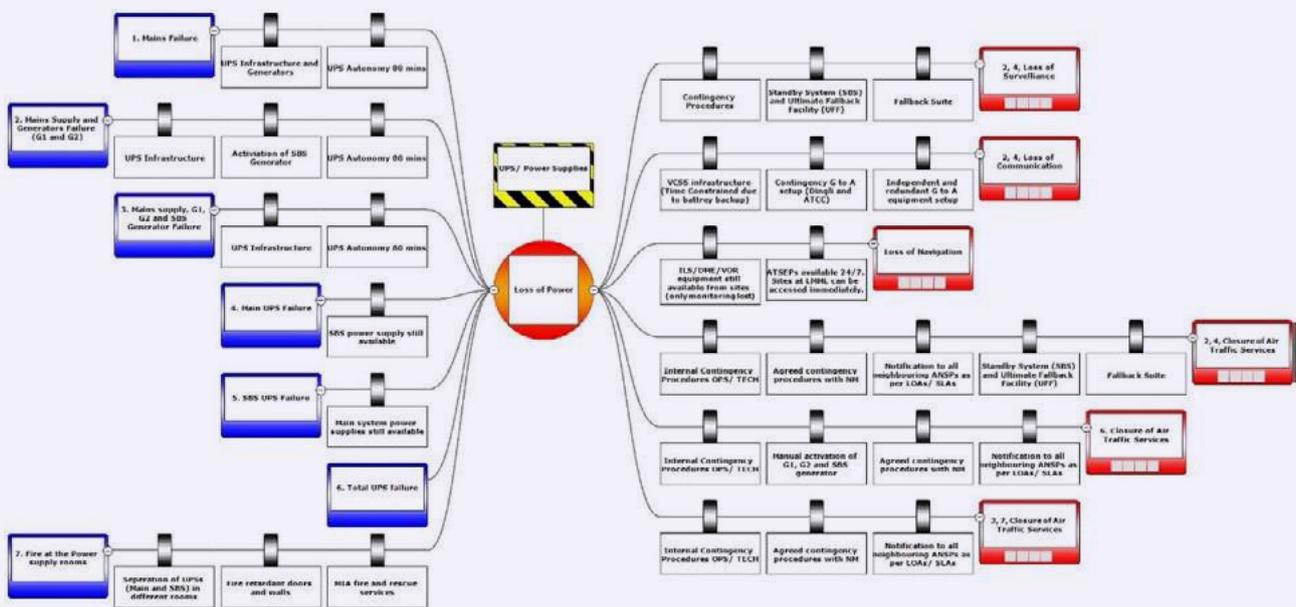
This year we introduced a new platform for safety assessments namely the BOW-TIE methodology. The bowties created are on the safety assessment of the Contingency OPS room, the UHF link Safety assessment and now a new delicate one on ILS calibration. Below as an example we are presenting a Bowtie of one of our power supply systems.

The COVID-19 ongoing Risk Assessment (RA) and the Crisis management team

The SQSC was responsible to ensure that safety and business continuity will continue to be protected thus assuring that our clients will continue to be served on a 24X 7 basis even during the darkest days of the pandemic. The RA was revisited periodically to ensure that it remains valid in the changing landscape of the pandemic. »

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED



Mitigation measures taken included:

- New Rostering for ATCO, ATSEP and AIM staff to ensure availability if an infection outbreak happens
- Fumigation, sanitisation, upgraded cleaning methods were the order of the day
- Masks and social distancing
- Administration and management rostered on telework to safeguard business continuity
- Vaccination of the entire workforce
- Control on overtime to safeguard company finances

- No visitors at MATS premises, except for service(s) delivery
- All meetings online including auditing and standardization inspections
- Quarantine for entire teams if contamination is experienced
- MATS HR continuously in direct contact with the Health Authorities to assure that best practices are always applied in line with the official direction

This process is still active and revisited by the Crisis management team periodically. »

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED



Important Achievements

Training to BATS ground support company: Another first for MATS and the SQSC section is the training initiative for third parties. We embarked on this training initiative with BATS (an aircraft Maintenance and Repair organization) following occurrence report at the Luqa aerodrome and related lessons learned.

Safi Aviation Park: The SAP project is moving ahead in a solid way, modestly we can declare that we are achieving our objectives, even in a two-way matter, where the park is achieving new standards to the benefit of aviation safety, as well as contributing to other stakeholders. A prime example is the reinstatement of the Aerodrome Ground Lighting system for holds Bravo and Golf.

The plan to promote the park as an Apron Management Service provider, is still on the agenda, however more time is required due to expected imminent changes at the Park. This project is providing MATS personnel with a wider experience in ground operations.

Cyber security requirements

The management system is in place and mature. Implementation of new requirements like the Security Operations Centre (SOC)

and the Networks Operation Centre (NOC), are building slowly in full collaboration with the Technical ICT section with the support of CSERT Malta, Eurocontrol CSERT and MITA.

We are working on achievable milestones in line with the resources available in the current difficult circumstances. This important process/project is an ongoing activity with the full support of the MATS ICT section.

ISO Certification

The Survey audit by UKAS-BV (Year 1) was done online due to the pandemic. Before the on-line audit a risk assessment was conducted by BV to ensure that MATS is still fully compliant with the standard and to ensure that the on-line survey audit is enough to confirm compliance. This is the 15th year that MATS has achieved and extended the ISO certification without a single non-conformity.

Commission Implementing Regulation EU 2017/373

Besides the numerous changes that we had because of the regulation laying down common requirements for companies like MATS in provision providers of air traffic »

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED



management/air navigation services, Regulation EU 2017/373 brought a challenge towards policy adaptation that was neither supported by EU nor national law.

The new responsibilities with regard to the problematic use of psychoactive substances by air traffic controllers was no easy ride and following the several research of what was happening in the industry, we consulted professional companies and national organizations that specialize in the matter. All this was happening along with the sensitive talks with the staff professional associations, and without prejudice to the Data Protection Act.

MATS successfully established procedure and policy, making personnel aware of their responsibilities, as well as the ways and means towards their well being.

Safety Performance

Effectiveness of Safety Management

The Effectiveness of Safety Management (EoSM) result for MATS conducted by EASA in 2020 maintained the positive trend. EASA has launched a completely new EoSM based on the CANSO-Eurocontrol Standard of Excellence (SoE) for safety management. »

Mission Statement

Our Vision

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

- in the eyes of our airspace users 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 for continuous improvement 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 so that all users of our airspace travel safely through our airspace.
- Excellence is our promise. We endeavour to achieve results that represent 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 afford continuous improvement of our services.



Dr. Ing. Kenneth Chircop
Chief Executive Officer



Integrated Management System Policy

[ISSUE 6 Dated 01/09/19]

Approved by:



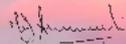
Francis Bezzina
Senior Head Safety, Quality, Security and Compliance



Jesmond Farrugia
Chief Technical Officer



Robert Sant
Chief Operations Officer



Mario J. Azzopardi
Chief Finance Officer



Kenneth Chircop
Chief Executive Officer



Malta Air Traffic Services Ltd (MATS), the designated Air Navigation Service Provider responsible for the Malta Flight Information Region, is fully committed to providing a safe, secure, high quality and efficient service in accordance with international regulations.

MATS considers Safety, Quality, Security and Compliance as its overriding responsibilities and, consequently, these factors are accorded the highest priority notwithstanding any commercial, financial, operational and social pressures and constraints.

MATS continuously seeks improvement of its services, processes and systems through an Integrated Management System which meets the requirements of the International Standard ISO 9001:2015 and all relevant national and international obligations pertaining to Air Navigation Services Providers. Improvement is also achieved through the involvement of employees at all levels of the organisation.

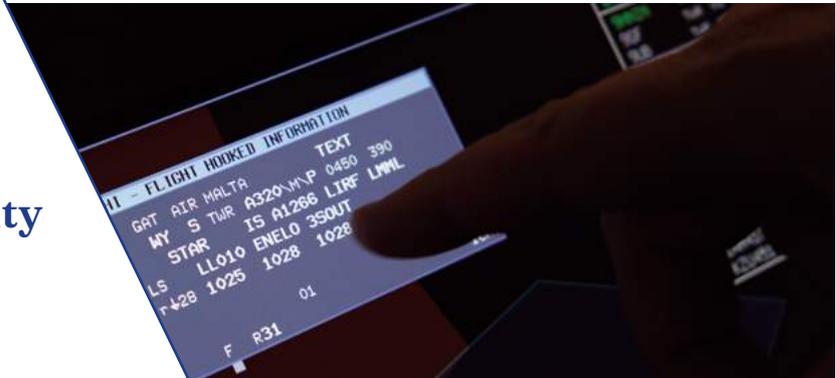
To ensure the expected levels of Safety, Quality, Security and Compliance in the service provided, MATS applies a full Just Culture Policy while ensuring that all employees

- abide to procedures and regulations ensuring that the Safety, Quality, Security and Compliance levels are maintained; are adequately trained as necessary to retain competence in their area of expertise;
- report occurrences, hazards or any matter/situation which may impair Safety and/or Quality and/or Security and/or Compliance;
- are made aware of the hazards brought about by stress and fatigue by providing appropriate information programs, encouraging a healthy lifestyle and making available resources for recognizing, preventing and addressing identified issues;
- are encouraged to forward suggestions and recommendations to improve the Safety, Quality, Security and Compliance levels of the service offered.



Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED



This is a new questionnaire already being run by CANSO and Eurocontrol within the member states, which is much more detailed, and the scoring is based on different rationale resulting in maturity levels down by around 10%. This information needs to be communicated to all those analysing the maturity results to understand the difference between the two questionnaires and the results attained.

New ATCC

The plans are finalised, and the team of architects presented the project to the Planning Authority. The first step is the excavation works planned for the first quarter of 2021.

The SQSC section is involved in the preparatory work for the safety assessments, the security set-up and supporting risk assessments, the quality aspects, monitoring, auditing and surveying, as necessary. It will be a huge task for the SQSC section when the project commences rolling forward.

Safety Occurrences and Investigations

The following tables are the lists of occurrences gathered by MATS. »

| OPERATIONAL OCCURRENCES | |
|---|-----------------------|
| TYPE OF OCCURRENCE | NUMBER OF OCCURRENCES |
| Bird Strike (BS) | 2 |
| Non-adherence to ATC instructions (including TWY and TXL incursion) | 8 |
| GPS Outages | 8 |
| Drones | 6 |
| Laser | 7 |
| Runway Incursion (RI) | 5 |
| Accident | 1 |
| Fireworks | 2 |
| Separation Minimal Infringement | 0 |
| ATM system security/safety related issues | 0 |
| TOTAL REPORTED OCCURRENCES | 39 |

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED

| TECHNICAL OCCURRENCES | |
|-----------------------------------|-----------------------|
| TYPE OF OCCURRENCE | NUMBER OF OCCURRENCES |
| Data Processing | 6 |
| Surveillance | 6 |
| Communications | 12 |
| Infrastructure | 0 |
| Navigation | 1 |
| Power | 0 |
| SEC | 0 |
| MET | 0 |
| ARS | 0 |
| ICT | 0 |
| TOTAL REPORTED OCCURRENCES | 25 |

| 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 | 24 | 4 | 100% |
| Runway Incursion | 5 | 1 | 100% |
| Separation Minima Infringement | 0 | 0 | 100% |

»

Safety, Quality, Security and Compliance Management (SQSC)

CONTINUED

Concluding remarks

The year 2020 presented the SQSC section with additional challenges coming from the effect of the pandemic on the Company and consequently the SQSC section. Year after year, KPIs and new targets are being set requiring actions and constant attention. Cyber Security is one of the topmost priorities again shifted the balance of resources.

It is a situation where regulatory requirements are constantly increasing, and units are expected to deliver more with less resources. Maybe the time is approaching when the governing establishment pause and think on the advantages of pilling more regulatory requirements and the realistic benefits from these on the safety of aviation. The situation is revealing that safety units are being turned in document libraries and real hands-on time on safety work is slowly being eroded.

In the meantime the SQSC section continued to support the rest of the Company with the best means possible, while maintaining the balanced communications and relations with the EASA, Eurocontrol, CIP, TM CAD, BAAI, MCA, MIA, MITA and INDIS Malta.



Human Resources

MICHAEL PARNIS
HEAD OF HUMAN RESOURCES

Objective

The Human Resources section continues to serve as the backbone of the Company for the acquisition of new human assets, and the development of the Company's current human resources. During the last year more responsibilities were incorporated within the HR section, namely the Occupational Health and Safety section.

The two main approaches adopted are firstly through recruitment and secondly by investing in our current resources through training and promotions.

Covid-19

2020 was dominated by the Covid-19 pandemic. The Head of HR formed an important part of the Crisis Management Team and continuously kept MATS' employees informed of all the developments and regulations issued both by the Health Authority and MATS' Management.

Each and every employee was given appropriate masks and sanitizers. Air purifiers were procured and installed across the premises. Support Staff were equipped with specialised sanitizing equipment and common areas and offices were

frequently sanitised. From March to June, the operational areas also underwent specialised fumigation procedures in order to reduce the possibility of cross contamination and the spread of the virus.

Solidarity Fund

In May 2020 a new initiative was set up to assist Non-Governmental Organisations that had been affected negatively by the Covid-19 pandemic.

A committee formed by the CEO, CFO, Head of HR and representatives from ATSEC, MATCA, UHM and GWU (AIM) was set up and several meetings were held. Donations from MATS employees were collected on a voluntary basis which were then presented to a different organisation every month. »



Solidarity Fund - May 2020



Human Resources

CONTINUED

In total €5,933 were donated to 8 different institutions. The fund was dissolved in October 2020. During this period, 13 Information sheets were sent to all MATS' employees giving them a breakdown of funds and information of each donation including photos taken during the occasions.

New working schedules

The Covid-19 pandemic brought about a sharp decrease in flight operations at MATS. Discussions were held with MATCA and GWU (representing the Tech and AIM sections) and an agreement was reached whereby employees were asked to work different working schedules and rosters to the ones previously in place. The main objective was that of reducing contact between employees in order to severely reduce



the chances of contamination if a positive case was identified.

Recruitment & Promotions

Covid-19 measures halted the recruitment process for the year 2020. Only one vacancy was filled during the year, that of

- 1 Assistant Administrative Officer

Promotions/Appointments 2020

In 2020 the Company has promoted/appointed;

- 3 ATCOs I to ATCOs II
- 4 ATCOs Trainees to the position of ATCOs I
- 5 ATCOs I to ATCOs II
- 2 ATSEO Trainees to the position of ATSEO I
- 4 ATSEO II to the position of ATSEO III
- 1 OASO

Sick Leave

The HR section is also responsible for dealing with sick leave and injury on duty reports, making sure that all the necessary documentation is in hand to facilitate National Insurance and Private Insurance requirements. Discussions on the Sick Leave policy continued to be held with all stake holders and will be finalised by the end of 2021. »



Human Resources

CONTINUED

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 continued to be introduced. All fire detection systems, intruder systems, lifts and fire extinguishing equipment were regularly inspected and certified in all the sites of the Company. All employees were provided with the required personal protective equipment to make sure that they are always safeguarded at the workplace.

A fire drill was organised in July 2020 and will be followed up on a regular basis.

An AED defibrillator has been procured and was installed in the reception area of the tower building. All H&S Committee members have been asked to attend a course regarding the use of this equipment.

The Company also continued 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 group of employees attended courses organised by the foundation on various topics in order to further enhance their knowledge.

Contact with employees

During 2020 a total of 52 MEMOs were issued by the HR office. Almost 50% focused on the Covid-19 pandemic explaining new measures, and giving information and directions to all employees. Other MEMOs dealt with promotions, vacancy calls and other information which was deemed necessary to be disseminated amongst the Company's work force.

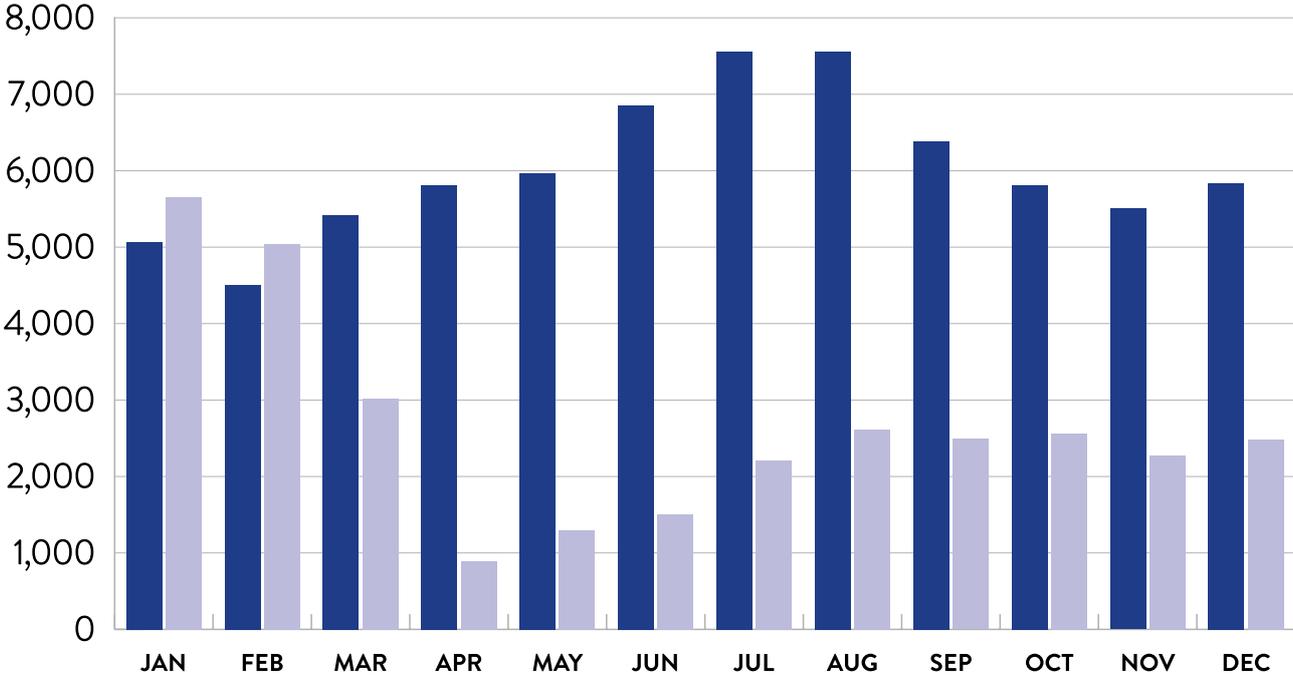
The HR section is also responsible for informing all staff when a close relative of an employee passes away.

A certificate of 'Recognition of Service' signed by the Chairman and CEO was awarded to those employees that retired during 2020. This is a practice which we intend to continue in the coming years.

INTERNATIONAL TRAFFIC IN MALTA

2019 vs 2020

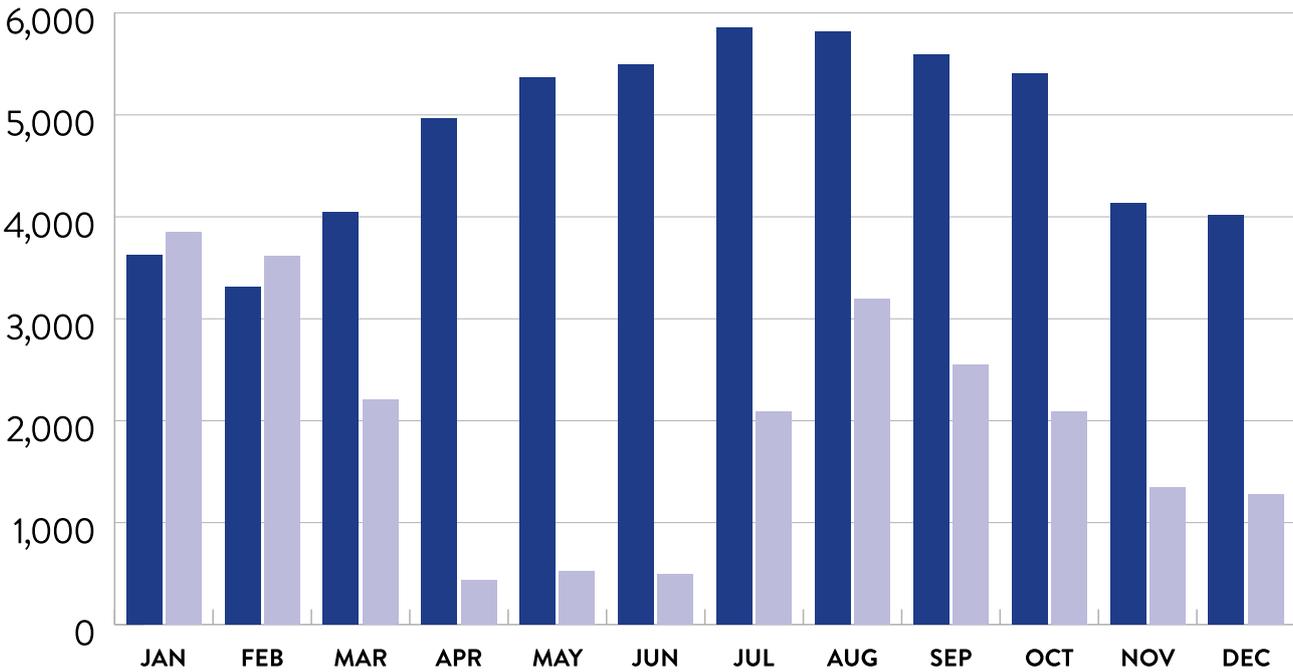
■ 2019 ■ 2020

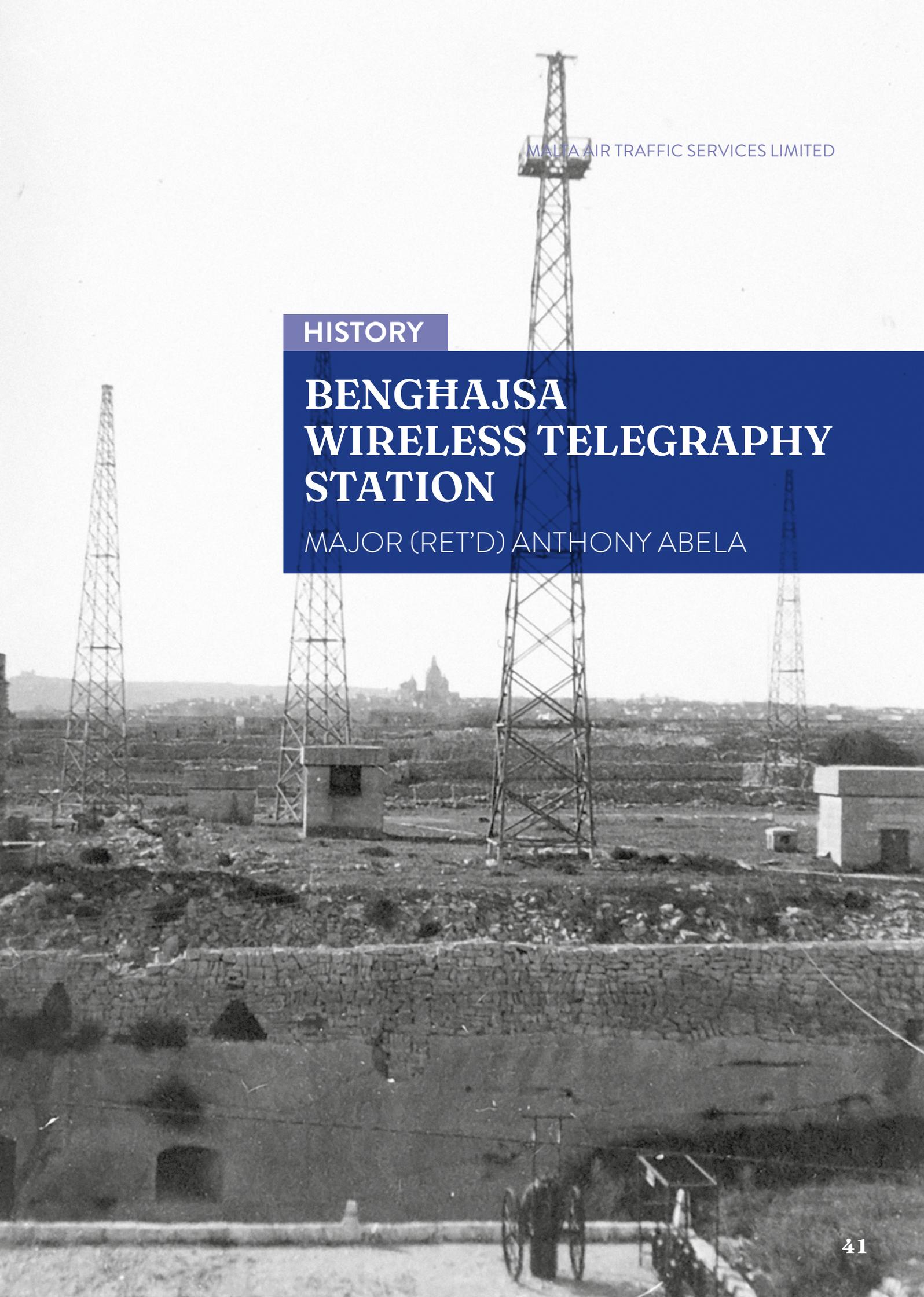


EN-ROUTE TRAFFIC IN MALTA

2019 vs 2020

■ 2019 ■ 2020





MALTA AIR TRAFFIC SERVICES LIMITED

HISTORY

BENGHAJSA WIRELESS TELEGRAPHY STATION

MAJOR (RET'D) ANTHONY ABELA

Preamble

Before April 1918 there was no RAF and the Royal Navy was the main force with various Army Regiments and Battalions stationed in Malta.

On 8 Feb 1916, Wing Captain R.N. F.R. Scarlett submitted a Report on the best place to establish a Seaplane Base in Malta. He recommended Calafrana and the list of facilities he stated that a Wireless Telegraphy Hut should be one of the facilities included.¹

On 1st April 1916 the First Sea Lord approved the establishment of this Seaplane Base at Calafrana and a sum of £150,000 was voted for it.²

By Summer 1916, that is midway through the war, a seaplane base was established at Calafrana which was mainly used for anti-submarine activities.³ Thus it may be assumed that the Wireless Hut was operational by them to communicate with the airborne seaplanes.

This Wireless Telegraphic Station was not the first one on the Island as the Royal Navy had their Communications base stations established in 1912, with Rinella being the transmitting Site and Zebbug (San Blast) being the receiving site.⁴

To further increase confusions, Calafrana W/T being a R.N. Unit worked in conjunction with Rinella W/T and sometime later was also referred to as Benghaisa W/T.

An official history of the RAF Radio Communications, Malta by Sqd/Ldr D.J. Silk,

OC 840SU on 8 March 1974 with additions and corrections by Wing Commander Dunn which were preserved by the 840 SU Chief Civilian Officer, Mr Emmanuel Tonna, before the Station closed in 1979 were passed to me by his nephew, Mr Ray Polidano of Malta Aviation museum. Quoting from this document: "The Royal Naval Air Services had been at Calafrana (Renamed Kalafrana in 1936) since 1916, and became part of the Royal Air Force in April 1918. But on 1st October 1918 (the first explicit mention of the subject) the 'Senior Air Force Officer Malta' was still using the signals facilities supplied by the Naval C-in-C Mediterranean. It stands to reason that the Wireless Telegraphy at Calafrana seaplane base was only used for ground-to-air communications between the Base and the airborne seaplanes.

On 1st May 1919, occurs the first reference to a shore-base radio station in Malta in communication with the United Kingdom. It was at Irnella, and formed part of the "European System" of W/T organisation. Its links were Cleethorpes, Gibraltar, Cairo, Constantinople, Mudros and the 'allied' (Greek) island of Corfu. Although under Naval auspices, it is clear that the RAF had full normal use of it at the scheduled times.

On 11th July 1919 a second radio station was mentioned: the "Malta Islands" and renamed St Georges about July 1922, It was run by Eastern Telegraph Company, the forerunner of the Cable and Wireless which were based at St Georges, St Julian's.

It has to be kept in mind that the Malta Meteorological Service started in May 1919 »

¹ Kew Archives - AIR 2/19 Pg. 95

² Kew Archives - AIR 2/19 Pg. 98

³ Kew Archives - AIR 28/409

⁴ <http://www.rnmuseumradarandcommunications2006.org.uk/CommsColRight/Photographs/malta.htm>



Calafrana Tx Unit - September 1922

and they had to have communications with the UK Met Office as they were part of this organisation. The Malta Met Office were based at St John's Cavalier as part of the RAF HQ Malta. In August 1920, Rinella Tx Station started broadcasting scheduled Met Bulletins at 0900hrs and 2100hrs on a daily bases, giving also information about navigational warnings and the like.

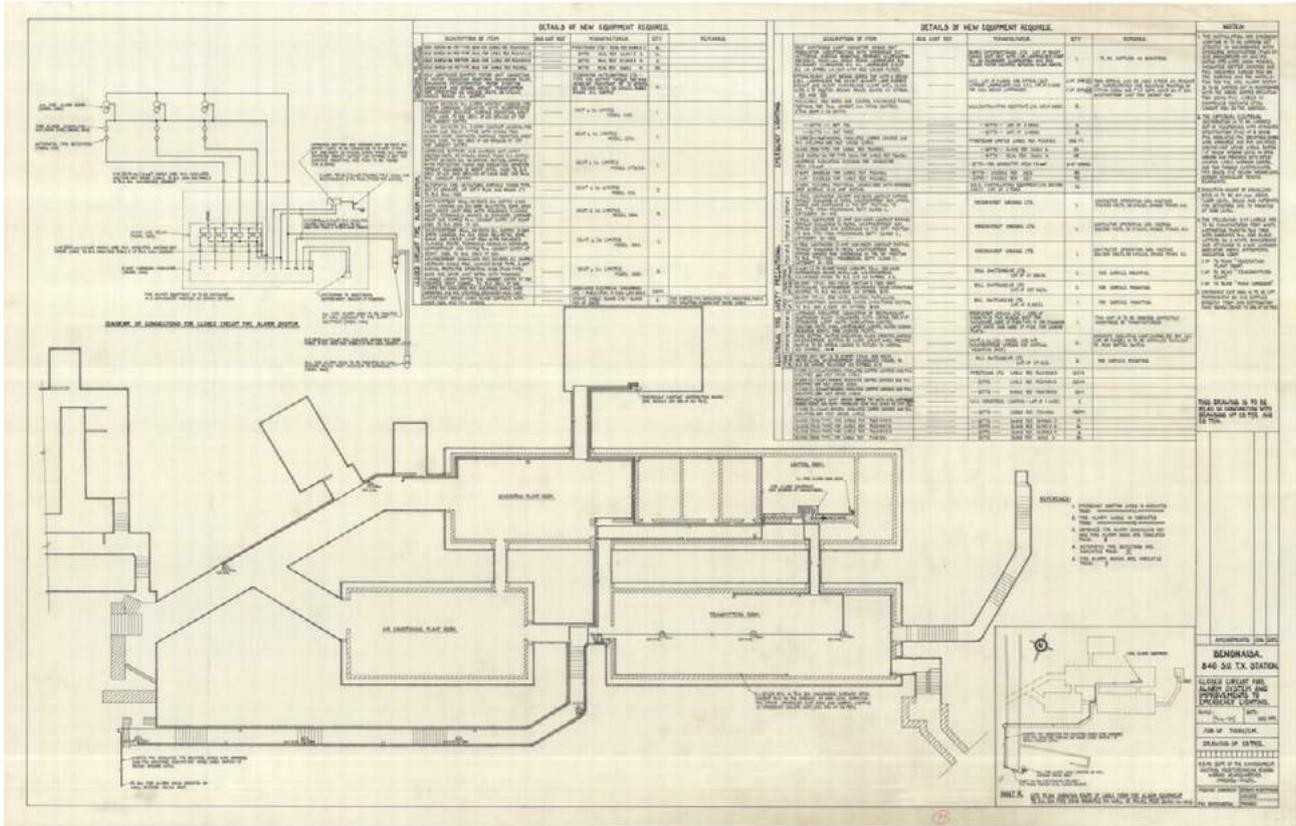
During 1921 there was a drastic reorganisation of RAF W/T organisation both in the UK and in the Mediterranean Group. The RAF at the time handled all their ground to air and ground to shipping traffic through their Calafrana transmitters. The transmitters used were the 1.5 Kw spark transmitters and a modern 1kw C./W. transmitter Type 56B. All Air Ministry messages were still using the R.N. Rinella or the E.T.C. cable.

Calafrana W/T Station was upgraded to handle its point-to-point communications and the two

200ft Steel together with Type 29, 25 Kw C.W. Transmitters were brought into use in September 1922 to open the first RAF point-to-point Air Ministry direct two-way telegraphic channel. In January 1923 Calafrana became the first RAF 'Inter Command W/T Station'.

It was not until October 1936 that a proposal had been made for a modern radio station at Siggiewi, together with improvements at Calafrana and Valletta. An underground receiving facilities at Siggiewi were taken in hand with a Benghaisa underground Transmitting facilities. Work at Siggiewi progressed faster than that at Benghaisa and by 1939 Siggiewi was in operation, including as a transmitting station until Benghaisa was eventually completed few months later, most likely late 1940 or early 1941.

Just after 1700hrs on Tuesday 30th December 1941 a direct hit caused an explosion of an Oxygen Plant placed in the quarry before entering the underground transmitting comple »



Plan of Benghajsa Underground Complex

as a hiding place. An RAF airmen lost his life as he was going off duty exiting the quarry upper gate onto the main public road.⁵

A Mr Joseph Polidano, known as “il-Borda”, who used to operate a Fish & Chips outlet near the Birżebbuġa Bus Terminus have stated with me that he done some hand rock cutting at the underground in the early days of WWII. Thus one can safely state that Benghaisa Tx underground complex was established by end of 1940, while Siggiewi underground was completed by end of 1939 or few months before.

Benghajsa W/T Station

RAF Benghajsa was a Unit under the command and part of the operations of RAF Siggiewi, at Ta’ Kandia, also known as Malta Communications Centre and lately 840 Signals Unit. Benghaisa Unit was a Wireless Telegraphy Transmitting Station, thus the communications/ messages transmitted were all either Continuous Wave (CW - Morse), Modulated Continuous Wave (MCW) or Frequency Shift Keying (FSK), Telegraphic Messages, and later on had some voice communications capabilities known as Radio Telephony.»

⁵ BBC Eyewitness Series - The Eyewitness was Bob Walker, 'A' Watch, Royal Air Force, Benghaisa.

The frequencies used were between 3 MHz and 30 MHz, that is in the High Frequency Radio Band, more popularly known as Short Wave. This band of frequencies is ideal for long haul communications as it follows the globe curvature, but it gets attenuated along its travelling distance by the earth absorption of the Electro-magnetic energy, thus to reach your distant Receiving Station you have to use higher power, directional antennas and frequencies according to the time of the day and the season. That is why the BBC World Service on SW announces different frequencies for various parts of the globe at different time of the day and season. They do not have a fixed frequency of operations, say as FM Stations.

The earliest known Transmitters used at Benghaisa were the T1509 which was a low power transmitter maximum output about 300 Watts. This Transmitter could be used also for R/T using Control Unit Type CU 310. Another type of Transmitter used was the

Marconi S.W.B., which version there was at Benghaisa I cannot say, but it was of the following family of Transmitters as shown below. I remember one of them very vaguely when I was posted there in 1965.

Later on during the 1950s, STC 3 Kw Transmitters DS 10 and DS 12 were used instead of the Marconi SWB. These were located at the Main Hall and were driven by VFO Units in the Drive Room. They mainly served the Defence Communications Network (DCN) and Malta Comcentre Siggiewi using Benghaisa Transmitters was linked to UK, Gibraltar, Cyprus and Karthum.

The Low Power Transmitters used were Redifon M6, 1 KW Transmitters. Aerials used there were Omni-Direction $\frac{1}{4}$ Wave Marconi for up to 1KW, Omni-Directional Biconical also up to 1KW, T-Type semi-Directional and Rhombic Directional Antennas for High power up to 10KW. »



Transmitter Type T1509



Marconi SWB-8W HF
Radio Transmitter



STC DS 20 Transmitter



1 KW Redifon M6 (G423) Transmitters

There was also a Variable-V Antenna known technically as Periodic Logarithmic Antenna for High Power Directional transmission.

All the M6s, DS10s, DS12s and the H1100 were not Transmitters in the true sense of the word, but only Output Power Amplifiers as all were 'driven' by external Frequency Oscillator Units and Drive Units which were installed in the Drive Room.

During the RAF time we used to have visits by prominent people and 'Top Brass' RAF Officers as Benghaisa Transmitting Station was a show case for the RAF in Malta due to its efficiency and continuous communications. This was mainly due to the dedication of its local work force, both RAF Malta and Civilian Technicians and the ideal location of the Island for long haul communications. »



STC DS 12 Transmitters - (This type was a 4-Bay as it had a Modulator Cabinet)



The Author (centre) demonstrating the Wave Analyser to the AOC Malta at Benghajsa Drive room



Visit of Mr Winterbottom- 1st Secretary for Air in the late 1960s

For some time during the late 60s early 70s, the BFBS Medium Wave Broadcast Transmitter was also housed in a room at the top end of the Aerial Farm. As RAF personnel we used to service it and switch it on and off at 6am and 11pm every day. It was switched off for the last time during the 1st withdrawal in February 1972.

The Royal Navy and Royal Air Force infrastructure was already mentioned. What about the Army? There was surely efficient communications between all the Army Units, i.e. Coastal Fortresses, Anti-Aircraft Batteries, Coastal Patrol Units and different gun posts spread over the whole Islands.

The Army Garrison Officer Commander HQ at Castille must have been coordinating all the necessary actions and reporting with the War Rooms, but could not find any documentation »



WO Janaway and the Author switching Off the MW BFBS Tx for the last time

of an Army Transmitting and Receiving Station during WWII. This does not mean that there was definitely no such infrastructure. What I can say for sure is that until late 1960s, the British Army in Malta had a Transmitting HF Station at Fort Zonqor, Marsaskala which during the war was used as one of the many Coastal Forts and a Receiving Radio Station at Wied Rini, Bahrija. The Communications Centre was at Castille.

This three-service independent telecommunications infrastructure came to its end in 1967 as a result of the British Forces Rundown plans in Malta, and the Army closed its Tx and Rx Stations with the Royal navy scaling it down gradually until they closed both Rinella and Zebbug Stations. The equipment at Siggiewi was changed to a more modern technology in 1963. The RAF Communications Centre Malta (Siggiewi) as was named in 1959 took over

the Inter Services Communications in Malta in 1967 and had its designation changed from CAF (Comcentre Air Force) to DCN (Defence Communications Network). In 1967, RAF Siggiewi ceased to exist as a self-maintained Station and was parented by RAF Luqa and in January 1969 accommodation, catering facilities and the Sergeants' Mess were closed down. »



RAF Siggiewi – Ta' Kandia

In March 1969 the title for this Station was changed again to “COMCEN Malta”.

In June 1969 Unit title was reverted to its old title of No. 840 Signals Unit. At this time No 840 SU had Bengħajsa as its main transmitting station, a Troposcatter station at Kortin Gozo for direct transmission to Isle of Wight and a Racal Speedrace Remote Controlled from Siggiewi Comcen for voice communications on HF with MOD UK at RAF Safi.

January to March 1972 the 1st Withdrawal took place and 840SU was put on care and maintenance with stripping down completely all equipment from all its Units.

Once a new Defence Agreement was reached in April 1972, Siggiewi, Bengħajsa and Safi were re-activated and the 840SU once again became operational in September 1972. The Kortin Troposcatter Station and Zonqor were not reactivated. The Marconi Self Tune H1100 series

7KW Transmitters originally at Żonqor were installed at Bengħajsa.

840 SU marked its last signal transmission on March 1978 as the Communication Flight and Bengħajsa, Safi and Siggiewi closed down on March 1979.

One should point out that the International Aeradio, (Originally BOAC), who were contracted by the British Government to provide Air Navigational Services in Malta’s Flight information region had their Transmitting Station above ground at the right side of the aerial farm. They used to have their own aerial systems on the same aerial farm.

Both the underground and the above ground aerial farm fell under the responsibility of the Department of Civil Aviation, Malta on 31st March 1979. Eventually they became under the responsibility of the Malta Air Traffic Services Ltd., until this day. Presently MATS are only using the ex-IAL Tx Hall for their NDB.



Last group of RAF and Maltese Civilians at Bengħajsa on closing down. (note that RAF Malta Personnel had already moved to Luqa for eventual employment with DCA and some others opted to transfer to UK RAF to continue service for pension – Credit Sgt Tony Oliver 2nd left rear row, next to WO Bill Stewart)

MALTA AIR TRAFFIC SERVICES LIMITED



Financial Statements 2020

CONTENTS

| | |
|---|-----|
| Directors, Officers and Other Information | 52 |
| Directors' Report | 53 |
| Independent Auditors' Report | 55 |
| Statement of Financial Position | 59 |
| Statement of Comprehensive Income | 61 |
| Statement of Changes in Equity | 62 |
| Statement of Cash Flows | 63 |
| Notes to the Financial Statements | 64 |
| Supplementary Statements 2020 | 102 |

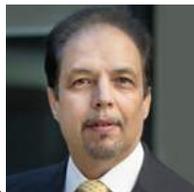
Directors, Officers and Other Information



1.

Chairman

1. Major (retired) Anthony Abela



2.



3.

Directors

2. Prof. Ernest Cachia

3. Mr Raymond Lanzon

4. Ms Emeline Fenech *appointed 17/06/2020*

5. Mr Julian Tabone *appointed 17/06/2020*



4.



5.



6.

Board Secretary

6. Dr Andrew Sciberras

Dr John Vassallo
(appointment expired 16/06/2020)

Ms Xanthe Bartolo
(appointment expired 16/06/2020)

Ms Charmaine Felice
(appointment expired 16/06/2020)

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

GCS Assurance Malta Limited
115A, Floor 1, Msida Valley
Road, Birkirkara BKR 9024

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

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

Review of the business

During the year ended 31 December 2020, the company incurred a loss before tax of €7,148,962 (2019: a profit before tax of €7,069,055).

Results and dividends

The statement of comprehensive income is set out on page 9. The directors did not propose any dividends in 2020. In 2019, the dividend proposed and paid was of €500,000.

Directors

The directors of the Company who held office during the year were:

Prof. Ernest Cachia

Mr Raymond Lanzon

Ms Emeline Fenech - appointed on 17th June 2020

Major (Retired) Anthony Abela

Dr John Vassallo - appointment expired on 16th June 2020

Ms Xanthe Bartolo - appointment expired on 16th June 2020

Ms Charmaine Felice - appointment expired on 16th June 2020

Mr Julian Tabone - appointed 17th June 2020

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

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period. »

Directors' Report CONTINUED

Statement of directors' responsibilities for the financial statements *continued*

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap. 386).

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

GCS Assurance Malta Limited, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Ernest Cachia
Director



Raymond Lanzon
Director

Registered office
Malta International Airport
Luqa LQA 5000
Malta

4 August 2021

Independent Auditors' Report

To the Shareholders of
Malta Air Traffic Services Limited

MALTA AIR TRAFFIC SERVICES LIMITED

Report on the Audit of the Financial Statements

Our Opinion

- Malta Air Traffic Services Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2020, and of the company's financial performance in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of Maltese Companies Act (Cap. 386).

What we have audited

Malta Air Traffic Services Limited's financial statements, set out on pages 7 to 38 comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Emphasis of Matter

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

Basis for Opinion

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

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

Report on the Audit of the Financial Statements CONTINUED

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' report on pages 1 and 2 and the schedules for revenue and expenses on pages 39 to 43 (but does not include the financial statements and our auditors' report thereon).

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

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

Responsibilities of the directors for the financial statements

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

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

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. »

Report on the Audit of the Financial Statements CONTINUED

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on the Audit of the Financial Statements CONTINUED

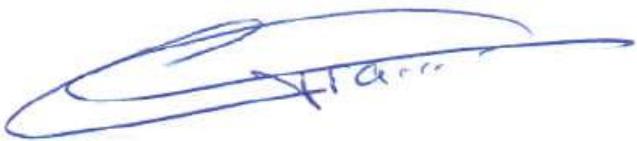
Report on any other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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



Christian Gravina

Director

GCS Assurance Malta Limited
Certified Public Accountants

115A, Floor 1
Msida Valley Road
Birkirkara BKR 9024
Malta

4 August 2021

Statement of Financial Position

| As at 31 December | | 2020 | 2019 |
|---|-------|-------------------|---------------|
| | Notes | € | Restated € |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 10,430,362 | 12,145,067 |
| Right-of-use asset | 6 | 32,520,655 | 33,220,024 |
| Term deposits | 10 | 12,000,000 | - |
| Total non-current assets | | 54,951,017 | 45,365,091 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 7 | 4,774,123 | 4,594,835 |
| Trade and other receivables | 8 | 2,266,021 | 4,164,753 |
| Cash and cash equivalents | 9 | 9,375,259 | 5,143,555 |
| Term deposits | 10 | 9,545,230 | 25,547,668 |
| Total current assets | | 25,960,633 | 39,450,811 |
| Total assets | | 80,911,650 | 84,815,902 |

The notes on pages 12 to 38 are an integral part of these financial statements. »

Statement of Financial Position CONTINUED

| As at 31 December | | 2020 | 2019 |
|--------------------------------------|-------|-------------------|-------------------|
| | Notes | € | Restated € |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 11 | 10,000,000 | 10,000,000 |
| Retained earnings | | 16,199,819 | 23,396,998 |
| Total equity | | 26,199,819 | 33,396,998 |
| Non-current liabilities | | | |
| Provision for retirement benefits | 12 | 2,749,837 | 2,515,271 |
| Other financial liabilities | 13 | 3,366,711 | 2,900,836 |
| Borrowings | 14 | 692,839 | - |
| Lease liability | 6 | 38,951,490 | 9,167,185 |
| Total non-current liabilities | | 45,760,877 | 44,583,292 |
| Current liabilities | | | |
| Lease liability | 6 | 2,329,300 | 2,329,300 |
| Trade and other payables | 14 | 2,783,696 | 3,393,850 |
| Borrowings | 15 | 2,771,357 | - |
| Bank overdraft | 16 | 8,107 | 14,561 |
| Current tax liability | | 1,058,494 | 1,097,901 |
| Total current liabilities | | 8,950,954 | 6,835,612 |
| Total liabilities | | 54,711,831 | 51,418,904 |
| Total equity and liabilities | | 80,911,650 | 84,815,902 |

The notes on pages 12 to 38 are an integral part of these financial statements.

The financial statements on pages 7 to 38 were authorised for issue by the board on 4 August 2021 and were signed on its behalf by:



Ernest Cachia
Director



Raymond Lanzon
Director

Statement of Comprehensive Income

| Year ended 31 December | | 2020 | 2019 |
|-----------------------------------|-------|---------------------|---------------|
| | Notes | € | Restated € |
| Turnover | 17 | 15,932,922 | 30,669,734 |
| Staff costs | 19 | (10,909,737) | (12,308,888) |
| Depreciation expense | 5 | (3,101,573) | (2,939,596) |
| Other operating expenses | | (6,884,130) | (7,352,016) |
| Operating (loss)/profit | 20 | (4,962,518) | 8,069,234 |
| Finance costs | 21 | (2,139,850) | (2,124,664) |
| Other income | 21 | 750,468 | 1,124,485 |
| Other expenses | | (797,062) | - |
| (Loss)/profit before tax | | (7,148,962) | 7,069,055 |
| Taxation | 22 | (48,217) | (2,930,561) |
| (Loss)/profit for the year | | (7,197,179) | 4,138,494 |

The notes on pages 12 to 38 are an integral part of these financial statements.

Statement of Changes in Equity

| | Share Capital | Retained Earning | Total |
|---|-------------------|---------------------|-------------------|
| | € | € | € |
| Balance at 1 January 2019 | 10,000,000 | 25,809,852 | 35,809,852 |
| Effect on retained earnings regarding prior period errors | - | (6,051,348) | (6,051,348) |
| Balance at 1 January 2019 (restated) | 10,000,000 | 19,758,504 | 29,758,504 |
| Comprehensive income | | | |
| Profit for the year - Total comprehensive income | - | 4,138,494 | 4,138,494 |
| Dividends paid | - | (500,000) | (500,000) |
| Balance at 31 December 2019 | 10,000,000 | 23,396,998 | 33,396,998 |
| Balance at 1 January 2020 | 10,000,000 | 23,396,998 | 33,396,998 |
| Comprehensive loss | | | |
| Loss for the year - Total comprehensive loss | - | (7,197,179) | (7,197,179) |
| Balance at 31 December 2020 | 10,000,000 | 16,199,819 | 26,199,819 |

The notes on pages 12 to 38 are an integral part of these financial statements.

Statement of Cash Flows

| Year ended 31 December | | 2020 | 2019 |
|---|-------|--------------------|--------------------|
| | Notes | € | Restated € |
| Cash flows from operating activities | | | |
| Cash (used in)/generated from operations | 25 | (2,428,438) | 9,512,900 |
| Interest paid | | (26,245) | (465) |
| Income taxes paid | | (52,026) | (1,573,033) |
| Income tax received | | 12,2474 | 41,401 |
| Net cash (used in)/generated from operating activities | | (2,494,462) | 8,380,803 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (687,499) | (2,591,578) |
| Disposal of financial assets at fair value through profit or loss | | 1,409,254 | 205,715 |
| Interest received | | 359,638 | 325,982 |
| Movement in term deposits – net | | 4,002,438 | (847,668) |
| Dividends received | | 41,564 | - |
| Net cash generated from/(used in) investing activities | | 5,125,395 | (2,907,549) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 3,464,196 | - |
| Repayment of lease obligations | | (2,329,300) | (2,329,300) |
| Amounts due from shareholders | | 465,875 | 465,875 |
| Dividends paid | | - | (500,000) |
| Net cash generated from/(used in) financing activities | | 1,600,771 | (2,363,425) |
| Net increase in cash and cash equivalents | | 4,231,704 | 3,109,829 |
| Cash and cash equivalents at beginning of year | | 5,143,555 | 2,033,726 |
| Cash and cash equivalents at end of year | | 9,375,259 | 5,143,555 |

The notes on pages 12 to 38 are an integral part of these financial statements.

Notes to the Financial Statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings class of property, plant and equipment and financial assets at fair value through profit or loss.

During the year ended 31 December 2020, the Company incurred a loss before tax of €7,148,962 (2019: profit before tax of €7,069,055).

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

Adjustments to prior year figures

During 2020, the management noted that property, plant and equipment, right-of-use asset, financial assets at fair value through profit or loss, trade and other receivables, cash and cash equivalents, term deposits, retained earnings, lease liability, other financial liabilities, trade and other payables, bank overdraft and current tax liability in the company's Statement of financial position; and turnover, depreciation expense, other operating expenses, finance costs, other income and tax expense in the Statement of comprehensive income for the year ended 31 December 2019 were not being measured and classified in accordance with the relevant accounting standards.

Hence, these should be recognised as prior period adjustments and be remeasured and/or reclassified in according to the relevant standards. These adjustments have been implemented by restating each of the affected Statement of financial position and Statement of comprehensive income line item for prior period. The following tables summarise the impacts on the Company's financial statements. »

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Adjustments to prior year figures - continued

i. Balance sheet

| 31 December 2019 | Impact of adjustments | | |
|---|------------------------|--------------------|---------------------|
| | As previously reported | Adjustments | As restated |
| Non-current assets | | | |
| Property, plant and equipment | 10,977,502 | 1,167,565 | 12,145,067 |
| Right-of-use asset | - | 33,220,024 | 33,220,024 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 4,768,570 | (173,735) | 4,594,835 |
| Trade and other receivables | 5,431,966 | (1,267,213) | 4,164,753 |
| Cash and cash equivalents | 4,985,510 | 158,045 | 5,143,555 |
| Term deposits | 25,500,000 | 47,668 | 25,547,668 |
| Total assets | 51,663,548 | 33,152,354 | 84,815,902 |
| Equity | | | |
| Retained earnings | 29,762,986 | (6,333,321) | 23,429,665 |
| Total equity | 29,762,986 | (6,333,321) | 23,429,665 |
| Non-current liabilities | | | |
| Lease liability | - | 39,167,185 | 39,167,185 |
| Other financial liabilities | 4,043,180 | (1,142,344) | 2,900,836 |
| Current liabilities | | | |
| Lease liability | - | 2,329,300 | 2,329,300 |
| Trade and other payables | 4,117,608 | (723,758) | 3,393,850 |
| Bank overdraft | 7,446 | 7,115 | 14,561 |
| Other financial liabilities | 67,996 | (67,996) | - |
| Current tax liability | 1,149,091 | (83,857) | 1,065,234 |
| Total liabilities | 9,385,321 | 39,485,645 | 48,870,966 » |

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Adjustments to prior year figures - continued

ii. Income statement

| Year ended 31 December 2019 | Impact of adjustments | | |
|-----------------------------|------------------------|------------------|-------------------|
| | As previously reported | Adjustments | As restated |
| Turnover | 31,371,549 | (701,815) | 30,669,734 |
| Depreciation expense | (2,883,080) | (56,516) | (2,939,596) |
| Other operating expenses | (9,596,967) | 2,244,951 | (7,352,016) |
| Finance costs | (62,492) | (2,062,172) | (2,124,664) |
| Other income | 914,763 | 209,722 | 1,124,485 |
| Tax expense | (2,981,751) | 83,857 | (2,897,894) |
| Profit for the year | 16,762,022 | (281,973) | 16,480,049 |

1.2 Impact of the COVID-19 pandemic

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

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

1.2.1 Impact on the Company's financial position and results of operations for the year ended 2020

As a result of the pandemic, air travel has declined considerably, leading to a sharp decrease in revenue and consequential loss, as can be seen in the statement of comprehensive income on page 9 of these financial statements. »

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.2 Impact of the COVID-19 pandemic - continued

1.2.2 Impact on capital projects

During the past 2 years, the Company started an ambitious project to construct a new air traffic control tower, to accommodate the increase in demand for air traffic control services. However, this project grinded to a halt at the onset of the pandemic. It is being envisaged that the project shall resume as soon as the current pandemic crises ends.

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

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

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

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

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

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

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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

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

1.5 Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.6 Financial assets

1.6.1 Classification

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

- financial assets at amortised cost; 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.

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.1 Classification - continued

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). »

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.1 Classification - continued

Impairment of financial assets - continued

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.

1.6.2 Impairment

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

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.2 Impairment - continued

(a) Assets carried at amortised cost

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

(b) Assets classified as available-for-sale

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

1.7 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.6.2). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss. »

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.8 Cash and cash equivalents

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

1.9 Share capital

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

1.10 Financial liabilities

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. »

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.11 Trade and other payables

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

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

1.12 Offsetting financial instruments

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

1.13 Current and deferred tax

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

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

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.13 Current and deferred tax - continued

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

1.14 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.

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. »

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.15 Leases

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

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

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

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

1.16 Retirement benefit expense

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

Notes to the Financial Statements CONTINUED

1. Summary of significant accounting policies - continued

1.17 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The parent company's board of directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The transactions are mainly effected in euro, the functional and presentation currency of the company, and as such the directors do not consider exposure to foreign exchange risk to be significant.

(ii) Interest rate risk

The Company has taken out government facilities to finance its operations as disclosed in Note 6. 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 6. »

Notes to the Financial Statements CONTINUED

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Interest rate risk - continued

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.

(iii) 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.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

| | 2020 | 2019 |
|--------------------------------------|-------------------|------------------|
| | € | € |
| Trade and other receivables (Note 8) | 2,266,021 | 4,164,753 |
| Cash and cash equivalents | 9,375,259 | 5,143,555 |
| | 11,641,280 | 9,308,308 |

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company does not hold any collateral as security in this respect.

The company banks only with local financial institutions with high quality standing or rating. »

Notes to the Financial Statements CONTINUED

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) 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.

2.2 Fair values of financial instruments

At 31 December 2020 and 31 December 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to short term maturities of these assets and liabilities.

The fair values of non-current assets are not materially different from their carrying amounts.

2.3 Capital risk management

The Company's objectives when managing capital are to safeguard its ability as a going concern and to maximize 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 6, cash and cash equivalents disclosed in Note 9 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. »

Notes to the Financial Statements CONTINUED

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Changes in accounting policies

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

In the current year, the Company has applied new and amended IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in EU for an accounting period that begins on or after 1 January 2020. The adoption of new and amended standards did not have a material impact on the Company's financial statements.

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions
(effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material
(effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
(effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards
(effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations
(effective for financial years beginning on or after 1 January 2020)

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

Notes to the Financial Statements CONTINUED

4. Changes in accounting policies - continued

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

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

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
(effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 *(effective for financial years beginning on or after 1 January 2021)*

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

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

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

- IFRS 17—Insurance contracts
(effective for financial years beginning on or after 1 January 2023)
- Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018 - 2020
(effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current – Deferral of Effective Date
(effective for financial years beginning on or after 1 January 2023) »

Notes to the Financial Statements CONTINUED

5. Property, plant and equipment

| | Assets under construction | Plant & machinery | Furniture fixtures & other equipment | Motor vehicles | Technical equipment | Buildings | Radar equipment | Total |
|---|------------------------------|----------------------|---|-------------------|------------------------|------------------|--------------------|---------------------|
| | € | € | € | € | € | € | € | € |
| At 1 January 2019 – restated | | | | | | | | |
| Cost | 5,508,521 | 92,560 | 1,529,357 | 382,916 | 14,046,332 | 4,766,928 | 16,958,234 | 43,284,848 |
| Accumulated depreciation | - | (92,560) | (1,211,999) | (375,452) | (10,776,018) | (3,291,100) | (15,744,002) | (31,491,131) |
| Net book amount | 5,508,521 | - | 317,358 | 7,464 | 3,270,314 | 1,475,828 | 1,214,232 | 11,793,717 |
| Year ended 31 December 2019 – restated | | | | | | | | |
| Opening net book amount | 5,508,521 | - | 317,358 | 7,464 | 3,270,314 | 1,475,828 | 1,214,232 | 11,793,717 |
| Additions | 560,000 | - | 176,906 | 12,297 | 1,716,230 | 86,710 | 39,435 | 2,591,578 |
| Commissioned assets | (219,639) | - | - | - | 219,639 | - | - | - |
| Depreciation charge | - | - | (193,757) | (10,344) | (1,345,029) | (27,824) | (663,274) | (2,240,228) |
| Closing net book amount | 5,848,882 | - | 300,507 | 9,417 | 3,861,154 | 1,534,714 | 590,393 | 12,145,067 |
| At 31 December 2019 – restated | | | | | | | | |
| Cost | 5,848,882 | 92,560 | 1,706,262 | 395,213 | 15,982,202 | 4,853,638 | 16,997,669 | 45,876,426 |
| Accumulated depreciation | - | (92,560) | (1,405,755) | (385,796) | (12,121,048) | (3,318,924) | (16,407,276) | (33,731,359) |
| Net book amount | 5,848,882 | - | 300,507 | 9,417 | 3,861,154 | 1,534,714 | 590,393 | 12,145,067 » |

Notes to the Financial Statements CONTINUED

5. Property, plant and equipment - continued

| | Assets under construction | Plant & machinery | Furniture fixtures & other equipment | Motor vehicles | Technical equipment | Buildings | Radar equipment | Total |
|--|------------------------------|----------------------|---|-------------------|------------------------|------------------|--------------------|---------------------|
| | € | € | € | € | € | € | € | € |
| At 1 January 2020 – restated | | | | | | | | |
| Cost | 5,848,882 | 92,560 | 1,706,262 | 395,213 | 15,982,202 | 4,853,638 | 16,997,669 | 45,876,426 |
| Accumulated depreciation | - | (92,560) | (1,405,755) | (385,796) | (12,121,048) | (3,318,924) | (16,407,276) | (33,731,359) |
| Net book amount | 5,848,882 | - | 300,507 | 9,417 | 3,861,154 | 1,534,714 | 590,393 | 12,145,067 |
| Year ended 31 December 2020 | | | | | | | | |
| Opening net book amount | 5,848,882 | - | 300,507 | 9,417 | 3,861,154 | 1,534,714 | 590,393 | 12,145,067 |
| Additions | 12,016 | - | 62,483 | - | 415,381 | 15,975 | 181,644 | 687,499 |
| Commissioned assets | (2,800,000) | - | - | - | - | - | 2,800,000 | - |
| Depreciation charge | - | - | (138,039) | (2,038) | (1,386,588) | (28,063) | (847,476) | (2,402,204) |
| Closing net book amount | 3,060,898 | - | 224,951 | 7,379 | 2,889,947 | 1,522,626 | 2,724,561 | 10,430,362 |
| At 31 December 2020 | | | | | | | | |
| Cost | 3,060,898 | 92,560 | 1,768,745 | 395,213 | 16,397,583 | 4,869,613 | 19,979,313 | 46,563,925 |
| Accumulated depreciation | - | (92,560) | (1,543,794) | (387,834) | (13,507,636) | (3,346,987) | (17,254,752) | (36,133,563) |
| Net book amount | 3,060,898 | - | 224,951 | 7,379 | 2,889,947 | 1,522,626 | 2,724,561 | 10,430,362 » |

Notes to the Financial Statements CONTINUED

6. Right-of-use asset and lease liabilities

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

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

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

| | Land | Total |
|------------------------------------|-------------------|---------------------|
| | € | € |
| Year ended 31 December 2019 | | |
| Opening net book amount | - | - |
| Additions | 33,919,393 | 33,919,393 |
| Depreciation charge | (699,369) | (699,369) |
| Closing net book amount | 33,220,024 | 33,220,024 |
| Year ended 31 December 2020 | | |
| Opening net book amount | - | - |
| Additions | 33,220,024 | 33,220,024 |
| Depreciation charge | (699,369) | (699,369) |
| Net book amount | 32,520,655 | 32,520,655 » |

Notes to the Financial Statements CONTINUED

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

| | Land | Total |
|-------------------------------|-------------------|-------------------|
| | € | € |
| As at 31 December 2020 | | |
| Cost | 33,919,393 | 33,919,393 |
| Accumulated depreciation | (1,398,738) | (1,398,738) |
| Net book amount | 32,520,655 | 32,520,655 |

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

| | Land | Total |
|--|-------------------|-------------------|
| | € | € |
| At 1 January 2019 | - | - |
| Additions | 33,919,393 | 33,919,393 |
| Adjustment to equity on adoption of new standard | 7,782,193 | 7,782,193 |
| Interest expense on lease liability | 2,124,199 | 2,124,199 |
| Repayment of lease liability | (2,329,300) | (2,329,300) |
| At 31 December 2019 - restated | 41,496,485 | 41,496,485 |
| At 1 January 2020 | 41,496,485 | 41,496,485 |
| Additions | - | - |
| Interest expense on lease liability | 2,113,605 | 2,113,605 |
| Repayment of lease liability | (2,329,300) | (2,329,300)» |
| At 31 December 2020 | 41,280,790 | 41,280,790 |

Notes to the Financial Statements CONTINUED

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

Lease liabilities for the years ended 31 December 2020 and 2019 are split into maturity groups as follows:

| | 2020 | 2019 |
|--------------------|-------------------|------------|
| | € | € |
| Non-current | | |
| Lease liabilities | 38,951,490 | 39,167,185 |
| Current | | |
| Lease liabilities | 2,329,300 | 2,329,300 |

| | 2020 | 2019 |
|--|------------------|-----------|
| | € | € |
| The statement of comprehensive income reflects the following amounts with respect to leases: | | |
| Depreciation charge of the right-of-use assets | 699,369 | 699,369 |
| Interest expense on lease liability | 2,113,605 | 2,124,199 |

The total cash payments for leases in 2020 and 2019 were €2,329,300 and €2,329,300 respectively. »

Notes to the Financial Statements CONTINUED

7. Financial assets at fair value through profit or loss

| | 2020 | 2019 |
|--|------------------|------------------|
| | € | Restated € |
| Fair value at 31 December 2020 | | |
| Life insurance policy | 1,554,960 | 1,531,980 |
| Debt securities | 2,005,998 | 2,408,741 |
| Equity instruments | 1,060,492 | 267,463 |
| Collective Investment Schemes | 152,673 | 199,671 |
| Multi-asset funds | - | 186,980 |
| Total financial assets at fair value through profit or loss | 4,774,123 | 4,594,835 |

| | 2020 | 2019 |
|---|------------------|--------------------|
| | € | Restated € |
| Year ended 31 December | | |
| At beginning of the year | 4,594,835 | 3,023,481 |
| Life insurance policy | 1,500,000 | 1,500,000 |
| Net gain/ (loss) from changes in fair value during the year | 88,542 | 277,069 |
| Portfolio movements | (1,409,254) | (205,715) |
| At end of year | 4,774,123 | 4,594,835 » |

Notes to the Financial Statements CONTINUED

8. Trade and other receivables

| | 2020 | 2019 |
|--|--------------------|---------------|
| | € | Restated € |
| Current | | |
| Trade receivables - gross | 2,708,267 | 3,358,666 |
| Less: Provisions for impairment of trade receivables | (2,001,798) | (1,376,294) |
| Trade receivables - net | 706,469 | 1,982,372 |
| Prepayments and accrued income | 1,028,636 | 2,017,282 |
| Amounts due from shareholders | 477,590 | 81,082 |
| Other receivables | 53,326 | 84,017 |
| | 2,266,021 | 4,164,753 |

Trade Receivables is stated net of provision for doubtful debts amounting to €2,001,798 (2019: €1,376,294). Accrued income is stated net of provision for doubtful debts amounting to €965,091 (2019: €1,988,078).

Amounts due from shareholders are unsecured, interest free and repayable on demand.

9. Cash and cash equivalents

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

| | 2020 | 2019 |
|--------------------------|------------------|---------------|
| | € | Restated € |
| Cash at bank and in hand | 9,375,259 | 5,143,555 |
| Bank overdraft (Note 15) | (8,107) | (14,561) |
| Trade receivables - net | 9,367,152 | 5,128,994 » |

Notes to the Financial Statements CONTINUED

10. Term Deposits

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

| | 2020 | 2019 |
|---------------------------------|-------------------|---------------|
| | € | Restated € |
| Maturing within one year | | |
| 1 year fixed-term deposits | 9,500,000 | 25,500,000 |
| Term deposits from investments | 45,230 | 47,668 |
| | 9,545,230 | 25,547,668 |
| Maturing after one year | | |
| 5 year fixed-term deposits | 12,000,000 | - |
| | 21,545,230 | 25,547,668 |

11. Share capital

| | 2020 | 2019 |
|---------------------------------------|-------------------|---------------|
| | € | Restated € |
| Authorised | | |
| 10,000,000 ordinary shares of €2 each | 20,000,000 | 20,000,000 |
| Issued and fully paid | | |
| 5,000,000 ordinary shares of €2 each | 10,000,000 | 10,000,000 » |

Notes to the Financial Statements CONTINUED

12. Provision for retirement benefits

The provision for retirement benefits is unfunded and represents the year-end provision for possible future liabilities relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the Company. The provision has been computed in accordance with the accounting policy stated in note 1.16 and represents the Company's obligation discounted to the net present value at the rate of 7% after considering the average life expectancy of these employees and expected increases in salaries, where applicable.

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

| | 2020 | 2019 |
|------------------------------|------------------|-----------|
| | € | € |
| At the beginning of the year | 2,515,271 | 2,339,206 |
| Retirement benefit expense | 234,566 | 176,065 |
| At end of year | 2,749,837 | 2,515,271 |

On 14 January 2021, 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 2020. The total amount to be paid out by the Company, as charged by the Service Pensions Department, as at 31 December 2020 amounted to €2,749,837.

13. Other financial liabilities

| | 2020 | 2019 |
|----------------------------|------------------|---------------|
| | € | Restated € |
| Amounts owed to government | 3,366,711 | 2,900,836 |

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. »

Notes to the Financial Statements CONTINUED

14. Trade and other payables

| | 2020 | 2019 |
|------------------------------|------------------|------------------|
| | € | Restated € |
| Current | | |
| Trade payables | 2,394,164 | 2,986,754 |
| Accruals and deferred income | 344,322 | 405,246 |
| Deferred government grant | 45,210 | - |
| Other payables | - | 1,850 |
| | 2,783,696 | 3,393,850 |

15. Borrowings

| | 2020 | 2019 |
|------------------------|------------------|----------|
| | € | € |
| Non-Current | | |
| Loan from Euro Control | 692,839 | - |
| Current | | |
| Loan from Euro Control | 2,771,357 | - |
| | 3,464,196 | - |

Loan from Euro Control bears interest of 1.5% per annum and is repayable by 31 March 2022. »

Notes to the Financial Statements CONTINUED

16. Bank overdraft

| | 2020 | 2019 |
|----------------|--------------|--------|
| | € | € |
| Current | | |
| Bank overdraft | 8,107 | 14,561 |

The outstanding bank overdraft as at 31 December 2020 and 2019 is secured by general hypothec over the Company's assets. The average rate of interest during the year was 5.15% (2019: 5.15%).

17. Revenue

| | 2020 | 2019 |
|--|-------------------|---------------------|
| | € | Restated € |
| Provision of air traffic control services: | | |
| En-Route traffic | 11,016,790 | 21,446,937 |
| Terminal traffic | 1,985,856 | 6,339,033 |
| Exempt traffic | 1,863,499 | 1,863,499 |
| Maintenance and technical fees | 1,066,777 | 1,020,265 |
| | 15,932,922 | 30,669,734 » |

Notes to the Financial Statements CONTINUED

18. Expenses by nature

| | 2020 | 2019 |
|--------------------------|-------------------|---------------|
| | € | Restated € |
| Staff costs (Note 18) | 10,909,737 | 12,308,888 |
| Depreciation expense | 3,101,573 | 2,939,596 |
| Auditor's remuneration | 2,750 | 2,650 |
| Other operating expenses | 6,881,380 | 7,349,366 |
| Total expenses | 20,895,440 | 22,600,500 |

Auditors' fees

Fees charged by the auditors for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

| | 2020 | 2019 |
|------------------------|--------------|---------|
| | € | € |
| Annual statutory audit | 2,750 | 2,650 » |

Notes to the Financial Statements CONTINUED

19. Staff costs

| | 2020 | 2019 |
|---|-------------------|------------|
| | € | € |
| Staff costs incurred during the year were as follows: | | |
| Wages and salaries | 10,298,875 | 11,777,680 |
| Social security costs | 376,296 | 355,143 |
| Retirement benefit expense | 234,566 | 176,065 |
| | 10,909,737 | 12,308,888 |

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

| | 2020 | 2019 |
|----------------|------------|------|
| Operations | 54 | 57 |
| Technical | 52 | 51 |
| Administration | 59 | 48 |
| | 165 | 156 |

20. Finance costs

| | 2020 | 2019 |
|--------------------------------|------------------|---------------|
| | € | Restated € |
| Interest on bank overdraft | 2,362 | 465 |
| Interest on loan | 23,883 | - |
| Interest on right-of-use asset | 2,113,605 | 2,124,199 |
| | 2,139,850 | 2,124,664 » |

Notes to the Financial Statements CONTINUED

21. Other income/(expenses) - net

| | 2020 | 2019 |
|--|------------------|---------------|
| | € | Restated € |
| Interest income on bank deposits | 259,645 | 447,649 |
| Net gain/(loss) from changes in fair value of financial assets at fair value through profit or loss | 88,542 | 277,069 |
| Investment transaction fees | (18,018) | - |
| Dividend received | 41,564 | - |
| Interest expense on subscriptions | (1,012) | - |
| Interest income on redemptions | 15,282 | - |
| Income from grants | 7,541 | 56,075 |
| Re-imbursed grants | (664,795) | - |
| Other income | 224,657 | 343,692 |
| | (46,594) | 1,124,485 » |

Notes to the Financial Statements CONTINUED

22. Tax expense

| | 2020 | 2019 |
|---------------------|---------------|---------------|
| | € | Restated € |
| Current tax expense | 48,217 | 2,930,561 |

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

| | 2020 | 2019 |
|--|--------------------|-----------|
| | € | € |
| (Loss) / profit before tax | (7,148,962) | 7,069,055 |
| Tax on (loss) / profit at 35% (€(6,827,512), 2019: €6,621,871) | (2,389,629) | 2,317,655 |
| Tax on profit at 15% (€321,450, 2019: €447,184) | 48,217 | 67,078 |
| Tax effect of: | | |
| Non-deductible expenses | 1,854,866 | 26,041 |
| Temporary differences | 534,763 | 519,787 |
| x expense | | |
| Tax charge in the accounts | 48,217 | 2,930,561 |

23. Directors' emoluments

| | 2020 | 2019 |
|-------------------------------|---------------|----------|
| | € | € |
| Salaries and other emoluments | 58,650 | 63,490 » |

Notes to the Financial Statements CONTINUED

24. Dividends

| | 2020 | 2019 |
|---|------|-----------|
| | € | € |
| Gross of income tax | | |
| Ordinary shares dividend | - | 769,231 |
| Net of Income tax | | |
| Ordinary shares dividend from Malta Tax Account | - | 500,000 » |

Notes to the Financial Statements CONTINUED

25. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | 2020 | 2019 |
|---|--------------------|---------------|
| | € | Restated € |
| Operating (loss)/profit | (4,962,518) | 8,069,234 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (Note 5) | 2,402,204 | 2,240,228 |
| Depreciation of right-of-use asset (Note 6) | 699,369 | 699,369 |
| Retirement benefit expense | 234,566 | 176,065 |
| Provision for doubtful debts | 625,504 | 225,755 |
| Interest expense | 2,140,862 | 2,124,664 |
| Decrease/(increase) in fair value of financial assets at fair value through profit or loss | 9,151 | (277,070) |
| Gain on disposal of financial assets at fair value through profit or loss | (97,693) | - |
| Interest income | (274,927) | (447,649) |
| Movement in deferred tax liability | - | (126,248) |
| Adjustment to net book value after restating property, plant and equipment | (4,493,534) | (2,617,749) |
| Changes in working capital: | | |
| Decrease/(increase) in trade and other receivables | 1,898,732 | (669,204) |
| (Decrease)/increase in trade and other payables | (610,154) | 115,505 |
| Cash generated from operations | (2,428,438) | 9,512,900 » |

Notes to the Financial Statements CONTINUED

26. Related party transactions

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

| | 2020 | 2019 |
|--|-----------|-----------|
| | € | € |
| Transactions with ultimate controlling party: | | |
| Revenue | 1,863,499 | 1,863,499 |
| Interest on leased land | 2,113,605 | 2,124,199 |

27. Events after the reporting period

As a consequence of the ongoing COVID-19 pandemic described in Note 1.2, at the signing date of these financial statements, it is yet unknown when air travel will reach the 2019 figures. However, management is predicted that such operating levels should be reached in approximately 3 years after the pandemic ends.

As discussed in Note 1.2 the directors believe that the current situation will not affect the Company's ability to continue as a going concern.

The matters described above are considered to be a non-adjusting, post-balance sheet event.

28. Statutory information

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

The immediate and ultimate parent company of Malta Air Traffic Services Limited is Malta Government Investments Limited, a company registered in Malta, with its registered address at Malta International Airport, Luqa LQA 5000 Malta. »

Notes to the Financial Statements CONTINUED

29. Comparative information

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

Supplementary Statements 2020

CONTENTS

| | |
|---|------------|
| Detailed Statement of Comprehensive Income | 103 |
| Revenue | 104 |
| Other Operating Expenses | 105 |

Detailed Statement of Comprehensive Income

Schedule I

| | 2020 | 2020 | 2020 | 2019 |
|-------------------------------|--------------|-------------|-------------|--------------|
| | € | En-route | Terminal | € |
| | € | € | € | € |
| Revenue | 15,932,922 | 11,016,790 | 4,916,132 | 30,669,734 |
| Staff costs | (10,909,737) | (8,741,972) | (2,167,765) | (12,308,888) |
| Depreciation expense | (3,101,573) | (2,419,227) | (682,346) | (2,939,596) |
| Other operating expenses | (6,884,130) | (5,581,536) | (1,302,594) | (7,352,016) |
| Finance costs | (2,139,850) | (1,711,880) | (427,970) | (2,124,664) |
| Other income/(expenses) – net | (46,594) | (40,537) | (6,057) | 1,124,485 |
| | (7,148,962) | (7,478,362) | 329,400 | 7,069,055 |

Schedule does not form part of the audited financial statements.

Revenue

Schedule II

| Turnover | 2020 | 2020 | 2020 | 2019 |
|---|-------------------|-------------------|------------------|------------|
| | € | En-route € | Terminal € | € |
| <i>Provision of air traffic control services:</i> | | | | |
| En-Route traffic | 11,016,790 | 11,016,790 | - | 21,446,937 |
| Terminal traffic | 1,985,856 | - | 1,985,856 | 6,339,033 |
| Exempt traffic | 1,863,499 | - | 1,863,499 | 1,863,499 |
| Maintenance fees | 1,066,777 | - | 1,066,777 | 1,020,265 |
| | 15,932,922 | 11,016,790 | 4,916,132 | 30,669,734 |

Schedule does not form part of the audited financial statements.

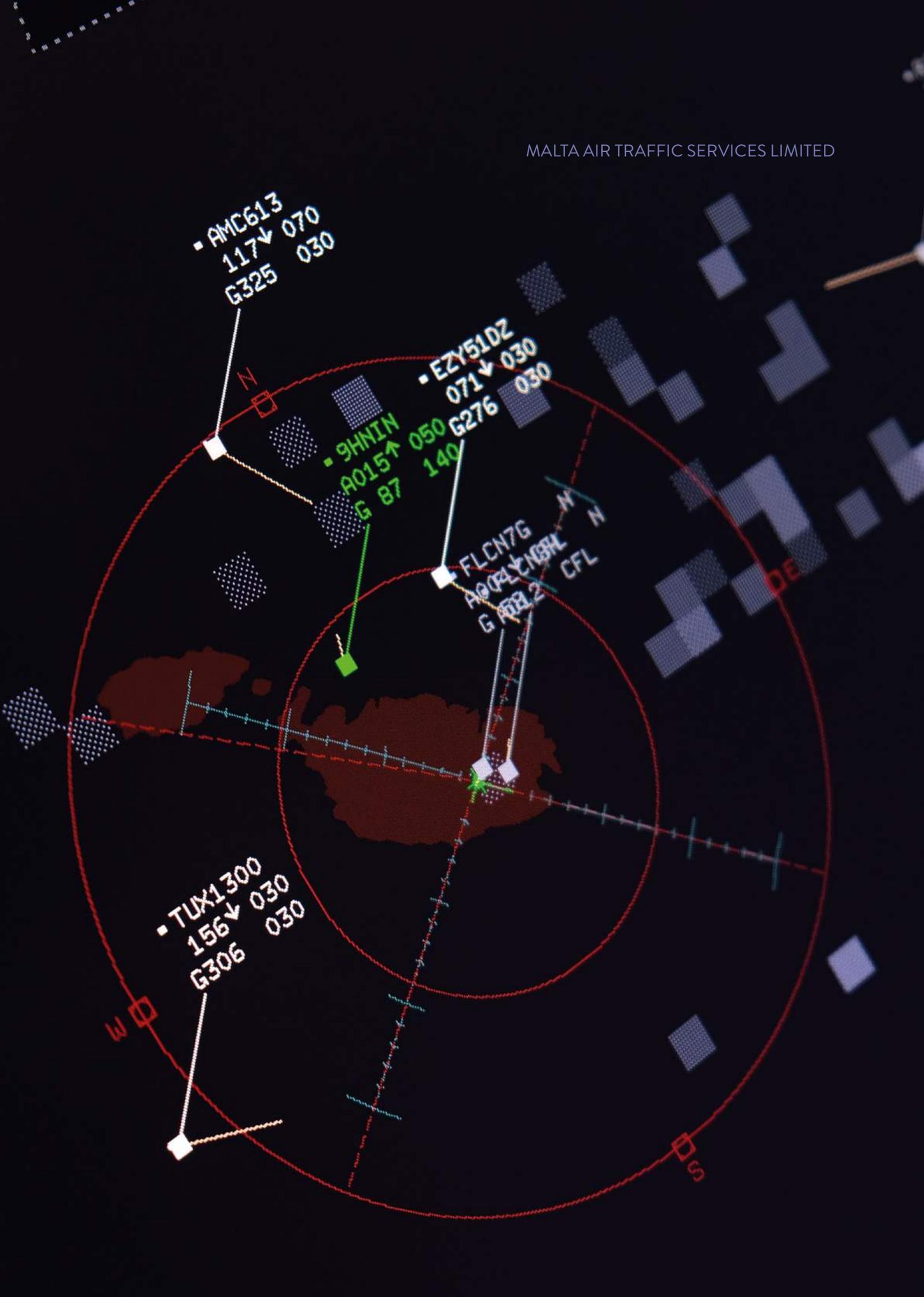
Other Operating Expenses

| | 2020 | 2020 | 2020 | 2019 |
|----------------------------------|-----------|-----------|----------|-----------|
| | 2020 | En-route | Terminal | Restated |
| | € | € | € | € |
| Eurocontrol contribution | 952,488 | 911,488 | 41,000 | 984,000 |
| Regulatory and supervisory costs | 2,102,293 | 1,291,246 | 811,047 | 1,504,799 |
| MOT regulation costs | - | - | - | 1,000,000 |
| Meteorological services | 765,288 | 665,800 | 99,488 | 765,288 |
| Communication expenses | 504,099 | 438,566 | 65,533 | 649,939 |
| Training | 70,179 | 61,056 | 9,123 | 646,587 |
| Insurance | 471,412 | 410,128 | 61,284 | 439,740 |
| Provision for doubtful debts | 625,504 | 625,504 | - | 225,755 |
| Travelling | 28,758 | 25,019 | 3,739 | 211,236 |
| Water and electricity | 203,797 | 177,303 | 26,494 | 193,366 |
| Legal and professional fees | 68,202 | 59,336 | 8,866 | 137,547 |
| General expenses | 38,901 | 33,844 | 5,057 | 25,215 |
| Conference expenses | 1,972 | 1,716 | 256 | 37,300 |
| Subscriptions | 110,446 | 96,088 | 14,358 | 103,588 |
| Cleaning | 77,244 | 67,202 | 10,042 | 96,493 |
| Licences and permits | 60,819 | 54,926 | 5,893 | 38,577 |
| Directors' fees | 58,650 | 51,025 | 7,625 | 63,490 |
| Fuel and oil | 33,785 | 29,393 | 4,392 | 50,840 |
| Repairs and servicing | 503,965 | 438,450 | 65,515 | 22,942 |
| Printing and stationery | 34,915 | 30,376 | 4,539 | 43,196 |
| Motor vehicle expenses | 11,878 | 10,334 | 1,544 | 14,073 |
| Bank charges | 38,705 | 30,964 | 7,741 | 26,379 |
| Staff expenses | 2,764 | 2,405 | 359 | 6,990 |
| Sponsorship | 4,643 | 4,039 | 604 | 20,970 |
| Medical fees | 12,040 | 2,040 | - | 12,953 |
| Hire of equipment | 1,219 | 1,060 | 159 | 9,773 |
| Advertising | 790 | 687 | 103 | 7,082 |
| Donations | 8,674 | 7,546 | 1,128 | 7,150 |
| Car hire | 36,957 | - | 36,957 | 5,508 » |

Other Operating Expenses CONTINUED

| | 2020 | 2020 | 2020 | 2019 |
|------------------------|------------------|------------------|------------------|-----------|
| | € | En-route | Terminal | Restated |
| | € | € | € | € |
| Difference on exchange | - | - | - | (19) |
| Carriage | 6,255 | 5,442 | 813 | 1,124 |
| Entertainment | 1,322 | 1,150 | 172 | 3,679 |
| Auditor's remuneration | 2,750 | 2,393 | 357 | 2,650 |
| Registration fees | 1,400 | 1,218 | 182 | 1,400 |
| Penalties & fines | 243 | 211 | 32 | 580 |
| Safety wear | 1,571 | 1,367 | 204 | 237 |
| Wages and salaries | 40,202 | 32,214 | 7,988 | (8,411) |
| | 6,884,130 | 5,581,536 | 1,302,594 | 7,352,016 |

Schedule does not form part of the audited financial statements.





Annual Report 2020
& FINANCIAL STATEMENTS

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